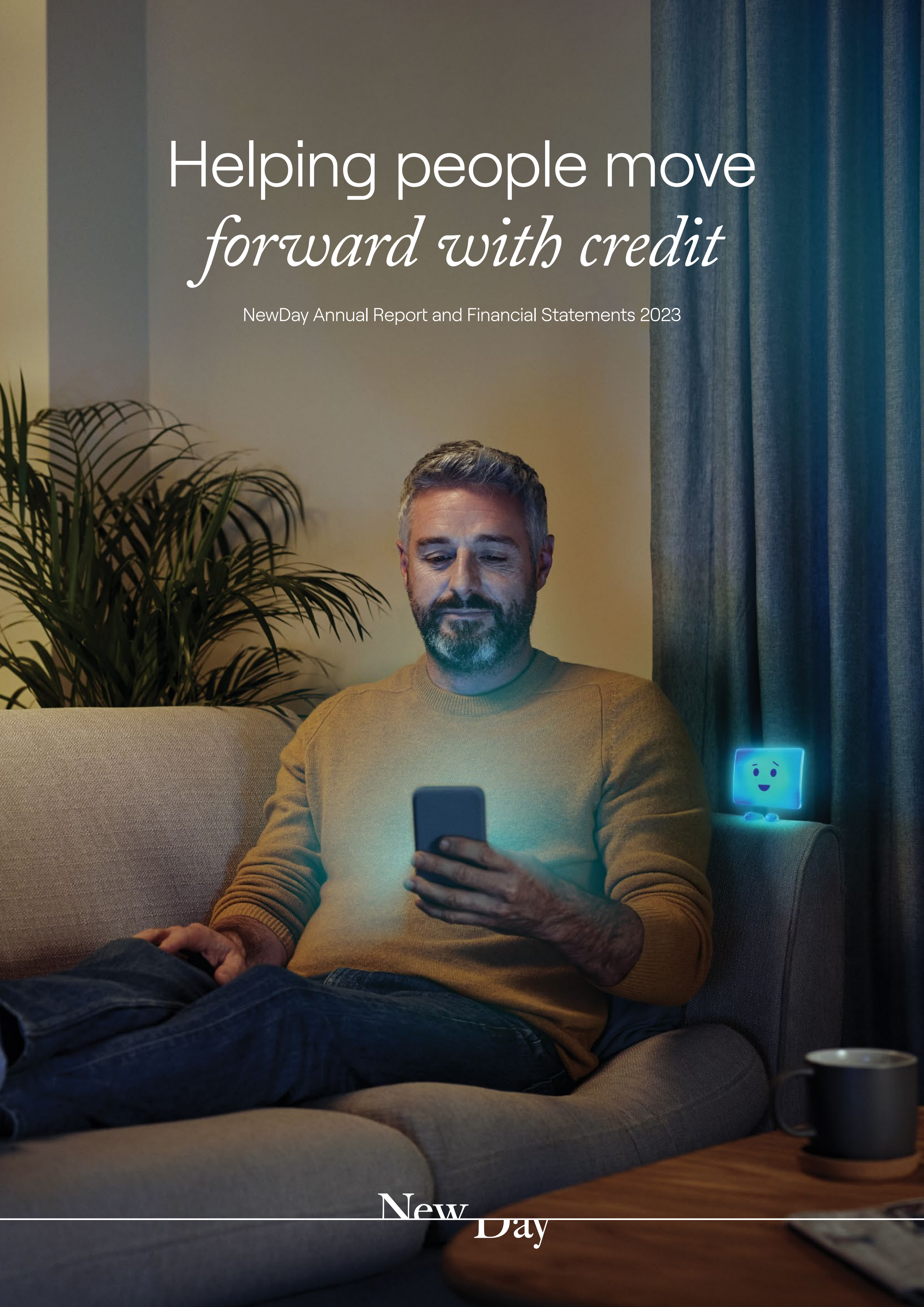
Helping people move *forward with credit*

NewDay Annual Report and Financial Statements 2023



Contents

Strategic Report
The Strategic Report on pages 01 to 54 was approved by the Board on 27 March 2024 and signed on its behalf by the Directors, Grant Collins and Carl Hansen.

Cautionary statement
Please see page 119 of this report for a description of: (i) the basis of preparation of the financial information contained in this report; (ii) the governance and risk frameworks described in this report; (iii) the use of certain non-IFRS financial measures and forward-looking statements; and (iv) certain other important information. You should review this in full prior to reading this report.

We are a leading provider of consumer credit in the UK

Scale consumer credit and embedded finance provider operating in the UK.

Purpose-led customer-centric focus, guided by our manifesto. We are one of the UK's most **inclusive lenders**, responsibly saying "yes" to a wide spectrum of people.

Responsible lender with proven **through-the-cycle** credit risk management expertise across a range of regulated products. In-house data capabilities that drive **underwriting and operational excellence**.

Predictable business model with embedded profitability and strong cash generation. We leverage **operational flexibility** to optimise growth with cash and profit generation.

Highly scalable, brand-agnostic, **state-of-the-art** technology platform.

Established and **diversified funding programme** enabling growth with significant facility headroom.

Our purpose and manifesto

We help people move forward with credit

Our purpose

At NewDay, our business is focused on a single, clear and defining purpose:

To help people move *forward with credit.*

Who we help move forward

Consumers

We create more convenient ways to access and manage credit with simple tools to help our customers improve credit scores and earn rewards. All of this is underpinned by seamless customer journeys.

Partners

Our products enable our partners to offer a range of financing options to their customers, improving engagement and helping move their businesses forward.

Our manifesto

Everyone wants
to move forward.
To progress their lives.

We believe in credit as a force for good. Because responsible and accessible credit expands possibilities. It powers up life and business.

We know that credit itself should move forward too. People want the right credit for them – credit that supports, rewards and adapts to life's changes. We make this happen through expert insight, data and technology.

People want to shop with the brands they love. We help businesses offer experiences through seamless credit and loyalty.

Helping our customers move forward in 2023

395K
Customers we responsibly said "yes" to, widening financial inclusion

2.4M
Customers with improved credit scores

824K
Customers registered for our financial education tools

441K
Customers extended payment support

NewDay in numbers

We made progress with our strategy in 2023

Economic uncertainty persisted throughout 2023 and we risk managed our business accordingly. We deliberately slowed new account acquisition in 2023, relying on our sophisticated credit scoring models to welcome 0.4m (2022: 1.3m, including 0.6m from the John Lewis & Partners programme launch) new customers to our business. Spend increased by 65% to £15.0bn (2022: £9.1bn) and gross receivables finished the year at £4.3bn (2022: £4.3bn).

Our business is resilient. We leverage operational flexibility to quickly adapt, reducing investment in new customers to maximise overall profitability arising from existing customers. In a challenging economic environment, we reported £98m[1] (2022: £110m) statutory profit before tax and £207m[1] (2022: £203m) underlying profit before tax. Underlying profit excludes costs associated with acquired intangible assets, Senior Secured Debt, an operational restructuring and expenses incurred on a one-off platform development project.

Average gross receivables growth and higher base rates throughout the year increased interest income but this was offset by higher funding costs. The impairment charge remained well-controlled and risk-adjusted income increased to £457m (2022: £446m) for the year.

A continuous focus on cost control led to an improvement in the underlying cost-income ratio to 29.0% (2022: 29.1%) against a backdrop of significant inflationary pressures and higher costs incurred to service the John Lewis & Partners portfolio.

We have built a leading platform that drives market innovation and better customer experiences. This is recognised externally and led to multiple new partner wins in 2023, including Lloyds Banking Group, each choosing to use our platform as a service. Our platform is built for scale and processed 323m (2022: 216m) transactions in the year. We are continuing to develop and invest in its capabilities.

We aim to provide best-in-class, seamless customer journeys to help people manage their accounts. We listen to customers and are constantly implementing improvements to processes. Our Net Promoter Score (NPS) improved to +72 (2022: +64).

We generated £128m (2022: £136m) of free cash flow available for growth and debt service. We deleveraged our business by repaying the remaining £61m of Senior Secured Debt maturing in 2024 and finished the year with £589m (2022: £382m) of cash. We started 2024 with £1.5bn of funding facility headroom for future growth.

Gross receivables

£4.3BN

(2022: £4.3bn)

Statutory profit before tax[1]

£98M

(2022: £110m)

Transactions processed

323M

(2022: 216m)

1 Underlying performance excludes certain items included within the statutory result. A reconciliation between the underlying and statutory result is shown on page 28.

Customer spend

£15.0BN

(2022: £9.1bn)

Risk-adjusted income

£457M

(2022: £446m)

Underlying profit before tax[1]

£207M

(2022: £203m)

Underlying cost-income ratio

29.0%

(2022: 29.1%)

Transactional NPS

+72

(2022: +64)

Repayment of Senior Secured Debt

£61M

(2022: £26m)

Chairman's statement

> Our business evolved, successfully navigated economic uncertainty and advanced strategic initiatives. We are a customer-centric business helping people move forward with credit whilst delivering sustainable returns for shareholders.

Sir Michael Rake
Chairman and Non-Executive Director

Last year I wrote cautioning that the uncertain economic outlook at the beginning of 2023 would likely present several challenges for our customers and business. I also wrote that our business is underpinned by leading technologies, passionate colleagues and a customer-centric purpose which positions NewDay to navigate through the most severe storms. I am pleased to report a good year for NewDay. We successfully navigated through high inflation and interest rates, delivered progress against our strategic ambitions and supported customers through a difficult economic time.

Delivering our purpose

At the core of NewDay is an unwavering commitment to our purpose. We are committed to pioneering innovative financial solutions that empower our customers, widen access to responsible credit and help people better their lives.

We can say "yes" to more customers because we leverage deep data insights and sophisticated credit scoring models which allow us to understand each customer, and their needs, individually. Whilst we exercised more discipline in underwriting during 2023, we still welcomed 0.4m (2022: 1.3m) new customers to our business.

Widening financial inclusion is an important aspect of our mission to provide responsible, affordable credit to working Britain. We believe that everyone should have access to the financial tools and services they need to build a better future, regardless of their background or circumstances. In 2023, we provided financial education tools to 824k (2022: 592k) customers and we helped 2.4m (2022: 2.1m) customers improve their credit score.

Working Britain

Uncertainty in the UK economy manifested in high inflation and rising interest rates which placed further cost-of-living stresses on customers. Our core customer base sits firmly within working Britain. It was encouraging to see customers adapt their spend behaviours and reduce interest-bearing balances where possible in order to manage short-term stresses.

We also supported customers through a now established suite of interventions, including payment holidays, that we can tailor to provide targeted support for each individual. During the year, we offered payment support to 441k (2022: 390k) customers. We are pleased to play our part in helping working Britain through short-term stresses.

Investing in our colleagues

We promote a culture where each individual can be their best self. Our colleagues interact daily with customers and partners and they are best placed to drive continuous improvement in our products and services.

We constantly invest in our colleagues and in 2023 delivered an 'Investing in You' programme to over 750 colleagues. This provided each individual with tailored psychometric and behavioural insights aimed at driving career development.

It is becoming a regular occurrence that our colleagues and their achievements are recognised externally. It was great to see two colleagues winning at the Women in Credit Awards, taking home 'Team Player of the Year' and 'Innovator of the Year'. We also won the 'Alternative Payments Solution' award at the Retail Systems Awards and three awards at the UK Customer Experience Awards including a gold award for 'Best Employee Experience'.

> "Acting ethically, responsibly and sustainably is intrinsic to the way we operate. We believe credit is a force for good.

Socially responsible and sustainable growth

NewDay's approach to sustainability is award winning. We believe in credit as a force for good. Responsible and accessible credit unlocks possibilities, helping people better their lives. In recent years we have advanced our ESG (environmental, social and governance) agenda committing to Net Zero by 2040, become a signatory to the UN Global Compact and broadened financial inclusion.

In 2023, we further progressed our ESG credentials. We collaborated with Experian and other firms on the launch of Support Hub, which allows consumers to share their support needs with multiple organisations in a single, consented, transparent and standardised manner.

We partnered with Plain Numbers, an organisation that supports individuals who struggle with numeracy, and leveraged their insights from behavioural science and in-depth knowledge to help further improve the way we communicate information to our customers. We also continued to support customers to build carbon literacy and awareness by expanding access to our in-app carbon footprint tracking.

It always pleases me to see how engaged colleagues are with our charity partners. In the year, NewDay donated £0.3m to Family Action and colleagues donated over 400 toys and a further £4k for Family Action's Christmas Toy Appeal. We also hosted Family Action's HeadStart programme, helping disadvantaged young people to develop the skills, experiences and confidence needed to secure and stay in employment. Additionally, we partnered with Stemettes to help young women develop tech skills and to promote STEM (Science, Technology, Engineering and Maths) careers.

Regulatory updates

Helping people move forward with credit is underpinned by positive customer outcomes. We actively engage with regulatory bodies and scan the horizon to stay ahead of and help shape regulatory change.

In 2023, we continued to challenge ourselves to enhance our customer proposition in the spirit of the FCA's new Consumer Duty. We delivered the necessary actions required to meet the FCA's Consumer Duty and will continue to assess this on an ongoing basis to monitor compliance. We also continued the application of the FCA's Tailored Support Guidance which was especially relevant against a backdrop of rising living costs.

Where next?

Our business performed resiliently in 2023 and I remain hopeful that the UK economy will start to transition to increased certainty in 2024. Geopolitical tensions remain heightened and we must remain alert to prevailing risks. We started 2024 with solid foundations to accelerate the delivery of our strategic initiatives. I am confident NewDay will continue to play its part in driving access to responsible and affordable credit for working Britain.

Finally, I would like to thank the Board and all colleagues across the business for their hard work and commitment to delivering on our purpose and strategy. Their dedication underpins our successes.

Sir Michael Rake
Chairman and Non-Executive Director

Credit as a force for good

NewDay is driven by helping people move forward with credit. Acting responsibly and sustainably means we can look after our customers, protect the environment and help support communities. By developing a comprehensive sustainability strategy with clear targets we aim to create change, deliver sustainable development and build a better future for our stakeholders.

Read more on page 36 and in our Sustainability Report available on our website newday.co.uk

ESG strategy

Financial inclusion
Removing barriers to credit and rewarding good credit management

Climate action
Net Zero by 2040

Learning
Financial education for customers and colleague development

Our purpose

To help people move *forward with credit*

Do the right thing
We're guided by our responsibility towards our customers and to each other.

Pull together
We take collective accountability. We support one another. We are stronger together.

Aspire to extraordinary
We aim high. We have the courage to challenge ourselves and each other.

Create tomorrow
We build for the future. We push to create, adapt and change.

Being a responsible lender

Read more on page 37

Minimise our environmental impact

Read more on page 40

Inclusive and diverse workplace

Read more on page 41

Areas of focus

Removing barriers to credit and rewarding good credit management

2.4M

Customers supported to improve their credit score (2022: 2.1m)

+75

Net Easy Score (NES) (2022: +67)

Net Zero by 2040

Awarded EcoVadis Gold medal sustainability rating

Carbon neutral own operations across Scope 1 and 2 CO_2 emissions

Financial education for customers and colleague development

824K

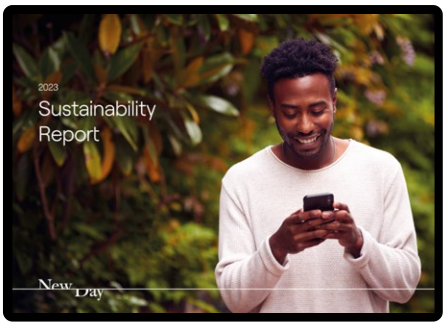
Customers registered for *Aqua Coach* and *Credit Score*, our financial education tools (2022: 592k)

76%

Employee engagement (2022: 78%)

Future priorities

- Expansion of *Aqua Coach Steps* to support customers to improve their credit score and enhance financial education
- Expand and progress diversity metrics and increase proportion of females in senior management roles to 40% by 2026
- Introduce supplier performance tracking against sustainability metrics to ensure our suppliers' activities are aligned with our ESG ambitions
- Achieve Net Zero by 2040



Read more in our Sustainability Report available on our website newday.co.uk

Our technology

A leading, highly scalable platform

323M
Transactions processed in 2023

>1K
Code deployments per month

>99.5%
Digital platform availability

20X
Tested for scale without any performance degradation

0.5TB
Data ingested into our data platform daily

1TN
Data points on existing customers

Key characteristics of our platform

A modern, cloud-hosted, highly scalable consumer credit platform powering multiple brands

Expansive data platform driving deep data insights

End-to-end technology connecting omni-channel proprietary front end and an evolving back end capability

Cloud infrastructure facilitating 24/7 access and scale to instantly meet demand peaks

Supports multiple forms of lending including revolving credit, embedded finance and point-of-sale

Ongoing investment commitment in future capability set out in a multi-year development roadmap

Our embedded finance partnership with Lloyds Banking Group

In 2023, we entered a significant technology and lending partnership with Lloyds Banking Group. Launching in 2024, we will provide an embedded finance product across their merchant network.

LLOYDS BANKING GROUP

Key benefits of the partnership to NewDay

- Lending and technology partnership
- Leverages our proprietary technology
- Wide-spectrum credit covering prime (provided by Lloyds Banking Group) and near-prime (provided by NewDay)
- Significant scale with access to one of the largest merchant networks in the UK

Group Chief Executive Officer's review

> We progressed our strategic initiatives. We extended credit in a controlled, sustainable manner and adapted our business to evolving economic stresses. NewDay's position as a leading provider of near-prime credit was further enhanced in the year.

John Hourican
Group Chief Executive Officer

2023 was a year of solid progress for our business. We continued to support customers through challenging times and deliver on strategic priorities. We exercised discipline in underwriting credit for working Britain and we encouraged financial responsibility. We adapted our business to a higher interest rate environment and we continued to invest in our technology platform to support a better business primed for future growth. Overall, 2023 was a successful year in which we delivered for all our stakeholders and generated decent returns.

Delivering our strategy

We have continued to invest in building our technology platform and in deploying a suite of compelling products. These actions helped NewDay to continue to be a leading near-prime lender in the UK and look to accelerate the delivery of our strategy.

We reported a 6.2%[1] (2022: 6.6%) share of UK credit card receivables as at 31 December 2023 and in the year 5.7%[1] (2022: 3.8%) of all UK credit card spend was made using our products.

At NewDay, we use sophisticated credit underwriting models to make individual lending decisions. This allowed us to continue welcoming new customers throughout the year, despite exercising heightened caution against a backdrop of persistent economic uncertainty. In the Direct to Consumer business, we opened 0.2m (2022: 0.5m) new customer accounts and gross receivables increased to £2.5bn (2022: £2.4bn).

The higher interest rate environment that existed throughout the year made us reflect afresh on where we add value across our merchant partner business. Our modern products, loyalty programmes and seamless integration make NewDay a valued partner to retailers of all sizes. The John Lewis & Partners programme, whilst seeing good customer adoption and spend, has been commercially challenging due to the prime nature of the portfolio and the higher funding cost environment. Accordingly, we are working with John Lewis & Partners to put the programme on a sustainable long-term trajectory.

We are well equipped to provide access to credit to customers who are underserved by high street banks and we will continue to target this customer segment. This focus has led NewDay to enter into an exciting technology and embedded finance partnership with Lloyds Banking Group. We will offer our *Newpay* product across Lloyds Banking Group's extensive merchant network with NewDay lending to customers fitting our credit risk profile and Lloyds Banking Group lending to prime customers. This is due to launch in 2024.

Read more on page 10

1 Receivables and spend share metrics calculated as total NewDay volumes (including *Newpay*) as a proportion of Bank of England data credit card volumes.

"

Investment in our technology platform is also beginning to payoff with three significant customer wins.

Monetising our core platform

Our technology platform is a key differentiator in the marketplace and allows us to provide best-in-class customer journeys. Through our platform-as-a-service offering we aim to monetise the technology and create a growing complementary revenue stream. In 2023, we delivered three exciting new partner wins, each using our proprietary technology:

- a significant embedded finance partnership with Lloyds Banking Group due to launch in 2024 covering both lending and technology;
- a global retailer, Boohoo Group, will utilise our end-to-end technology proposition to underpin a brand new digital financial product due to launch in 2024; and
- providing a large international bank, through a strategic reseller partnership, data transformation, credit data modelling and reporting capabilities to aid the migration of a significant portfolio of an acquired credit cards business.

Our teams worked tirelessly during the year to deliver truly innovative solutions and to build proprietary technology. It is pleasing to see their efforts rewarded with these wins.

Towards the end of 2022, we launched a partnership with Antelope Loans to originate unsecured personal loans. In 2023, we took steps to broaden this offering and processed £31m of loans, providing even more people with responsible access to credit.

Resilient financial performance

Our financial performance in 2023 was impacted by the economic environment. As cost-of-living pressures emerged, we saw customers react responsibly and reduce interest-bearing balances where possible. We saw a modest increase in delinquency in the first half of the year and an increasing use of our short-term payment support options, most notably payment holidays. Simultaneously, our business faced increased funding costs, higher costs from the John Lewis & Partners programme and inflationary pressures.

NewDay is lean and resilient. We adapted to the challenges. We passed on the majority of interest rate rises to customers and hedged our residual interest rate exposure, whilst exercising cost control. This translated into a solid performance for 2023. We reported a statutory profit before tax of £98m (2022: £110m) and an underlying profit before tax of £207m[2] (2022: £203m). Our underlying result absorbed £94m (2022: £110m) of costs incurred investing in acquiring new customers with the aim of generating long-lasting mutually beneficial relationships. Our existing customers generated £304m (2022: £315m) of underlying profit.

Gross receivables closed at £4.3bn (2022: £4.3bn) and customer spend increased to £15.0bn (2022: £9.1bn). The growth in spend was primarily attributable to the full-year impact of the John Lewis & Partners programme.

Cost-of-living pressures unsurprisingly led to higher credit losses. Losses peaked during the year before returning to more normal levels by the year end. These losses were factored into the expected credit loss (ECL) allowance built in previous years and consequently our accounting impairment charge for 2023 remained within expected levels. By the year end, delinquency levels fell and this is a testament to the effectiveness of credit tightening measures implemented in recent years. Accordingly, the ECL allowance naturally reduced and represented 12.0% (2022: 13.8%) of gross receivables at the year end.

The business generated £128m (2022: £136m) of free cash flow available for growth and debt service and we also returned £61m of cash to our investors through repaying the remaining Senior Secured Debt due to mature in 2024. We remained active in funding markets and raised £0.6bn through two asset-backed term debt deals. We started 2024 with £1.5bn of funding facility headroom to use for refinancing and future growth.

Where next?

As we begin 2024, we are cautiously optimistic that the UK economic outlook will be more stable and that cost-of-living stresses will continue to abate. Against this backdrop, we are deliberately increasing our appetite for new customer acquisitions and this will naturally depress accounting profitability in the first half of 2024 as we incur investment cost in acquiring such customers.

Towards the end of 2023, we also took the opportunity to optimise our structure to drive growth. Effective from 1 January 2024, we simplified the Group by bringing our credit risk-taking businesses into one business unit, Credit, and separated our platform capability into another business unit, Platform.

The Credit business' vision is to become the leading provider of near-prime credit in the UK. The business will support working Britain, whether directly through our own brands or through partnerships. We will leverage our advanced credit scoring models and deep data insights to grow and accelerate new customer acquisitions in a controlled and sustainable manner.

The Platform business provides core parts of technology for our Credit business and its vision is to ultimately become a leading consumer credit platform provider. We will progress our technology roadmap and build on the strong foundations put in place over recent years. I am excited to launch our platform with Lloyds Banking Group and Boohoo Group and seek new opportunities to further expand our platform-as-a-service reach.

NewDay's purpose will always be customer-centric. We help people move their lives forward through responsible access to credit. This is our guiding light and shapes the decisions we make. All our colleagues are invested in this and I extend my thanks for all they do for our business, customers and partners.

John Hourican
Group Chief Executive Officer

2 Our underlying performance excludes certain items included within the statutory result. A reconciliation between our underlying and statutory result is shown on page 28.

Our product offering

We are a UK consumer credit provider, with products offered directly to consumers and through merchant partners. We are powered by a digital and highly flexible technology platform.

Our operations were structured across three separate businesses during 2023:

1 **Direct to Consumer**
- Our revolving credit offering, D2C (direct-to-consumer)
- Own-branded cards targeted at near-prime customers and supporting them on their journey towards prime

2 **Merchant Offering**
- Innovative e-commerce and digital in-store offering, B2B2C (business-to-business-to-consumer)
- Co-branded cards targeted at near-prime and prime customers
- Digital loyalty programmes

3 **Platform Services**
- White-labelled technology platform solution

Where next?

Towards the end of 2023 we took the opportunity to optimise our structure. Accordingly, from 1 January 2024 onwards, Direct to Consumer and Merchant Offering will be combined into one simplified business, 'Credit', focused on being the leading near-prime lender in the UK and supporting working Britain. Platform Services is to be renamed 'Platform' and continues its journey towards being a leading consumer credit platform provider.

Note: We also have a closed *Opus*-branded portfolio and closed portfolios from previous merchant partnerships.

Direct to Consumer

Credit building →	aqua
Financial control →	marbles
Prime bridge →	fluid
Digital cardless credit →	bip.

£2.5BN
Gross receivables

1.7M
Customer accounts

Merchant Offering

Co-branded cards → John Lewis & Partners, Argos

Embedded finance → Lloyds Banking Group, newpay, DEKO

White-labelled product → newpay, ao

Card for customers from previous partnerships → Pulse

£1.8BN

Gross receivables

2.0M

Customer accounts

Platform Services

- End-to-end financial technology product covering the full product life cycle from acquisition to servicing and collections
- Solutions adaptable to multiple lending products such as credit cards, embedded finance and unsecured personal loans
- Targeted at banks and lenders within and outside of the UK
- Multiple partner wins in 2023

Lloyds Banking Group, boohoo group plc

For more details about our leading platform, see page 10

Market overview

We have a well-established and leading presence in our core segment, with a 16% share[1].

We operate in a £74bn[2] market, which includes credit cards and digital point-of-sale credit.

Our powerful digital platform is capable of servicing the broader £200bn[2] UK unsecured consumer credit market (our UK total addressable market) and the platform is capable of being deployed internationally.

Our current share

NewDay

Our product opportunity

Our core segment for customer acquisition

- D2C cards (near-prime)
- B2B2C merchant cards (prime and near-prime)
- Digital point-of-sale credit (including buy now pay later (BNPL))

UK cards and digital point-of-sale credit

- Post-acquisition, some of our customers migrate from near-prime into prime
- We do not operate within the sub-prime sector

Our platform opportunity

UK unsecured credit

- Includes personal loans, car loans and other unsecured credit, which our platform has the capability to serve

All international unsecured credit

- Our platform and service capabilities have the potential to address the needs of international market participants

1 £4.3bn gross receivables compared to £27bn core segment size.
2 Estimated figures based on analysis performed in 2021 and sourced from: management analysis; Bank of England; GlobalData (Retail Banking Analytics, Consumer Credit Analytics); Euromonitor; Worldpay Global Payments Report; and market participant interviews.

£4.3BN
Gross receivables

~£27BN[2]
Core segment (customer acquisition)

~£74BN[2]
Market

~£200BN[2]
UK total addressable market

>£1TN[2]
International total addressable market

Market overview continued

Market trends

1

Market growth continues

Credit cards remain the primary source of unsecured lending in the UK and the associated spend is expected to grow in the medium term. We also expect embedded finance, particularly BNPL, to continue growing given its greater penetration amongst a younger demographic.

2

Changing customer behaviour in an uncertain economic environment

Consumer confidence has declined due to higher living costs and rising interest rates. People are more aware of their spending habits. This has materialised in higher delinquencies and customers carrying lower interest-bearing balances, squeezing margins across the industry.

3

Competition is increasing

There are new competitors entering the market, including larger technology firms with digital cardless credit. Competition has increased significantly in the BNPL sector however some players have exited due to higher funding costs. Where competition is strong this has stimulated innovation in product development and alternative fee models.

Our responses

We continue to command a large footprint in our core segment.

Our brands are well known by our target customers and we have the ability to rapidly adapt credit underwriting strategies depending on the market environment. We also have a strong presence in co-branded credit and specialise in providing credit through partnerships to individuals underserved by high street banks. Our FCA-regulated *Newpay* product is well positioned to accelerate growth in the point-of-sale sector through an embedded finance partnership with Lloyds Banking Group launching in 2024.

We have seen delinquencies peak in 2023 before falling back to sustainable levels at the end of the year.

Our advanced credit scoring models allow us to confidently write new business and rapidly adapt to emerging trends and risks. Whilst interest rates remain high, we will continue to focus our strategy on partnerships and opportunities that expand our reach into the near-prime sector.

We focus on our core competencies.

We leverage state-of-the-art credit scoring models to underwrite credit that others choose not to and we invest in our technology platform. We continue to maintain a sizeable presence through aggregator channels and our customer service performance generates high customer satisfaction scores and loyalty. Our embedded finance partnership with Lloyds Banking Group aims to proliferate *Newpay* to a wider merchant network.

4

Digitisation and technology driving innovation

Technology continues to drive innovation and disruption in the UK finance market. Most lenders are investing in technology initiatives which drive efficiency and enhanced customer experiences. There are trends to build or acquire technology capability in order to develop proprietary capability and maintain key differentiators.

Technology is at the heart of our business and we invest significantly in our platform and proprietary technology.

This has allowed us to in-house complexity to respond even quicker to evolving behaviours. We have a clear development roadmap and are driving innovation in our digital platform at pace. We made several enhancements over the past year and benefit from a higher level of digital automation leading to improved customer satisfaction.

5

Regulation driving progress

Regulation continues to be a key pillar in our market and is one of the driving forces for change. The market welcomed the FCA's Consumer Duty in 2023. The regulatory and legal reform agenda is rarely quiet and often changes at pace.

We actively engage with regulatory bodies and the Government to stay abreast of and involved in shaping potential developments.

We maintain open and transparent reporting and communication with regulators. We ensure timely reaction to any new or amended regulation to ensure lending continues to be undertaken in a compliant and customer-focused manner. In 2023, we implemented changes in response to the FCA's Consumer Duty and continued to challenge ourselves to further enhance our customer proposition.

6

Social responsibility and sustainability

Acting responsibly and sustainably is an ever-increasing priority in our industry and society as a whole. Promoting financial inclusion and education as well as ensuring access to affordable credit is key to the UK prospering. Climate-related disclosures are also more prominent across the sector.

We are a responsible lender and live our purpose of helping people move forward with credit.

We offer low initial credit limits and only increase them when the customer has shown sustained positive behaviours. We offer free access to financial education tools and a range of support measures should customers experience financial difficulty. In 2023, we also made good progress implementing our progressive ESG roadmap and it remains a key priority to deliver our Net Zero by 2040 commitment.

Our business model

Powered by leading-edge technology and an embedded manifesto

Opportunity

We evolve with our customers and partners to meet changing needs

Read more on page 16

Enablers

We are committed to delivering high standards for our customers, our colleagues and our community

Read more on page 02

We leverage a leading-edge digital platform to drive innovation

Read more on page 10

Outcomes

Acquiring new customers and creating long-lasting relationships

Read more on page 24

Delivering strong controlled growth and high performance predictability

Read more on page 28

How we create value

Attractive market proposition

We offer a suite of compelling products that allow us to serve customers throughout their credit journey. We offer seamless integration with omni-channel retailers in serving the needs of increasingly digital customers. We add power to merchant customer propositions.

Credit and collections expertise

Our proprietary models have been developed specifically for our target customers, enabling us to make better credit decisions. Lending responsibly is our overarching manifesto commitment.

Digital origination

Through direct marketing, aggregators and partnerships we reach an extensive customer base. This reach is increasingly digital and encompasses our partners' most loyal customers as well as those who find access to credit from mainstream lenders less easy.

Leading customer service

We offer omni-channel 24-hour support. We are committed to continuous improvement. We are engaged in ongoing dialogue with customers, with real-time feedback recorded through Net Easy Scores and transactional NPS. We endeavour to frictionlessly engage with our customers through digital channels.

Market-leading digital platform and technology partners

Together with our customer insight, our in-house technology capabilities and agile operating model enable our data scientists and engineers to rapidly build better solutions and drive increased digitisation in customer journeys and the business more widely. Our platform is built on infrastructure provided by leading technology organisations, including Microsoft and Amazon Web Services. They afford us cloud-based scalability, high performance, lower marginal cost and modern security advantages. The transaction processing platform is outsourced to Fiserv, who remain an important partner for us.

Operating efficiently

A continued focus on being digital by default allows us to operate at a lower underlying cost-income ratio and an in-house digital platform offers us true scalability and great flexibility.

Funding

Through our established, diversified funding base and securitisation technology, we have a stable funding capacity and an efficient funding structure.

Our competitive strengths

Trusted brands built on our manifesto

We are quick to market with product innovations and provide seamless customer journeys. The strength of our portfolio of brands gives customers and partners confidence in what we stand for.

Long-term strategic relationships with merchant partners

We are a trusted partner with some of the largest retail brands in the UK. We offer leading-edge digital products, large-scale loyalty programmes and spend insights to build long-term relationships that support their customers' credit journeys and help retailers profitably grow their business.

End-to-end digital product solutions

Our products offer instant access to credit and optionality through more ways to pay, including instalment plans, BNPL and other promotional options. We integrate seamlessly, at lower cost and at speed with retail partners to increase online conversions, average basket size and customer engagement.

Understanding and engagement with our customers

Strong and long-term relationships, powered by a deep understanding of customer behaviour underpinned by an in-house data platform, result in embedded portfolio value and predictable financial growth.

Credit and collection capabilities

Our credit risk and collections expertise has been developed and honed over 20 years, with the management team's experience proven through economic cycles.

Access to diversified funding

A stable and diversified funding base with trusted funding partners offers us flexibility and a solid basis for continued growth and the ability to weather market conditions. Our broad base of international funding partners includes many of the world's leading financial institutions. We regularly access securitisation markets in both the UK and US wholesale markets to support our receivables growth.

Skilled, experienced colleagues

The relentless dedication of our workforce powers the delivery of customer and retail propositions as well as continued product and digital innovation.

Our strategy

2023 was a solid year of progress towards our strategic ambitions.

We operate in an attractive market and have an ever-evolving digital capability that accelerates delivery of our strategic priorities whilst driving sustainable growth. NewDay's aim is to be the leading near-prime lender in the UK, a partner of choice for retail merchants and a leading financial technology platform provider.

During the year, our credit risk-taking strategy evolved to focus on near-prime lending. We are best equipped at serving individuals underserved by high street banks and whilst higher interest rates persist we will target relationships that align to this. Our existing merchant partners remain important and continue to help us deliver our purpose. As we continue to grow, unsecured lending will remain our core business and over time we will look to diversify revenue streams towards capital-light income from our platform-as-a-service business.

Opportunity

We evolve with our customers and partners to meet changing needs

2023 highlights

- Welcomed 0.4m new customers
- £4.3bn gross receivables
- £15.0bn of spend through our products
- Signed an embedded finance partnership with Lloyds Banking Group
- Signed a technology partnership with Boohoo Group
- Processed £31m of loans through our loan origination partnership funded by Antelope Loans

Future priorities

- **Controlled growth**
  Expand our business and grow market share sustainably, responsibly and in line with strategic ambitions.
- **Develop new products and enhance existing ones**
  We have a pipeline of enhancements to our products to improve customer experiences, drive innovation and adapt to emerging trends.
- **Drive new business development**
  Execute our new partner pipeline where it makes strategic and commercial sense against a backdrop of higher funding costs. Our embedded finance proposition will leverage the partnership with Lloyds Banking Group to proliferate our *Newpay* product and technology.

Enablers

We are committed to delivering high standards for our customers, our colleagues and our community

2023 highlights

- Supported 2.4m customers to improve their credit score
- 824k customers registered for *Aqua Coach* and *Credit Score* at the year end
- Transactional NPS of +72
- 6% reduction in complaints per 1,000 active customers
- 441k customers provided payment support including payment holidays
- 76% employee engagement
- Donated £0.3m to Family Action, our charity partner

Future priorities

- **Support customers to move forward with credit**
  Our manifesto puts the customer at the heart of everything we do. We will constantly assess whether our products are suited to customers and their individual circumstances. We will intervene if customers need support to provide the best outcome and level of care on their credit journey.
- **Remain an employer of top talent**
  Invest in our culture and support colleagues to develop themselves and direct their own learning and growth at whatever career stage they are starting from. We will ask colleagues for feedback and adapt the business to attract and retain the best talent.
- **Maximise our impact for all stakeholders**
  Progress delivery of our ESG roadmap and make meaningful strides towards delivering our Net Zero by 2040 commitment.

Outcomes

We leverage a leading-edge digital platform to drive innovation

2023 highlights
- 323m transactions processed
- 204m app logins
- Agreement with Lloyds Banking Group for them to start using our technology to underpin their upcoming embedded finance product
- Agreement with Boohoo Group for them to use our end-to-end technology proposition to underpin a brand new digital financial product
- Provided a large international bank, through a strategic reseller partnership, data transformation, credit data modelling and reporting capabilities to aid the migration of a significant portfolio of an acquired business

Future priorities
- **Growth through innovation**
  Deliver product enhancements per our roadmap to serve both our own needs and those of our clients.
- **Successfully launch signed partnerships**
  Our agreements with Lloyds Banking Group and Boohoo Group require significant bespoke technology builds. We will work with both partners to ensure the products are ready for launch in 2024.
- **Business development**
  Build out enterprise sales capabilities and progress our new business pipeline.

Acquiring new customers and creating long-lasting relationships

2023 highlights
- Acquired 0.4m new customer accounts at deliberately tighter underwriting criteria
- Broadened our John Lewis & Partners programme reach through widening the target customer range
- Existing customers generated £304m of underlying profit before tax

Future priorities
- **Partnership optimisation**
  The John Lewis & Partners programme has been commercially challenging due to the prime nature of the portfolio and the higher funding cost environment. Accordingly, we are working with John Lewis & Partners to put the programme on a sustainable long-term trajectory.
- **Broaden partnership network**
  Identify and win partnerships that deepen our reach in the near-prime sector.
- **Invest in technology to optimise the customer journey**
  Continue to improve acquisition processes to ensure the most seamless onboarding journeys. We will also utilise open banking data to gain an even better understanding of our customers.

Delivering strong controlled growth and high performance predictability

2023 highlights
- Statutory profit before tax of £98m
- Underlying profit before tax of £207m
- Impairment rate improved to 9.6%
- Returned £61m to investors through repaying the remaining Senior Secured Debt due to mature in 2024
- £589m closing cash balance
- £1.5bn of funding facility headroom as at the year end to fund future growth

Future priorities
- **Controlled, sustainable growth and returns**
  Continue to assess the market opportunity for responsible receivables growth, balancing growth with profitability and cash generation.
- **Grow capital-light income**
  Extract returns from our platform proposition by generating capital-light revenue streams and optimising balance sheet performance.
- **Strong cost control**
  Maintain control over costs and ensure the business is right-sized for the opportunities in the market and to support our growth agenda.

Acquiring new customers that create long-lasting relationships

Investment in acquiring new customers

Acquiring new customers

We generally aim to deploy a consistent level of investment in acquiring new customers and opening new accounts across the business. By investing in onboarding new customers we can consistently grow. In 2023, we exercised discipline in underwriting new customer accounts to balance growth with profitability and relied on our sophisticated underwriting models to confidently write new business.

Creating long-lasting relationships

We are committed to developing long-term, trusted relationships with customers. As new customers mature, we gain a better understanding of their behaviours and lower levels of servicing and marketing contact are required. These customer relationships generally generate predictable revenue streams.

Profitable and cash-generative long-lasting relationships

Acquiring new customers requires significant investment. We make this investment to build long-lasting mutually beneficial relationships to help people move forward with credit. Our investment in acquiring new customers aims to deliver sustainable year-on-year increases in gross receivables and returns for the business. There is significant profitability embedded in the receivables portfolio.

Acquiring new customers

In 2023, we exercised discipline in credit underwriting to balance growth with profitability. Accordingly, we restricted new customer account volumes to 0.4m. New customers generated an accounting result of £94m underlying loss before tax. The prior year new customer accounts volume included 0.6m accounts opened through the John Lewis & Partners programme launch. These customers had low onboarding costs and, being generally prime, did not incur significant ECL costs on acquisition.

	2021	2022	**2023**
New customer accounts[2]	0.9m	1.3m	**0.4m**
Gross receivables	£479m	£1,147m	**£276m**

Underlying loss before tax[1]

Long-lasting relationships

Our existing customers generate predictable returns. Underlying profit before tax from these customers was £304m in the year.

	2021	2022	**2023**
Existing customer accounts[4]	3.7m	3.6m	**3.3m**
Gross receivables	£2,807m	£3,105m	**£4,033m**

Underlying profit before tax[1]

1 The results of the Platform Services segment are excluded from the analysis due to the different dynamics of this business compared to the Direct to Consumer and Merchant Offering segments.
2 New customer accounts represent accounts opened in the last 12 months.
3 This comprises net revenue of £77m (2022: £107m), impairment of £66m (2022: £105m) and total underlying costs of £105m (2022: £112m).
4 Existing customer accounts represent total accounts less new customer accounts opened in the last 12 months.
5 This comprises net revenue of £780m (2022: £718m), impairment of £338m (2022: £278m) and total underlying costs of £138m (2022: £125m).

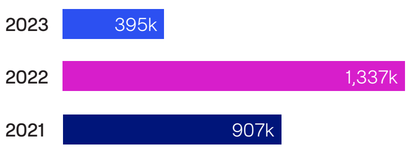
Key performance indicators

We track our progress using a number of financial and non-financial key performance indicators.

New customer accounts

0.4M

(2022: 1.3m)



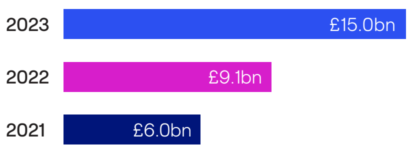
Definition: The number of new customer accounts originated in the period.

Performance: We exercised discipline in underwriting new customers using our sophisticated credit scoring models. This was aligned to our strategy to balance growth with profitability and cash generation. The prior year comparative included 0.6m accounts from the launch of the John Lewis & Partners programme.

Customer spend

£15.0BN

(2022: £9.1bn)



Definition: The amount of customer spend through our products in the period, including balance transfers, money transfers and cash advances.

Performance: Direct to Consumer reported lower spend of £3.8bn (2022: £3.9bn) due to fewer new accounts and tighter credit limit increase criteria. Merchant Offering spend more than doubled to £11.2bn (2022: £5.2bn) primarily due to a full year of spend from the John Lewis & Partners programme.

Closing gross receivables

£4.3BN

(2022: £4.3bn)

Definition: Gross customer balances outstanding at the year end.

Performance: A combination of stricter underwriting and customers paying down balances where possible in response to cost-of-living pressures resulted in gross receivables remaining unchanged. Although spend increased significantly due to the John Lewis & Partners programme, these customers tend to pay down in full and therefore do not generate higher gross receivables.

Transactional Net Promoter Score

+72

(2022: +64)

Definition: Average customer feedback score when rating their experience on an interaction with us.

Performance: Our customers recognise the excellence of our products and our interactions with them. We implemented improvements to processes following feedback from the John Lewis & Partners programme launch which has seen the score improve in the year. Our embedded manifesto puts the customer at the heart of everything we do and this drives high customer satisfaction.

Employee engagement

76%

(2022: 78%)

Definition: Results of our most recent Pulse engagement survey.

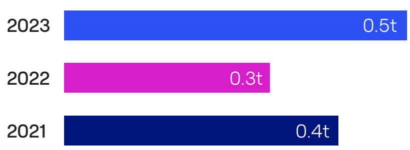
Performance: We invest heavily in our culture and maintained a high engagement level. In 2023, we delivered several initiatives promoting development and wellbeing including our Investing in You programme.

Note: 2023 employee engagement was taken from our mid-year survey. An end-of-year survey was not performed due to operational reasons.

Carbon footprint

0.5 tonnes of CO_2e per average FTE employee

(2022: 0.3 tonnes)



Definition: The amount of Scope 1, Scope 2 (purchased electricity) and Scope 3 (own operations employee travel) CO_2 greenhouse gas emissions consumed by the business during the year divided by the average number of full time equivalent (FTE) employees.

Performance: More long-haul flights to launch and support the platform-as-a-service business with international clients led to higher carbon usage.

NewDay's Sustainability Report (available on our website) has more details on our CO_2 emissions, including emissions of suppliers from services directly related to our business.

Statutory profit before tax

£98M

(2022: £110m)

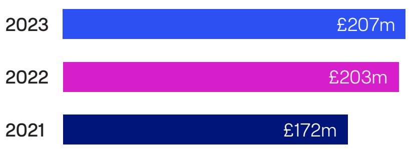
Definition: Statutory profit before tax from continuing operations per the consolidated Group income statement.

Performance: Statutory profit reflects underlying performance, which was impacted by the economic uncertainty and John Lewis & Partners portfolio costs, as well as increased costs arising from platform development expenses, restructuring costs and higher interest rates on Senior Secured Debt.

Underlying profit before tax

£207M

(2022: £203m)



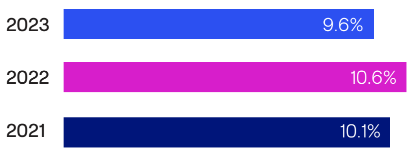
Definition: Underlying risk-adjusted income (£457m) less underlying costs (£249m).

Performance: Interest income growth driven by higher average gross receivables and an increased Bank of England base rate was offset by a significant increase in funding costs resulting from higher base rates. Impairment increased marginally and represented losses arising from cost-of-living pressures offset by credit tightening. Costs increased primarily due to a full year of servicing costs on the John Lewis & Partners portfolio.

Impairment rate

9.6%

(2022: 10.6%)



Definition: Impairment losses on loans and advances to customers (£404m)/average gross receivables (£4,220m).

Performance: Collection performance remains strong and is normalising to pre-pandemic levels. The impairment rate reduced primarily due underlying performance and a full year of the lower risk John Lewis & Partners portfolio.

Underlying risk-adjusted margin

10.8%

(2022: 12.3%)

Definition: Underlying risk-adjusted income (£457m)/average gross receivables (£4,220m).

Performance: The reduced margin reflects a shift to prime receivables arising from the John Lewis & Partners programme (which launched in Q3 2022) which was partly offset by a higher margin in Direct to Consumer primarily as a result of a well-controlled impairment charge.

The margin using statutory risk-adjusted income was 10.8% (2022: 12.4%).

Underlying cost-income ratio

29.0%

(2022: 29.1%)

Definition: Underlying costs (servicing, change, marketing and partner payment costs, collection fees, salaries, benefits and overheads) (£249m)/net revenue (£860m).

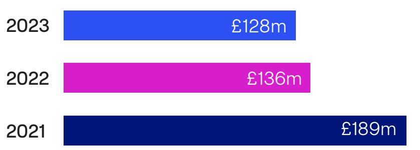
Performance: Disciplined cost control led to an improvement in the underlying cost-income ratio against a backdrop of higher servicing costs arising from the John Lewis & Partners programme and inflationary pressures.

The statutory cost-income ratio was 41.7% (2022: 40.5%).

Free cash flow available for growth and debt servicing

£128M

(2022: £136m)



Definition: Adjusted EBITDA (£219m) adding back the movement in the ECL allowance during the year (£(71)m) less changes in working capital, platform development and other costs, PPI provision payments, capital expenditure and taxes paid (£(20)m).

Performance: We continue to generate cash. We absorbed the cash impact of higher credit losses arising from cost-of-living pressures to finish the year with £589m (2022: £382m) of cash after repaying £61m of Senior Secured Debt.

Financial review

> Economic uncertainty persisted throughout 2023. Customer spend increased by 65% to £15.0bn, gross receivables closed at £4.3bn and we continued to support our customers.
>
> We generated £98m statutory profit before tax and £207m underlying profit before tax.
>
> **Paul Sheriff**
> Group Chief Financial and Operations Officer

We progressed the delivery of our strategy in 2023 and reported another good year. We leveraged operational flexibility to continue our focus of balancing controlled growth with progressive profitability and cash generation. We welcomed 0.4m (2022: 1.3m) new customer accounts. Gross receivables closed at £4.3bn (2022: £4.3bn) and spend increased to £15.0bn (2022: £9.1bn). The growth in spend and fewer new customer account volumes was primarily attributable to the John Lewis & Partners programme which launched in Q3 2022.

Cost-of-living pressures and rising interest rates shaped our financial performance during the year. It was encouraging to see customers adapt their spend behaviours and pay down interest-bearing balances where possible in order to manage short-term stresses, which is an industry-wide trend[1]. Whilst this was great for our customers and limited impairment losses, it naturally had a drag on performance. 2023 was also a transitional year for our Merchant Offering business with a shift in mix to prime customers following the launch of the John Lewis & Partners programme in 2022 and the higher interest rate environment squeezing margins. The Direct to Consumer business saw contribution increase by £37m but this was offset by a £35m reduction in contribution from Merchant Offering driven primarily by the John Lewis & Partners programme.

Credit losses reduced from their peak in the middle of the year but our impairment charge only marginally increased because these losses were anticipated through an ECL allowance build in previous years. As we ended the year, delinquency levels continued to reduce as inflationary pressures eased and the impact of credit tightening performed in recent years materialised.

We generated £128m (2022: £136m) of free cash flow available for growth and debt service. We returned £61m of cash to our investors through repaying the remaining Senior Secured Debt due to mature in 2024 and finished the year with £589m (2022: £382m) of cash. We started 2024 with £1.5bn of funding facility headroom available for future growth and refinancing maturing deals.

Against this backdrop, I am pleased with how resiliently our business performed. We adapted, exercised control and reported £98m (2022: £110m) statutory profit before tax and £207m (2022: £203m) underlying profit before tax.

The table below reconciles the statutory profit before tax to the underlying profit before tax, with an explanation of significant reconciling items following the table.

	2023 £m	2022 £m
Statutory profit before tax	**97.7**	**109.9**
Senior Secured Debt interest and related costs	37.7	30.3
Platform development costs	10.4	9.3
Restructuring costs	10.9	–
Payment protection insurance (PPI)	–	(1.2)
Other	–	0.8
Amortisation of intangible assets arising on the Acquisition[2]	50.6	54.3
Underlying profit before tax	**207.3**	**203.4**

1 Industry data sourced from UK Finance Card Spending Update.
2 On 26 January 2017, NewDay Group (Jersey) Limited acquired NewDay Group Holdings S.à r.l. and its subsidiaries (the Acquisition).

Senior Secured Debt interest and related costs include the interest charge and other costs associated with the issuance and servicing of the Senior Secured Notes by NewDay BondCo plc (the Senior Secured Debt) and the Super Senior Revolving Credit Facility (the Revolving Credit Facility). In 2023, we repaid £61m of Senior Secured Debt and finished the year with £238m[3] (2022: £299m) of Senior Secured Debt outstanding which is due to mature in 2026. This debt does not finance the Group's gross receivables and consequently its costs have been excluded from underlying performance.

Platform development costs are expenses incurred to enhance the capabilities of our in-house operating platform. These costs relate to a one-off project and are excluded from underlying performance because they do not represent our underlying operational costs.

Restructuring costs represent redundancy and related costs associated with the realignment of our operating structure at the end of the year and effective from 1 January 2024.

Amortisation of intangible assets arising on the Acquisition relates to the amortisation of the purchase price that was attributed to intangible assets arising on completion of the Acquisition.

Management basis income statement

	2023				2022			
£m	**Direct to Consumer**	**Merchant Offering**	**Platform Services**	**Group**	Direct to Consumer	Merchant Offering	Platform Services	Group
Interest income	748.1	284.0	–	1,032.1	640.3	243.8	–	884.1
Cost of funds	(152.3)	(103.7)	–	(256.0)	(78.0)	(46.3)	–	(124.3)
Net interest income	**595.8**	**180.3**	**–**	**776.1**	**562.3**	**197.5**	**–**	**759.8**
Fee and commission income	39.9	40.8	3.5	84.2	44.3	21.3	1.4	67.0
Net revenue	**635.7**	**221.1**	**3.5**	**860.3**	**606.6**	**218.8**	**1.4**	**826.8**
Impairment losses on loans and advances to customers	(301.3)	(102.3)	–	(403.6)	(302.0)	(80.6)	–	(382.6)
Underlying risk-adjusted income	**334.4**	**118.8**	**3.5**	**456.7**	**304.6**	**138.2**	**1.4**	**444.2**
Servicing costs	(65.2)	(52.6)	(1.6)	(119.4)	(56.5)	(51.5)	(0.4)	(108.4)
Change costs	(17.8)	(18.1)	(4.4)	(40.3)	(23.4)	(16.6)	(3.3)	(43.3)
Marketing and partner payments	(10.2)	(33.2)	(0.2)	(43.6)	(24.2)	(21.1)	(0.2)	(45.5)
Collection fees	17.5	7.8	–	25.3	21.3	8.9	–	30.2
Contribution	**258.7**	**22.7**	**(2.7)**	**278.7**	**221.8**	**57.9**	**(2.5)**	**277.2**
Salaries, benefits and overheads				(71.4)				(73.8)
Underlying profit before tax				**207.3**				**203.4**
Add back: depreciation and amortisation				12.0				11.6
Adjusted EBITDA				**219.3**				**215.0**
Senior Secured Debt interest and related costs				(37.7)				(30.3)
Platform development costs				(10.4)				(9.3)
Restructuring costs				(10.9)				–
PPI				–				1.2
Other				–				(0.8)
Depreciation and amortisation including amortisation of intangible assets arising on the Acquisition				(62.6)				(65.9)
Profit before tax				**97.7**				**109.9**

For internal management reporting purposes, in preparing the management basis income statement certain items are presented differently to the statutory income statement. A reconciliation to the statutory income statement is detailed in note 3 of the Financial Statements. Additionally, gross receivables disclosed in this section exclude the ECL allowance and effective interest rate adjustments included within loans and advances to customers as shown in the Financial Statements. A reconciliation of gross receivables to loans and advances to customers as presented in the Financial Statements is detailed in note 3 of the Financial Statements.

3 This represents the nominal value of the debt and excludes accrued interest and other accounting adjustments.

Financial review continued

Group performance

Higher average gross receivables combined with the impact of passing on base rate increases to the majority of customers resulted in increased interest income. However, this was offset by higher funding costs and more transacting customers in the Merchant Offering business paying off in full. Consequently, net interest income growth was limited. Our in-depth data insight allowed us to confidently underwrite credit and the impairment charge remained well controlled. Underlying risk-adjusted income was £457m (2022: £444m) for the year. A continuous focus on cost control resulted in an improvement in the underlying cost-income ratio to 29.0% (2022: 29.1%) against a backdrop of significant inflationary pressures and higher costs incurred to service the John Lewis & Partners portfolio. These factors combined to generate statutory profit before tax of £98m (2022: £110m) and an underlying profit before tax of £207m (2022: £203m).

Interest income increased by 17% to £1,032m (2022: £884m) and was driven by higher average gross receivables and Bank of England base rate increases which, in most instances, we have the contractual right to pass on to customers. The increase in interest income was almost entirely offset by an increase in cost of funds.

Funding costs more than doubled to £256m (2022: £124m) and was driven primarily by higher base rates and increased borrowings to fund gross receivables growth.

Fee and commission income increased by 26% to £84m (2022: £67m) and resulted from increased spend activity year-on-year.

These combined factors resulted in net revenue increasing by 4% to £860m (2022: £827m), with a net revenue margin of 20.4% (2022: 23.0%).

The impairment charge increased by 5% to £404m (2022: £383m). As at 31 December 2023, the ECL allowance was £515m (2022: £586m) and represented 12.0% (2022: 13.8%) coverage of gross receivables. The reduction in coverage was primarily driven by underlying performance and an improving economic outlook, combined with higher forward flow prices on certain charged-off debt which arose from new contracts with third party debt purchasers. The judgements and estimates used in ECL (including post model adjustments), which impact the Group's performance, are disclosed in note 2.3 of the Financial Statements. The impairment rate for the year reduced to 9.6% (2022: 10.6%).

The proportion of gross receivables 90 days or more in arrears increased marginally over the last year to 3.2% (2022: 3.1%) in Direct to Consumer. This remains well below pre-pandemic levels of 3.7% at the end of 2019 as a result of a tightened risk appetite deployed in recent years. We also supported our customers in dealing with cost-of-living pressures by extending more payment holidays (and similar temporary support) during the year which has proven to be an effective way for customers to manage short-term financial difficulties and prevent delinquency. In Merchant Offering, the rate improved to 1.1% (2022: 1.2%) reflecting the higher credit quality of the John Lewis & Partners portfolio.

Servicing costs increased by 10% to £119m (2022: £108m) primarily resulting from one-off expenditure and higher costs arising from the John Lewis & Partners programme. However, through operational efficiencies, our servicing costs margin improved to 2.8% (2022: 3.0%).

Change costs reduced to £40m (2022: £43m) resulting from fewer core initiatives and tighter cost control.

Marketing and partner payment costs reduced by 4% to £44m (2022: £46m) driven by lower new customer marketing activity partly offset by higher partner payments arising from the John Lewis & Partners portfolio.

Collection fees reduced by 16% to £25m (2022: £30m) due to fewer fees charged on late payments.

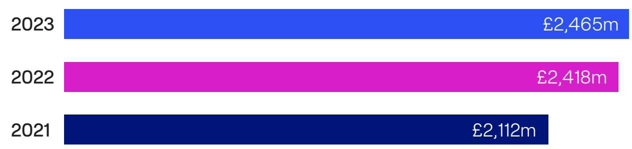
Salaries, benefits and overheads reduced by 3% to £71m (2022: £74m) reflecting higher interest income earned on bank deposits partly offset by salary increases.

With higher net revenue and tight cost control, the underlying cost-income ratio improved to 29.0% (2022: 29.1%). The equivalent statutory cost-income ratio was 41.7% (2022: 40.5%).

As a result of these factors, we reported a £98m (2022: £110m) statutory profit before tax and a £207m (2022: £203m) underlying profit before tax.

Direct to Consumer performance

Closing gross receivables



Our Direct to Consumer segment opened 202k (2022: 526k) new customer accounts in the year and customer accounts totalled 1.7m (2022: 2.0m) as at 31 December 2023. The reduction in new accounts resulted from a strategic decision to balance growth with profit and cash generation. Total customer accounts decreased due to an exercise to close inactive accounts. Gross receivables increased to £2.5bn (2022: £2.4bn) and spend reduced to £3.8bn (2022: £3.9bn).

Net interest income increased by 6% to £596m (2022: £562m). This was driven primarily by gross receivables growth which were 6% higher on average across the year.

Fee and commission income reduced by 10% to £40m (2022: £44m) principally reflecting lower spend activity and fewer overlimit fees.

Impairment reduced marginally to £301m (2022: £302m). As at 31 December 2023, the proportion of gross receivables in delinquency increased slightly to 11.1% (2022: 10.8%). Payment holidays have been effective in supporting customers to manage short-term difficulties and preventing delinquency, which has resulted in a charge-off rate of 12.6% (2022: 10.8%) compared to pre-pandemic levels of 15.1% in 2019. The closing ECL allowance was £401m (2022: £475m) and represented 16.3% (2022: 19.6%) coverage of gross receivables. The reduction in coverage was driven by underlying performance, an improving economic outlook and improved forward flow prices on charged-off debt which arose from new contracts with third party debt purchasers. The segment's impairment rate for the year reduced to 12.4% (2022: 13.2%), which remains significantly below pre-pandemic levels of 15.6% in 2019.

Servicing costs increased by 15% to £65m (2022: £57m) principally due to one-off, non-recurring expenditure on cloud platforms.

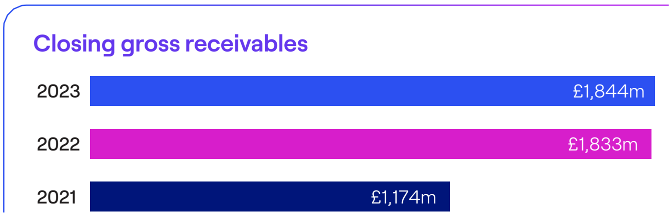
Change costs reduced by 24% to £18m (2022: £23m) due to prioritising delivery of the Lloyds Banking Group partnership and platform-as-a-service initiatives rather than projects specific to Direct to Consumer.

Marketing costs reduced by 58% to £10m (2022: £24m) due to fewer new accounts and related expenditure.

Collection fees reduced by 18% to £18m (2022: £21m) as a result of fewer fees arising from late payments.

The segment reported an increased contribution of £259m (2022: £222m) for the year.

Merchant Offering performance



Our Merchant Offering segment opened 193k (2022: 811k) new customer accounts in the year and customer accounts totalled 2.0m (2022: 2.9m) as at 31 December 2023. Gross receivables closed at £1.8bn (2022: £1.8bn) and spend levels more than doubled year-on-year to £11.2bn (2022: £5.2bn). The growth in spend, and fewer new customer account volumes, was attributable to the John Lewis & Partners programme which launched in Q3 2022. Total customer accounts decreased due to the closure of inactive accounts as well as the run-off of the Amazon portfolio.

The John Lewis & Partners programme, whilst seeing good customer adoption and spend, has been commercially challenging due to the prime nature of the portfolio and the higher funding cost environment. Accordingly, we are working with John Lewis & Partners to put the programme on a sustainable long-term trajectory.

Net interest income reduced by 9% to £180m (2022: £198m) primarily because of both the dynamics of the John Lewis & Partners portfolio, with lower levels of interest-bearing balances, and balances reducing on closed partnerships including Amazon.

Fee and commission income increased by 92% to £41m (2022: £21m) as a result of the higher spend activity.

Impairment increased by 27% to £102m (2022: £81m) and was driven primarily by charge-offs which peaked midway through the year as a result of cost-of-living stresses before falling back to more normal levels by the year end. Due to the higher credit quality of the John Lewis & Partners portfolio, the proportion of gross receivables in delinquency reduced to 3.9% (2022: 4.1%) and the charge-off rate reduced to 5.2% (2022: 6.1%). The closing ECL allowance was £114m (2022: £112m) which represented 6.2% (2022: 6.1%) coverage of gross receivables. The segment's impairment rate for the year reduced to 5.7% (2022: 6.2%) primarily due to the impact of the John Lewis & Partners portfolio. Excluding the John Lewis & Partners portfolio, the charge-off rate was 9.0% (2022: 6.9%) and the impairment rate was 8.8% (2022: 6.7%).

Servicing costs increased to £53m (2022: £52m) with efficiency savings offsetting higher John Lewis & Partners programme costs.

Change costs increased by 9% to £18m (2022: £17m) as the segment continued to invest in its digital capabilities including delivery of the Lloyds Banking Group partnership.

Marketing and partner payment costs increased by 57% to £33m (2022: £21m) reflecting increased partner payments primarily related to interchange fees arising from the John Lewis & Partners portfolio.

Collection fees were broadly flat at £8m (2022: £9m).

As a result of the factors above, Merchant Offering contribution reduced to £23m (2022: £58m).

Platform Services performance

This segment provides digital platform solutions for end-to-end servicing of unsecured credit products financed and owned by third parties, together with certain other capital-light activities. The segment continued to invest in change projects required to develop the business and consequently reported negative contribution of £3m (2022: £3m).

Our investment in this business is starting to show returns with the following three new partner wins in 2023:

- a significant embedded finance partnership with Lloyds Banking Group due to launch in 2024 covering both lending and technology;
- a global retailer, Boohoo Group, will utilise our end-to-end technology proposition to underpin a brand new digital financial product due to launch in 2024; and
- providing a large international bank, through a strategic reseller partnership, data transformation, credit data modelling and reporting capabilities to aid the migration of a significant portfolio of an acquired credit cards business.

Financial review continued

Capital and liquidity

We generated £128m (2022: £136m) of free cash flow available for growth and debt service. After repaying £61m of Senior Secured Debt, we finished the year with £589m (2022: £382m) of cash. The following table reconciles adjusted EBITDA to the net movement in cash.

	2023 £m	2022 £m
Adjusted EBITDA	219.3	215.0
Change in ECL allowance	(71.3)	18.5
Adjusted EBITDA excluding change in ECL allowance	**148.0**	**233.5**
Change in working capital	34.3	(42.8)
Platform development and other costs	(10.4)	(10.1)
PPI provision payments	(4.8)	(1.5)
Capital expenditure	(30.0)	(21.9)
Tax paid	(9.2)	(21.7)
Free cash flow available for growth and debt service	**127.9**	**135.5**
Increase in gross loans and advances to customers	(40.2)	(980.7)
Net financing cash flow (excluding funding overlap[1] and Senior Secured Debt cash flows)	9.6	997.4
Free cash flow available for Senior Secured Debt servicing	**97.3**	**152.2**
Senior Secured Debt interest paid	(35.1)	(31.1)
Senior Secured Debt repayment	(60.9)	(264.1)
Senior Secured Debt issuance (net of implied £8m discount to nominal value arising under IFRS)	–	229.4
Return paid on loan from immediate parent company	(8.2)	(18.5)
Increase in restricted cash	5.7	9.9
(Decrease)/increase in cash excluding funding overlap	**(1.2)**	**77.8**
Funding overlap	208.3	–
Increase in cash	**207.1**	**77.8**
Ratio of net corporate Senior Secured Debt and Revolving Credit Facility (excluding funding overlap) to adjusted EBITDA	(0.3)x	(0.1)x
Ratio of adjusted EBITDA to pro forma cash interest expense	6.9x	5.9x

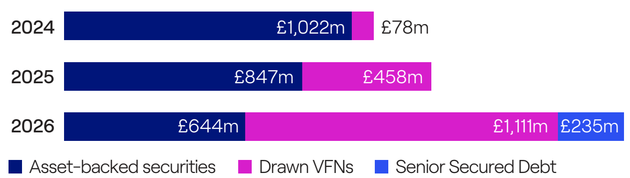
Funding

We proactively manage funding requirements and aim to refinance maturing debt through new deals and/or existing variable funding note (VFN) facilities in advance of their maturity. If new funding cannot be obtained we can, if required, exercise an option at our own discretion to extend the maturity date on all asset-backed term debt and VFNs by one year (where not already exercised). In 2023, we completed the following financing deals:

- a £350m issuance of asset-backed term debt from the Merchant Offering securitisation programme (of which £19m was retained within the Group);
- a £350m issuance of asset-backed term debt from the Direct to Consumer securitisation programme (of which £39m was retained within the Group) with $75m raised from US capital markets;
- a £61m repayment of Senior Secured Debt; and
- converted our first master trust VFN to achieve STS (simple, transparent, standardised) status, with associated funding cost benefits.

As at the year end, we reported funding facility headroom of £1.5bn (2022: £1.4bn) and, after adjusting for debt that has been refinanced through funding overlaps, only 18% of our borrowings will be due for repayment in less than one year, 32% will be due in one to two years and 50% will be due in over two years. The average maturity of funding facilities was two years as at the year end. We retain the right to extend the maturity of all asset-backed debt by one year (where not already executed).

Debt maturity profile (including accrued interest)



Our gross receivables are funded primarily through debt and the blended advance rate as at 31 December 2023 was 91.0%[2] (2022: 92.0%), being the total asset-backed securities (at hedged exchange rates) and drawn VFNs as a proportion of gross receivables. For Direct to Consumer the rate was 87.9%[2] (2022: 87.8%) and for Merchant Offering it was 95.0% (2022: 97.4%).

1 Funding overlaps are temporary increases in our cash and debt balances which arise when we issue new funding in advance of the maturity of the debt it is replacing.
2 Excluding funding overlaps. At unhedged exchange rates the blended advance rate as at 31 December 2023 was 91.4% (2022: 92.9%) and for Direct to Consumer it was 88.6% (2022: 89.4%).

Cash flows

As at the year end, we reported a cash balance of £589m (2022: £382m). This included £74m (2022: £68m) of restricted cash relating to ring-fenced cash for credit balances on gross receivables and cash restricted due to covenants in place in accordance with our funding structure. Additionally, cash held outside of the securitisation structures or not held for specific funding activities was £62m (2022: £60m) after full repayment of the remaining Senior Secured Debt maturing in 2024. The following table summarises our cash flows during the year.

	2023 £m	2022 £m
Net cash generated from/(used in) operating activities	91.1	(841.7)
Net cash used in investing activities	(30.0)	(21.9)
Net cash generated from financing activities	146.0	941.4
Net increase in cash and cash equivalents	**207.1**	**77.8**
Cash and cash equivalents at the start of the year	382.2	304.4
Cash and cash equivalents at the end of the year	**589.3**	**382.2**

Net cash generated from operating activities was £91m (2022: £842m used in) and was primarily driven by cash generated from the Group's profits. The prior year comparative included cash used to fund gross receivables growth.

Net cash used in investing activities of £30m (2022: £22m) represents investment in intangible assets and property and equipment.

Net cash generated from financing activities of £146m (2022: £941m) primarily consists of the issuance and repayment of asset-backed securities, and drawdowns and repayments of VFNs. These cash flows fund gross receivables. Also included in this balance is a funding overlap of £208m, a £61m repayment of Senior Secured Debt and an £8m payment to the Group's immediate parent company.

Capital requirements

There is no regulatory capital requirement for any subsidiary other than NewDay Ltd owing to its status as an Authorised Payment Institution. As at 31 December 2023, the levels of capital for NewDay Ltd exceeded the minimum capital requirement with headroom of £23m.

We are subject to various requirements and covenants related to levels of capital and liquidity. We regularly monitor compliance with these requirements and covenants to ensure they are met at all times where necessary.

The number and nominal value of all the parent company's shares are detailed in note 21.

Paul Sheriff
Group Chief Financial and Operations Officer

Promoting success and stakeholder engagement

Long-term sustainable success is dependent on how we engage with all stakeholders.

By understanding the differing needs and concerns of our stakeholders through proactive engagement, the Board can ensure careful consideration of the potential impact of its decision-making on each stakeholder group. We are committed to considering the interests of our different stakeholders in order to maximise the long-term success of the business.

Our interactions with key stakeholders during 2023 are shown in the table below.

Stakeholders	How we engage	2023 key deliverables
Customers **What matters most to them** → Responsible access to credit → Financial inclusion → Building credit scores and rewards for positive behaviours → Easy-to-use products → Appropriate financial support when or if needed	→ Our manifesto is at the heart of our decision-making → Apps and web interfaces → Feedback through transactional NPS and NES metrics to track customer satisfaction → Customer issue resolution programmes using customer and colleague feedback to improve processes → Payment support for customers who encounter difficulties → Credit education tools to support improving credit scores → Servicing and transaction messages and alerts → Customer KPIs in monthly Board reporting → Customer focus groups	→ Improved transactional NPS of +72. NES of +75 → Supported 2.4m customers to improve their credit score → Provided 441k customers payment support including payment holidays → 824k customers registered for *Aqua Coach* and *Credit Score* at the year end → 6% reduction in complaints per 1,000 active customers
Colleagues **What matters most to them** → Being part of an engaging and highly motivated environment → Attractive career paths → Enhancing skills → Competitive and balanced rewards and remuneration → Empowerment to make an individual contribution to delivering on our vision	→ Our purpose and values are at the heart of employee engagement → Bi-annual employee surveys with follow-up actions → Programme of activities throughout the year covering inclusion and diversity, mental health and wellbeing → Continuous all-colleague communication programme, including town halls → Online learning and development tool → Independent whistleblowing helpline	→ Engagement score of 76% → Delivered our Investing in You programme to over 750 colleagues, providing tailored psychometric and behavioural insights aimed at driving career development → Inspirational Speaker Series of events and promoted discussions of important emerging matters → Continued provision of care packages and benefits to support health and wellbeing
Retail partners **What matters most to them** → Their customers receiving responsible access to credit → Easy-to-use and market-leading products with seamless integration and online conversion → Best-in-class customer journeys → Building brand loyalty to drive higher sales → In-depth data-driven customer insights	→ Responsibly saying "yes" and rewarding their customers is core to partner engagement → Regular performance meetings with our partners → Provision of data insight and performance analytics → Working with our partners to develop marketing strategies, online integrations and offers	→ 193k new Merchant Offering customers → £1.4bn of Merchant Offering spend directly with our partners → Signed agreement with Lloyds Banking Group for a technology and embedded finance partnership due to launch in 2024, enabling us to engage with and support many more retailers → Signed agreement with Boohoo Group to utilise our end-to-end technology proposition to underpin a brand new digital financial product due to launch in 2024

Stakeholders	How we engage	2023 key deliverables
Shareholders **What matters most to them** → Building a sustainable, ethical, strong, customer-centric and valuable business → Responsible lending and promoting financial inclusion → Building market-leading technologies → Ensuring NewDay makes a positive impact where all stakeholders benefit → Predictable, sustainable and attractive returns	→ Well-informed Board meetings and strategy days → Ongoing investor dialogue through their Board representatives' investor meetings → Monthly performance reporting – both financial and non-financial	→ Statutory profit before tax of £98m and underlying profit before tax of £207m → Deleveraged the business by repaying £61m of Senior Secured Debt → Generated £128m of free cash flow available for growth and debt service → Multiple new partner wins from our platform-as-a-service business → Progressed the delivery of our ESG strategy
Investors (asset-backed securities and high yield bond (HYB)) **What matters most to them** → Payment of interest and principal on their investments when they fall due → Sustainable and safe returns	→ Monthly securitisation investor reporting → Quarterly HYB investor reporting and presentations → Investor roadshows and open investor relations dialogue	→ Generated £128m of free cash flow available for growth and debt service → Refinanced all maturing asset-backed securities → Executed hedges to reduce our exposure to further base rate increases → Repaid remaining £61m of Senior Secured Debt due to mature in 2024 → Converted our first master trust VFN to achieve STS status, with associated funding cost benefits
Regulators **What matters most to them** → Responsible and compliant lending → Proactive engagement on industry and regulatory matters → Sustainable business practices → Appropriate governance and Board-level oversight	→ We believe credit is a force for good and we believe good regulation reinforces this → Member of industry bodies to ensure active engagement in industry-wide discussions → Open and transparent reporting → Proactive engagement and collaborative approach with policymakers, regulators and Government	→ Embedded the FCA's Consumer Duty into the business, including the necessary processes and governance to consider the regulations on an ongoing basis → Continued application of the FCA's Tailored Support Guidance aimed at helping customers experiencing financial difficulties, including as a result of rising living costs → Reviewed regulatory publications and consultation papers, responding where appropriate with Board oversight
Community partnerships **What matters most to them** → Socially responsible business practises benefitting all stakeholders → Widening financial inclusion and promoting good credit behaviours → Environmentally friendly and sustainable practices	→ Attendance at industry-wide meetings → Long-term support of Family Action, our charity partner → ESG KPIs in Board reporting → Member of environmental organisations to share best practice	→ Donated £0.3m in our ongoing partnership with Family Action → Our colleagues donated over 400 toys and a further £4k for Family Action's Christmas Toy Appeal → Hosted Family Action's HeadStart programme, helping disadvantaged young people to develop the skills, experiences and confidence needed to secure and stay in employment → Partnered with Stemettes to help young women to develop tech skills and promote STEM careers

2023 decision-making: our technology and embedded finance partnership with Lloyds Banking Group

Our Board and its committees consider the needs and concerns of our stakeholders regularly. An example of a decision taken and how the interests of our stakeholders were considered is our technology and embedded finance partnership with Lloyds Banking Group. We identified an opportunity to deploy our technology and lending expertise to build embedded finance products across Lloyds Banking Group's merchant network, launching in 2024. This has been designed to allow prime customers to take a product backed by Lloyds Banking Group whilst those not eligible will be offered the opportunity to apply for a NewDay product. This provides good outcomes for customers by providing compelling products which are designed to allow access to credit to a broad range of both prime and near-prime applicants. This is delivered in a regulatory compliant manner whilst addressing the FCA's concerns regarding financial inclusion. At the same time, it broadens the scope of the Group's relationships with merchants and aims to drive additional, capital-light revenues from our platform-as-a-service business, thereby providing additional returns for our shareholders as well as increasing cash flows to service our Senior Secured Debt.

Operating responsibly

> We believe in credit as a force for good. Our ESG strategy is embedded throughout the business, driving positive outcomes and helping people move forward with credit.

Sir Michael Rake
Chairman and Non-Executive Director

We are a purpose-led business. Our ESG strategy has three pillars aligned to our purpose. Each pillar is underpinned by the belief that credit is a force for good.

Our ESG strategy

- Being a responsible lender
- Minimise our environmental impact
- Inclusive and diverse workplace

Read our Sustainability Report available on our website, newday.co.uk, for more information on our ESG strategy, the progress we have made during the year and our future ambitions

Being a responsible lender

Responsible and accessible credit expands possibilities; it powers up life and business. We focus on this to ensure we strive to provide excellent customer service and develop products and services that evolve in line with our customers' rapidly changing needs. This helps us build long-term relationships.

2.4M

Customers supported to improve their credit score

(2022: 2.1m)

Plain Numbers
Working together

Partnered with Plain Numbers and became the first credit provider to achieve Plain Numbers Certification on certain customer communications

The FCA Consumer Duty came into force in July 2023 and we challenged ourselves to enhance our customer proposition to deliver even better customer outcomes. The Consumer Duty aligns well to our purpose of helping customers move forward with credit and our areas of focus, being fair treatment of customers with characteristics of vulnerability and supporting customers in financial difficulty. Our Consumer Understanding Forum and Consumer Duty KPI dashboard have been launched to ensure delivery and monitoring of good customer outcomes.

By understanding the varying needs of customers, building long-lasting relationships and rewarding those customers for responsibly managing their credit, we continue to be one of the most inclusive lenders in the UK. We lend responsibly through the deployment of a 'low and grow' strategy, offering near-prime customers a low initial credit limit until they demonstrate that they can actively manage and afford further credit in a responsible and sustainable manner. This is powered by sophisticated machine-learning technology embedded within our proprietary scorecards. These scorecards allow us to offer customers access to credit throughout the full credit risk cycle, and especially when customers need it the most.

We are committed to supporting customers to improve their credit scores. Our in-app financial education tools, *Aqua Coach* and *Credit Score*, provide customers with direct access to their credit score alongside tips and indicators of their progress towards improving it. As at the year end, 824k (2022: 592k) customers had registered for this functionality and 40% actively check their credit score each month. In total, we supported 2.4m (2022: 2.1m) customers to improve their credit score in the year. We also offer *Aqua Coach* support to certain applicants who were declined or ineligible. Such individuals benefit from two co-branded services with LOQBOX, a credit building advice service, and TransUnion designed to help them move forward on their journey towards accessing credit.

We understand that customers' credit needs change over time and that sometimes this means they need additional support. Our arrears management processes are designed to help and support our customers to get back on track. We offer payment holiday interventions which suspend repayments, interest and fees for a period of up to three months, to those customers who require temporary support.

We have collaborated with Experian and other firms on the launch of Support Hub, which allows consumers to share their support needs to multiple organisations in a single, consented, transparent and standardised manner to reduce the burden of having to inform numerous service providers of the same needs. We also partnered with Plain Numbers to help further improve the way we communicate to customers.

We continuously listen to feedback from our customers. Our customer issue resolution programme is dedicated to driving continuous improvement. We engage and learn from our customers to ensure that we adapt, evolve and continue to deliver a service that meets their needs. We regularly report a suite of KPIs to our Board to ensure appropriate focus is given to being a responsible lender. Our transactional NPS score of +72 (2022: +64) evidences that customers value the experience they receive from us.

We aim to resolve complaints to a satisfactory level internally and were proud to win the award for 'Best Complaint Handling' at the UK Customer Experience Awards. Customer complaints reduced in 2023 to 1.2 (2022: 1.3) per 1,000 active accounts per month.

Operating responsibly continued

How we are supporting customers

> *Aqua* helped me build my credit score. I can now think about the longer term, I really want to get a house and establish roots here.

Mark
Aqua customer

> Our purpose and values underpin everything I do in my role. The changes that we make help our customers and partners move forward.

Sarah
Head of Platform Delivery

"Helping people move forward with credit shapes everything we do with product features and customer journeys. It's our guiding star.

Charles
Senior Manager, Product Strategy

"The *Bip* app makes me feel really financially in control. I know exactly what I've spent because a notification comes up straight away and I just feel more financially responsible.

Carly
Bip customer

bip.

Operating responsibly continued

Minimise our environmental impact

Minimising our impact on the environment is important to us which is why we are proud to have carbon neutral own operations, an important step in our journey towards Net Zero by 2040.

We are committed to conserving energy and giving preference to renewable sources of energy wherever reasonably practicable. In 2023, we consumed 0.5 tonnes of CO_2 emissions per average FTE employee (2022: 0.3 tonnes) across Scope 1, 2 and 3 emissions within our own operations. More long-haul flights to launch and support the platform-as-a-service business with international clients led to higher carbon usage in the year. Owing to the nature of our business, we focus primarily on managing general energy consumption across the Leeds and London sites (Scope 2 emissions). We have 100% renewable energy tariffs and for residual emissions we purchase Verra-approved carbon offsets covering both Scope 1 and 2 emissions to achieve carbon neutral own operations.

0.5

Tonnes of CO_2e per average FTE employee
(2022: 0.3 tonnes)

We recognise that NewDay's carbon footprint is wider than our Scope 1 and 2 impact. Following completion of our Greenhouse Gas inventory across our value chain, we assessed a longer-term carbon reduction strategy and have set a commitment to Net Zero, including Scope 3 emissions, by 2040. As third parties contribute the significant proportion of our carbon footprint we recognise that it is crucial to engage with our supply chain in order to deliver our Net Zero ambitions. We are working with suppliers to understand their current status and commitments to reducing emissions, as well as wider sustainability impacts, and for new suppliers our onboarding process requests details of their environmental credentials.

The progression of our ESG strategy and activity has been recognised by EcoVadis who accredited us with their Gold medal sustainability rating in 2023, placing us in the top 3% of financial services companies (excluding insurance and pension funding) they have rated (2022: Gold, top 5%). The EcoVadis assessment includes consideration of our environmental and sustainable procurement policies, practices and performance. We were pleased that EcoVadis recognised the progress we made this year on our sustainable procurement journey, which is now significantly above average. In addition to our sustainability rating, EcoVadis also assessed our carbon management practices for which we were rated Intermediate on their carbon scorecard.

We have reviewed their proposed areas for improvement as we strive for an Advanced rating and, where appropriate, are incorporating these into our strategy.

Colleague engagement

Our colleagues engage with environmental strategy through the Green forum, a multi-site colleague-led forum which provides a platform for colleagues to raise ideas, concerns and promote recycling, reuse and repurpose across the business. Our qualified beekeepers continue to look after two hives in the Leeds office to support biodiversity. The forum continued to support a back-to-school campaign to tackle the issue of textile waste. Working with NewDay's charity partner, Family Action, colleagues donated school uniforms that they no longer required and passed these on to families across the country who were unable to afford new uniforms.

Customer action

As well as taking our own environmental action, we encourage customers to do the same. We continue to encourage our customers to manage their account online, with 95% (2022: 94%) of active customers now registered. The *Bip* and *Newpay* products offer digital credit, reducing both plastic and paper usage as well as the environmental impact of transporting credit cards, pins and statements to customers. 491k (2022: 453k) customers were on a cardless product as at the year end, and we intend this to grow in future years.

Originally launched with *Bip* in 2022 in partnership with Cogo, the carbon management experts, we extended our customer carbon footprint insights to *Aqua* customers. Cogo's carbon footprint feature shows customers the impact of their spending to help build carbon literacy and in turn, create positive change. We continue to consider the impact on the environment as part of new product launches and our most recent partnership with John Lewis & Partners includes a recyclable plastic card to reduce waste at the end of the card's life.

Governance in our supply chain

Our Supplier Code of Conduct outlines all the areas we expect suppliers to adhere to across all aspects of ESG, including protecting the environment. Suppliers are required to actively reduce their carbon emissions and other negative environmental impacts and provide updates on progress towards this requirement. All suppliers must encourage the use of technologies and practices with reduced environmental impact. In addition, suppliers must engage in proactive environmental management by developing environmental policies, setting environmental objectives and targets that, as a minimum, include commitments to identify, measure and reduce significant environmental impacts. Our Supplier Code of Conduct, found on our website at newday.co.uk, positions NewDay's due diligence and contractual requirements in this regard.

Our Modern Slavery and Human Trafficking Statement is also available on our website at newday.co.uk

Inclusive and diverse workplace

We have a strong culture which is guided by our purpose to help people move forward with credit.

Whilst we are guided by our purpose, we are powered by our people and driven by our values: 'do the right thing', 'pull together', 'aspire to extraordinary' and 'create tomorrow'. We believe that we can create exceptional experiences for our customers, partners and colleagues.

Our colleagues take the opportunity to give feedback on NewDay's culture through engagement surveys. Engagement in 2023 remained high at 76%[1] (2022: 78%), with our purpose and feeling valued scoring particularly highly.

We continue to reassess our benefits package, and as a family friendly employer, in 2023, we enhanced parental leave benefits, providing further support to colleagues with young families. We also partnered with Babbu to offer parents with children under five years of age an app which delivers insight to enrich and guide colleagues' parenting journeys.

Staying flexible

We continued to adopt our flexible working approach, *NewWork*, encouraging colleagues to share their time between remote working and the office. In addition to remote working, we also offer colleagues the opportunity to work up to ten days per year in permitted overseas locations under our *NewWork* overseas policy, offering even more flexibility.

We believe that our office space sparks the collaboration and networking that powers NewDay. We offer every colleague in our offices complimentary healthy food and ensure our office space facilitates a strong team working environment.

Staying well and healthy

85% (2022: 88%) of our colleagues agree that we support each other well through change, a sign of a strong, healthy and resilient culture.

We know that open and regular communication about mental and physical health is critical when people are dealing with change. In 2023, we participated in neurodiversity celebration week and launched a micro-learning course on anxiety.

Alongside Bupa healthcare, we continue to offer Bupa dental cover, health booths in both our London and Leeds offices and every colleague has unlimited access to the Calm meditation and wellness app. We also provide access to a 24/7 virtual GP service and a wide-ranging employee assistance programme.

Wellbeing is now an established conversation in our business and we regularly invite expert speakers to talk about tools and perspectives that can offer support. We monitor the wellbeing of colleagues through surveys, with 80% (2022: 83%) saying that NewDay supports their wellbeing and health.

Inclusion powers our performance

Belonging is important for wellbeing and performance. We want to create a company where everyone at NewDay is valued, feels that they belong and can contribute.

Inclusion is measured through an inclusion and diversity (I&D) index, which was 79% (2022: 82%) in 2023. This positive score is a testament to the energy and commitment to creating an inclusive culture at NewDay. In 2023, our I&D agenda focused on the topics that were important to colleagues, with events including Black History Month, Neurodiversity Celebration Week, and Pride in both London and Leeds.

As at 31 December 2023, the proportion of our 1,354 (2022: 1,397) colleagues that identified as female was as follows:

	2023 females	2022 females
Colleagues	45%	47%
Executive Committee[2], Directors and Heads of functions	27%	27%
Executive Committee[2]	13%	13%
Board	18%	17%

Our Gender Pay Gap Report is published on our website at newday.co.uk

In addition to supporting inclusion and diversity within the workplace, we also partnered with Stemettes, who work to inspire and support young women and non-binary people in STEM careers. Alongside corporate donations, we ran onsite events and female colleagues in STEM roles mentored several young women, supporting them in considering roles in STEM.

Investing in talent

We support colleagues to develop themselves and direct their own learning and growth, with the support of their manager, at whatever career stage they are starting from.

Our approach is to deliver learning experiences through an in-house team of learning experts, increasingly through innovative e-learning, as well as leveraging external subject matter expertise as we partner with business teams to develop specialist technical subject matter skills.

Following the roll-out of our leader100 programme in 2022, which provided tailored leadership development to our top 100 leaders, we expanded our colleague development programme with the launch of Investing in You. This programme provided tailored psychometric and behavioural insights to colleagues and their managers to support development discussions and career progression.

We are proud that over 150 colleagues moved into a new role in NewDay over the course of the year. Our ability to retain and develop key talent is a competitive advantage that helps us to keep moving our business forward.

1 2023 employee engagement was taken from our mid-year survey. An end-of-year survey was not performed due to operational reasons.

2 The Executive Committee composition changed on 1 January 2024. The revised members are detailed on page 61.

Managing our risk

NewDay operates in a fast-paced environment and our risk disciplines need to be agile to support the business in responsibly saying "yes" to more customers.

Our principle-led risk management enables us to remain dynamic and responsive to the needs of the business and customers.

We remain alert to the constantly evolving environment in which we operate. Economic uncertainty persists and our aim is to ensure NewDay's risk management processes adapt according to the prevailing economic environment so that we can build strong foundations which will allow us to provide the necessary support to customers during these challenging times. In 2023, we introduced forward-looking affordability buffers in our risk assessments and flexed them throughout the year to anticipate the economic pressures facing customers.

The FCA's Consumer Duty rules came into force in July and introduced a new overarching principle requiring firms to act to deliver good outcomes supported by three cross-cutting rules and four consumer pillars. The Consumer Duty aligns to our purpose of helping people move forward with credit and our areas of focus, being fair treatment of customers with characteristics of vulnerability and supporting customers in financial difficulty. We will continuously seek to embed the Consumer Duty further into our processes and challenge our outcomes to ensure customers remain at the heart of everything we do.

Additionally, we continued to enhance our risk monitoring and remained focused on operational resilience. This enabled us to identify and assess the important business services within our operating model and identify opportunities to make systems and processes more resilient. As we continue to build and enhance our digital capability, managing the complexity in our internal and third party services becomes increasingly important. Effective operational resilience helps us maintain excellent levels of service and is key to ensuring we continue to deliver for our customers and retail partners.

Our risk management framework

We manage our risks using our risk management framework which has been developed in line with the evolving complexity of the business and is scalable for future growth. It is delivered through a three lines of defence operating model:

1st line of defence
Ensures appropriate day-to-day risk and control ownership within the business

2nd line of defence
Ensures independent challenge and oversight provided to the Executive Committee and the Board by the Enterprise Risk team

3rd line of defence
Ensures additional assurance provided to the Board by internal audit

Read more on page 56

Our risk management framework is embedded within our corporate governance structure and has a strong emphasis on effective guidance, oversight and challenge.

Risk management framework

1 Culture and risk strategy

2 Risk appetite

3 Governance and accountability

4 Risk process and methodologies

- Risk assessment framework factor
- Quantitative modelling
- Change management (including new products and channels)
- Risk aggregation
- Risk reporting

5 Risk data and systems

6 External risk factors

7 Validation

Our risk management strategy is principle-led

NewDay's strategy for managing risk is developed and informed by considering several key aspects. Our purpose, values and manifesto significantly shape our approach to risk. We set risk appetite thresholds to ensure the business' strategy is delivered in a sustainable and responsible way. Our aim is to be proportionate and effective, targeting our efforts where risk is greatest.

This is further articulated through the following five guiding principles:

Simple
It is important to execute the basics of the discipline to a high standard and meet all statutory requirements, whilst recognising that in a company of our size, scale and complexity keeping the approach simple and effective is key (seeking only to add sophistication and depth where there is incremental value in doing so).

Proportionate
The risk management approach enables the organisation to recognise and understand the risks it faces and then prioritise and manage the risks it wants to take in pursuit of commercial goals.

Embedded
Managing risk is important in delivering against our purpose, values and meeting our business objectives. It is considered an integral part of business planning, service delivery, key decision-making processes and project and partnership governance.

Enabling
We seek to have the right skills, resources and mindset in place in order to fulfil the requirements of approved policies, frameworks and standards.

Dynamic
We anticipate and respond to emerging risks, cognisant of both internal and external influences. We are dynamic in our approach so that we can be effective at optimising risk in a changing operating environment.

Managing our risk continued

Our risk governance structure provides clear accountability

The Board is accountable for the overall risk management and ensures the risk management framework is aligned to our risk appetite and strategy.

The Board delegates responsibility for risk management oversight to the Board Risk Committee, which is informed by risk and controls reporting and uses quantitative and qualitative measures to monitor and challenge performance.

Our risk appetite

We use four risk pillars to underpin the delivery of NewDay's strategic objectives and to define our risk appetite statements.

Our risk appetite statements are reviewed annually and approved by the Board and they are the link between business strategy and the management of risk through the risk management framework. The statements are cascaded down into and applied to their component parts, including risk appetite objectives, metrics and triggers. This enables the risk appetite to inform day-to-day decision-making.

Risk appetite measures are monitored monthly by the relevant business committees and in totality by the Executive Committee and the Board Risk Committee, with appropriate actions being taken where agreed thresholds have been breached. From 1 January 2024, the Executive Committee replaced the Enterprise Risk Management Committee (which was in place throughout 2023) as being responsible for monitoring risk.

Risk appetite thresholds are reviewed at least annually to ensure the business strategy is delivered in a sustainable and responsible way. Risk appetite is also considered as part of the business planning process and reflects our latest commercial, economic and regulatory thinking.

1 The Board Audit Committee and Board Remuneration and Nomination Committee also form part of the risk governance structure in relation to specific risks within their remit as defined in their terms of reference.

Board governance

Our committees provide ongoing governance

Our four risk pillars underpin the delivery of our strategic objectives

Board

Board Risk Committee[1]

Executive Committee

Day-to-day management of the business is the responsibility of the Executive Committee, chaired by our Group Chief Executive Officer. The Executive Committee has delegated authority from the Board to make decisions on risk matters within the agreed risk management framework. The Group Chief Executive Officer also implements the decisions made and policies approved by the Board and deals with matters arising within the ordinary course of business. The Executive Committee is responsible for making recommendations to the Board Risk Committee for ratification.

Business Committees

The Operating and Finance Committee, Credit Committee and Platform Committee provide management with a structure to ensure appropriate focus is applied to the oversight and management of key activities within the business. These Committees report to the Executive Committee.

Credit risk

Our credit appetite ensures we originate and manage customer receivables with a risk and reward balance in line with the Group's financial and strategic objectives, whilst also ensuring an appropriate expected credit loss allowance is recorded.

Financial strength

We maintain a strong financial position by managing profitability and cash generation. This is achieved by ensuring that financial strength and liquidity are maintained at levels that reflect our desired financial profile, whilst complying with funding covenants and regulatory requirements. This will apply for planned growth in normal conditions and navigating stressed environments.

Operational performance (includes operational risk)

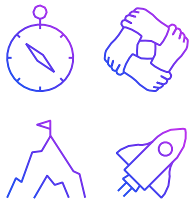
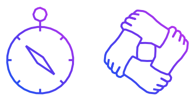
We fulfil our business commitments through systems and processes that are appropriately controlled, scalable, cost-effective and comply with applicable external and internal rules, laws and regulations. This includes having the right number of skilled, motivated people in place and developing and retaining talent. We seek to have appropriate oversight, challenge and governance in place over planned changes.

Business conduct (includes legal, regulatory and conduct risk)

We treat customers fairly and ensure that they remain at the heart of everything we do. We work to ensure that customers do not suffer detrimental outcomes as a result of our product design or sales or post-sales processes, correcting identified errors. Our customer-focused ethos is embedded within the governance and culture of the organisation.

Our principal risks

Our principal risks have been under regular review by the Board and the Board Risk Committee throughout 2023. These risks can influence how we achieve our strategic objectives. We focus on those risks that pose the greatest threats to our business and the achievement of our objectives.

Principal risk	Link to our values	2023 performance
Strategic risk Adverse impacts because of a sub-optimal business strategy or business model. **Example** → A sub-optimal business strategy or business model could give rise to financial loss, reputational damage or failure to meet internal and/or public policy objectives.		→ John Lewis & Partners programme embedded into business as usual → First platform-as-a-service client launched → Signed a partnership with Lloyds Banking Group to proliferate our *Newpay* product and grow our platform-as-a-service business → Signed end-to-end technology proposition with Boohoo Group to underpin a brand new digital financial product due to launch in 2024 → Extended lending through our loan origination business in partnership with a third party funder
Macroeconomic risk Adverse movements in economic trends in the UK cause detrimental effects on the anticipated returns and business strategy of the Group. **Examples** → An economic downturn may lead to higher unemployment or a retail partner insolvency which may impact future financial returns and/or interrupt growth strategies. → A significant increase in the impairment charge may result from a macroeconomic downturn. → Cost-of-living pressures may continue to impact customers' disposable income and lead to credit loss.		→ Monthly tracking of macroeconomic dashboards including portfolio specific dashboards tracked monthly in our committees → Credit, affordability and growth strategies influenced by macroeconomic forecasts and cost-of-living impacts → Quarterly macroeconomic panel meetings → Regular engagement with external economists to review the macroeconomic environment

Our values

Do the right thing | Pull together | Aspire to extraordinary | Create tomorrow

How we are mitigating this risk	Where next?
→ Executive Committee overseeing strategic risks → Continued pursuit of business development strategy and diversification through new activities and partners including expanding our presence online → Business strategy and annual/dynamic review process → Aligning Group budgets with strategic objectives and regularly monitoring performance → Aligning risk appetite with strategic objectives and business planning → Monitoring publicly available information and other gathered information with regard to trading performance of retail partners	→ Agree actions with John Lewis & Partners to put the programme on a sustainable long-term trajectory → Develop and implement new capabilities across all portfolios and sign and launch new retail partners who can support us to further expand our reach into the near-prime segment → Continue to pursue clients and develop opportunities for our platform-as-a-service business → In-house technology and platform capability to facilitate faster innovation → Further develop our ESG agenda, with increased focus on sustainable procurement
→ Continuing to monitor the challenging economic environment and our lending risk appetite for new and existing customers → Performing regular impact assessments and stress scenarios with predetermined mitigating actions → Macroeconomic panel meeting on a quarterly basis to review and agree stress scenarios and consider the latest economic forecasts to inform business planning in response → Business strategy and annual review process and aligning risk appetite to the budgeting process and strategic objectives → Macroeconomic dashboards monitoring → Ability to deploy multiple levers from new business growth, customer credit limit management and cost controls	→ Continue to refine our approaches where needed and continue to monitor the external environment closely, with particular attention to any ongoing cost-of-living impacts and Bank of England policies to control inflation → Strengthen our lending decisions to tailor to individual circumstances in the prevailing macroeconomic environment through investment in a strategic Open Banking solution

Our principal risks continued

Principal risk | **Link to our values** | **2023 performance**

Credit risk

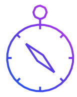
Unexpected losses as a result of customers failing to meet their obligations to repay.

Examples

Credit risk losses deviating from expectations because of:

- ineffective models or scorecards;
- forecasting models not in line with business processes;
- poorly designed decisioning strategies;
- collections strategies not working as intended;
- lower prices within the debt sale market;
- increase in fraud losses due to third party fraudulent attacks;
- affordability assessments not being reasonable and proportionate; and
- policies not delivering the right customer outcomes.

Link to our values




2023 performance

- Underlying credit performance performed well despite cost-of-living pressures with metrics starting to normalise back towards pre-pandemic levels
- Controlled growth strategy for new customers this year enabled a tighter risk appetite during cost-of-living stresses
- Improved management and customer outcomes delivered for vulnerable customers
- Additional early interventions implemented for customers at risk of financial difficulty
- Customer outcomes from payment deferrals have remained stable, with continued low breakage rates and encouraging voice of customer feedback. This led to good outcomes for customers and lower credit losses

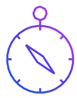
Regulatory risk

Change in laws or regulations governing the Group and/or failure to comply with legal or regulatory requirements.

Examples

- Significant alterations to the business model because of changes in the law or regulations may have a material impact on the performance and profitability of the business.
- Non-compliance with laws or regulation could lead to reputational damage, enforcement action and/or financial loss.
- Litigation and other adversarial actions in the ordinary course of business.

Link to our values




2023 performance

- Embedded the FCA's Consumer Duty into the business, including the necessary processes and governance to consider the regulations on an ongoing basis
- Reviewed regulatory publications and consultation papers, including in relation to Consumer Credit Act reform, Diversity in Financial Services, the Credit Information Market Study (CIMS) and Borrowers in Financial Difficulty, and the proposed implementation of new Product Sales Data returns
- In line with others in the industry, we saw an increase in affordability complaints through claims management companies. We responded promptly and decisively to increase resource to investigate these complaints and adjusted our complaint handling processes where necessary

How we are mitigating this risk	Where next?
→ Continuing to adjust our lending risk appetite for new and existing customers → Macroeconomic environment and risk appetite monitoring by the Credit Committee, Executive Committee and Board → Regularly monitoring impairment performance → Enhancement of application fraud systems, new customer authentication processes and fraud prevention strategies → Daily performance monitoring of credit and collections strategies → The ability to test multiple challenger strategies, and validate outcomes, at short notice → Focusing on collections strategies to ensure customers' needs are met and the right outcomes are being achieved → Credit Committee overseeing the execution of the credit risk management framework → Regularly reviewing the effectiveness of credit risk strategies, policies and procedures → Improved the identification and management of vulnerable customers including the initial launch of a new vulnerable customer support service	→ Continue to mature the credit risk management framework, enhancing our capability to deliver improvements to our models and credit decisioning strategies → Optimise our outbound engagement strategy deployed through our platform investment that enables greater flexibility and experimentation, and leveraging our AI-based robot and hyper personalised content informed by behavioural science → Implement new strategic solution for fraud management including machine-learning capability and behavioural biometric solutions and continue to enhance fraud prevention measures → Redevelop our late-stage collections and debt sale strategy eliminating the requirement for high cost treatments → Continue to improve outcomes for our customers and engagement strategies for customers in financial difficulties, as well as enhance our early intervention strategies to help customers who might be at risk of financial difficulty → Continue to enhance our support for customers with characteristics of vulnerability and roll-out of the new vulnerable customer support service to our partner brands → Enhance our IFRS 9 ECL model → Implement Open Banking solutions to further enhance our affordability decisions for new and existing customer lending
→ Committee-level monitoring of the impacts and costs of regulatory change and ability to enact and respond to them → Monitoring of regulatory radar for upcoming regulatory developments and external horizon scanning cascaded internally → Responding to consultation papers both directly to regulators and via trade bodies, engaging with policy makers and industry stakeholders → Reviewing policies and procedures to remain up to date, compliant and adhered to and to ensure that appropriate processes and controls are in place → Participation in multi-firm monitoring and standardised reporting to the FCA on cost-of-living and financial resilience metrics	→ Continue to focus on the regulatory and legislative environment, managing change for enacted or proposed regulatory and legislative driven initiatives → Further embed the Consumer Duty and prepare for the first Annual Governing Body report in 2024 → Continue engagement in relation to key industry policy development, particularly in relation to BNPL, Consumer Credit Act reform and ways to improve financial inclusion for non-prime consumers

Our principal risks continued

Principal risk | **Link to our values** | **2023 performance**

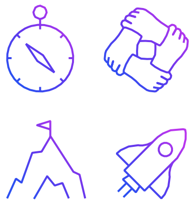
Operational risk

Inadequate or failed internal processes, people and systems, or from external events including internal and first party fraud.

Examples

Reputational damage, regulatory censure and/or financial loss could arise from:

- internal or third party systems and infrastructure suffering partial or complete outage;
- cyber attacks;
- loss of customer data;
- geopolitical events;
- inaccurate or incomplete customer data;
- internal and first party fraud;
- human errors in manual processes;
- lack of suitably skilled resources;
- failure to develop and deliver technological and organisational changes;
- failure of third parties to deliver contracted services;
- negative attention or news in the industry we operate in; and
- inability to retain and attract talent.



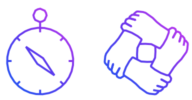
- Created a dedicated operational resilience framework focused on technology resilience testing, a key element of our overall resilience capability
- Improved cyber security, including enhanced user access architecture, secure design and development of products through new testing tools, enhancements in security monitoring, and embedding policies and standards into ways of working
- Automated security testing and security control testing validation
- Maintained ISO 27001 certification and PCI DSS compliance
- Refined supplier onboarding processes and governance including deployment of tooling to enable a risk-based approach to management of suppliers
- Deployed real-time managed services data platforms architecture
- Progressed Investing in You programme, people acquisition operating model and employee value proposition
- Strengthened product engineering delivery model and migrated towards a feature delivery model to improve quality of technology delivery

Conduct risk

Customer harm arising from inappropriate culture, products, governance and processes.

Example

- NewDay or its strategic partners experiencing issues with poorly defined and managed controls, culture and/or governance could cause customer detriment and in turn this could lead to financial loss, affect reputation and give rise to regulatory censure.



- Embedded Consumer Duty into our processes and culture
- Embedded Experian's Support Hub to aid vulnerable customers
- Introduced additional early intervention support including further measures temporarily reducing interest should it be appropriate for the customer
- Delivered further optimisations to *Aqua Coach* to help more customers move forward with credit
- Enhanced the conduct risk management framework
- Improved training and awareness across the Group
- Managed incidents and remediated where necessary to avoid any customer detriment

How we are mitigating this risk	Where next?
→ Platform Committee overseeing control frameworks in relation to information security, operational resilience and data governance → Operational resilience scenario testing, validating existing resilience capabilities across systems and processes, driving continuous improvement to our important business services → IT general controls including physical security, access and configuration management, secure development and penetration testing and cyber security → Supplier management framework enabling consistent and proportionate management of suppliers based on their risk classification → Dedicated product teams ensuring effective prioritisation of developments and updates to ensure long-term viability, stability and resilience → Change governance and dedicated project management resources → Firm-wide identification and risk assessment of in-house built and/or configured applications and appropriate control alignment → Recruitment, remuneration and performance management	→ Continue to monitor and adapt to the ever-changing cyber threat and invest in secure architecture, configuration management and security monitoring → Deliver changes to comply with new PCI Data Security standards → Continue to enhance our customer digital journeys → Further strengthen our in-house development capabilities and deliver on business priorities → Enhance management of our data including mapping data lineage, validation of data quality and proactive monitoring of all applications through identification of local and centrally controlled systems together with assigned ownership → Further strengthening technology resiliency through continuous testing and addressing any vulnerabilities
→ Credit Committee overseeing our conduct risk management framework → Our company purpose, helping people move forward with credit → Our manifesto, values, and investment in colleague training, together with key management communications support business standards and the customer outcomes we aim to achieve → New product approval forum → Retail partner monitoring and relationship management → Continuing to focus on agent recruitment, retention, training and performance management and reward in light of changing ways of working → Monitoring the effectiveness of policies and processes for vulnerable customers → Reviewing responsible lending and affordability across the Group and reviewing past and current affordability processes undertaken to determine any systemic issues and/or adversely impacted customers → Monitoring emerging new sources of complaints from individuals and claims management companies and continuing to enhance processes and management of complaints	→ Maintain our focus on responsible lending and customer outcomes and continue to ensure that our marketing and complaints processes deliver effectively for the customer and are aligned with the Consumer Duty → Regularly review affordability → Review customers' behaviour patterns and in particular how they access credit and their understanding of how to manage their credit account → Deliver ongoing enhancements in the support of vulnerable customers, including the launch of an improved platform that will enable agents to offer better support → Introduce further support to customers to help them be better with credit by giving them greater visibility of the impacts of their credit behaviour

Our principal risks continued

Principal risk	Link to our values	2023 performance

Financial risk

Inaccuracies in financial and management reporting and/or inadequate management of liquidity, funding and cash.

Examples

Reputational damage, financial loss and/or withdrawal of funding could arise from:

- misstatement of external reporting (annual and quarterly reports and financial statements, bank submissions, regulatory reports or securitisation reports);
- misstatement of information for internal decision-making;
- commingling of customer payments delaying or reducing securitisation funding;
- non-compliance with tax regulations; or
- incorrect payments to third parties.

Operational cash ensures that the Group can implement its business plan under normal conditions and within the Board's agreed cash risk profile. Insufficient cash could impact the Group's ability to meet ongoing financial commitments, invest in new business or pay debt interest. Insufficient funding for receivables would impact the Group's ability to support customer spending and receivables growth.

2023 performance

- £98m statutory profit before tax and £207m underlying profit before tax
- Repaid remaining £61m of Senior Secured Debt maturing in 2024
- £128m of free cash flow available for growth and debt servicing
- As at the year end, a cash balance of £589m and £62m of cash held outside of the securitisation structures or for specific funding activities
- Refinanced all maturing asset-backed securities
- Funding facility headroom of £1.5bn as at the year end to fund receivables growth

Market risk

Although our business is not exposed to trading risk, we are exposed to market risk through access to financial markets to source funding, and our resultant exposure to markets, currencies and interest rates. Where appropriate we seek to hedge those risks.

Examples

- Interest rate movements expose NewDay to the risk of increased cost of funding.
- Increased funding costs and/or not meeting funding requirements could result in higher than anticipated costs, deleveraging and/or scaling back of business growth.

2023 performance

- 2023 funding strategy executed, achieving further diversification and improving our securitisation funding
- Repaid remaining £61m of Senior Secured Debt maturing in 2024
- Executed interest swaps to fix the rate on £155m notional debt to protect against further rises in base rates. As at 31 December 2023, we held interest rate swaps (including certain cross-currency interest rate swaps) fixing the interest on £811m of notional debt
- Foreign currency debt issued swapped to a fixed exchange rate to reduce currency risk

How we are mitigating this risk	Where next?
→ Executing funding deals and extending deals where appropriate → Monitoring levels of cash held to ensure the business meets its current and future requirements → Revising forecasts and stress tests prepared taking into account the market and macroeconomic changes → Completing annual stress scenario analysis → Reassessing risk appetite measures and gaining approval of the Board → Daily cash reports and forecasts of the Group's daily cash balance → Monitoring of funding triggers to ensure all requirements met → Contingency funding plan triggers monitoring → Financial control framework governing processes and procedures across Finance → First, second and third line of defence governance structure	→ Perform regular reforecasting of financial performance, including funding covenants and cash liquidity → Continue to develop effective and proportionate scenario stress tests regularly throughout the year → Enhance our securitisation reporting to improve control and reduce manual input
→ Reducing the direct financial risk by having the ability, in most instances, to pass on base rate changes to customers → Having the ability to extend the maturity of all asset-backed debt by one year (where not already executed) → Executing our funding strategy and improving VFN flexibility and capacity → Having headroom on funding facilities to fund future receivables growth → Regular monitoring of hedging-related risks	→ Include further diversification in our funding strategy and increase our securitisation funding → Review the levels of interest rate exposure and take out further swaps if necessary → Refinance maturing debt in advance of maturity where necessary

Our principal risks continued

Emerging risks

Emerging risks are those risks which are increasing or changing rapidly and as a result their impact cannot be fully assessed. Emerging risks are continually reviewed and reported to the Board for consideration alongside our principal risks.

We have identified the following emerging risks moving forward into 2024.

Supply chain cyber resilience

We are monitoring the continued evolution of cyber threats including to our suppliers through state-aligned groups, ongoing geopolitical challenges and an increase in hostile cyber activity through advancements in technology and growing cyber capabilities.

Political uncertainty

We are monitoring continued political uncertainty including a potential General Election and change of party in power in 2024, and its impact on the economy and approach to setting regulation.

Chairman's introduction to corporate governance

Ensuring we have a strong governance framework is a key priority for NewDay and is actively endorsed by Cinven, CVC and all members of management. The organisational changes we started implementing towards the end of 2023 provided an opportunity to review the governance arrangements across our business to ensure they remain fit for purpose going into 2024 and beyond. The Board's focus has been to ensure our governance model operates in an efficient manner, engaging with stakeholders to make informed decisions whilst allowing us to respond quickly to changing economic conditions and execute on opportunities as they arise. This has led to a streamlining of our management and governance structures which we believe will ensure all stakeholder interests are protected with appropriate oversight at Board level.

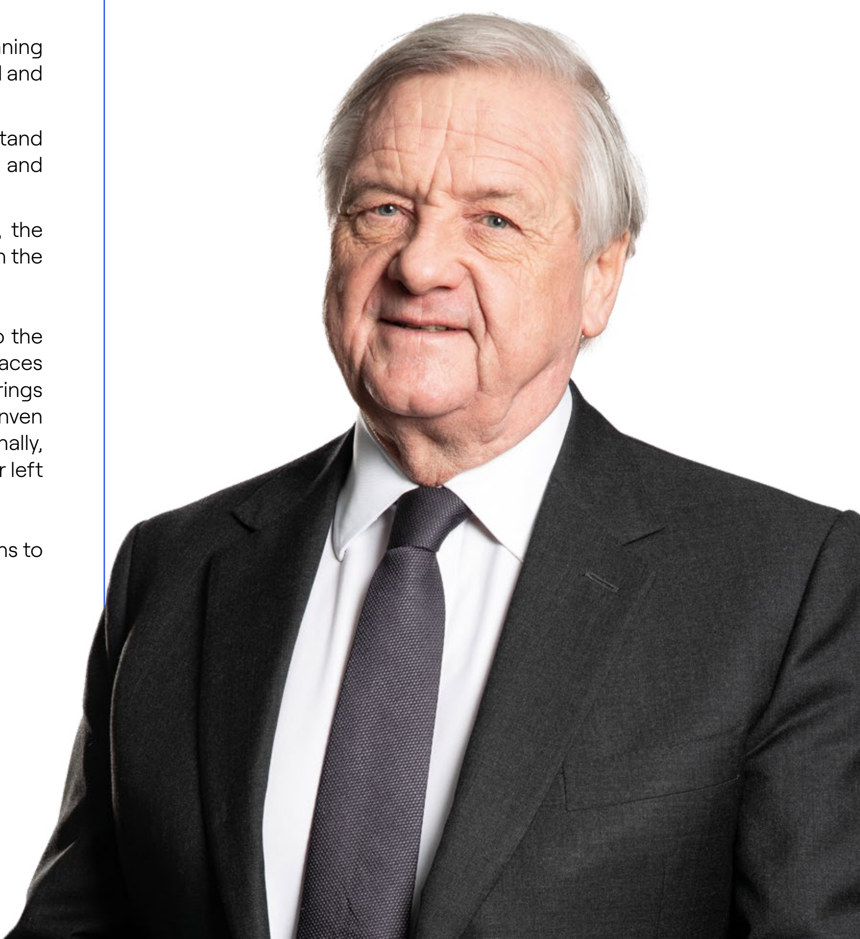
During the year, the Board took a number of key decisions. The principal governance matters addressed in 2023 are detailed below.

- Closely monitored economic developments to ensure we responded appropriately. This included carefully monitoring our approach to credit risk as the business navigated cost-of-living stresses, and maintaining appropriate levels of funding.
- Reviewed and adjusted our strategy to ensure it remains fit for purpose and that we remained well positioned for growth in 2024 and beyond.
- Approved our new strategic partnership with Lloyds Banking Group.
- Monitored the performance of the John Lewis & Partners portfolio and reviewed actions to deliver a sustainable long-term trajectory for the programme.
- Reviewed our ESG and sustainability roadmap to ensure we adopt a progressive approach which is aligned to our manifesto and the changing needs of stakeholders and the evolving regulatory landscape.
- Regularly reviewed customer outcomes and progress against our manifesto, in particular, ensuring appropriate protections for our vulnerable customers.
- Ensured appropriate talent, capability and succession planning measures are in place to attract and retain a highly engaged and high-performing workforce.
- Reviewed the results from our employee surveys to understand views from colleagues and ensure they are engaged and motivated.
- Closely monitored regulatory developments (in particular, the FCA's Consumer Duty) to ensure we are aware of matters on the regulatory horizon and are adequately prepared for them.

On 6 February 2024, we welcomed Matthew Sabben-Clare to the Board as an Investor Director from Cinven. Matthew replaces Caspar Berendsen who resigned in October 2023. Matthew brings a wealth of experience to the Board and is a Senior Advisor to Cinven having previously managed their Capital Markets team. Additionally, in March 2024, Javed Khan OBE, Alex Lelekov and David Giroflier left the Board.

We thank Caspar, Javed, Alex and David for all their contributions to NewDay's success during their time with us.

> "Our focus is to ensure our governance model operates in an efficient manner, engaging with stakeholders to make informed decisions whilst allowing us to respond quickly to changing economic conditions and execute on opportunities as they arise.
>
> **Sir Michael Rake**
> Chairman and Non-Executive Director



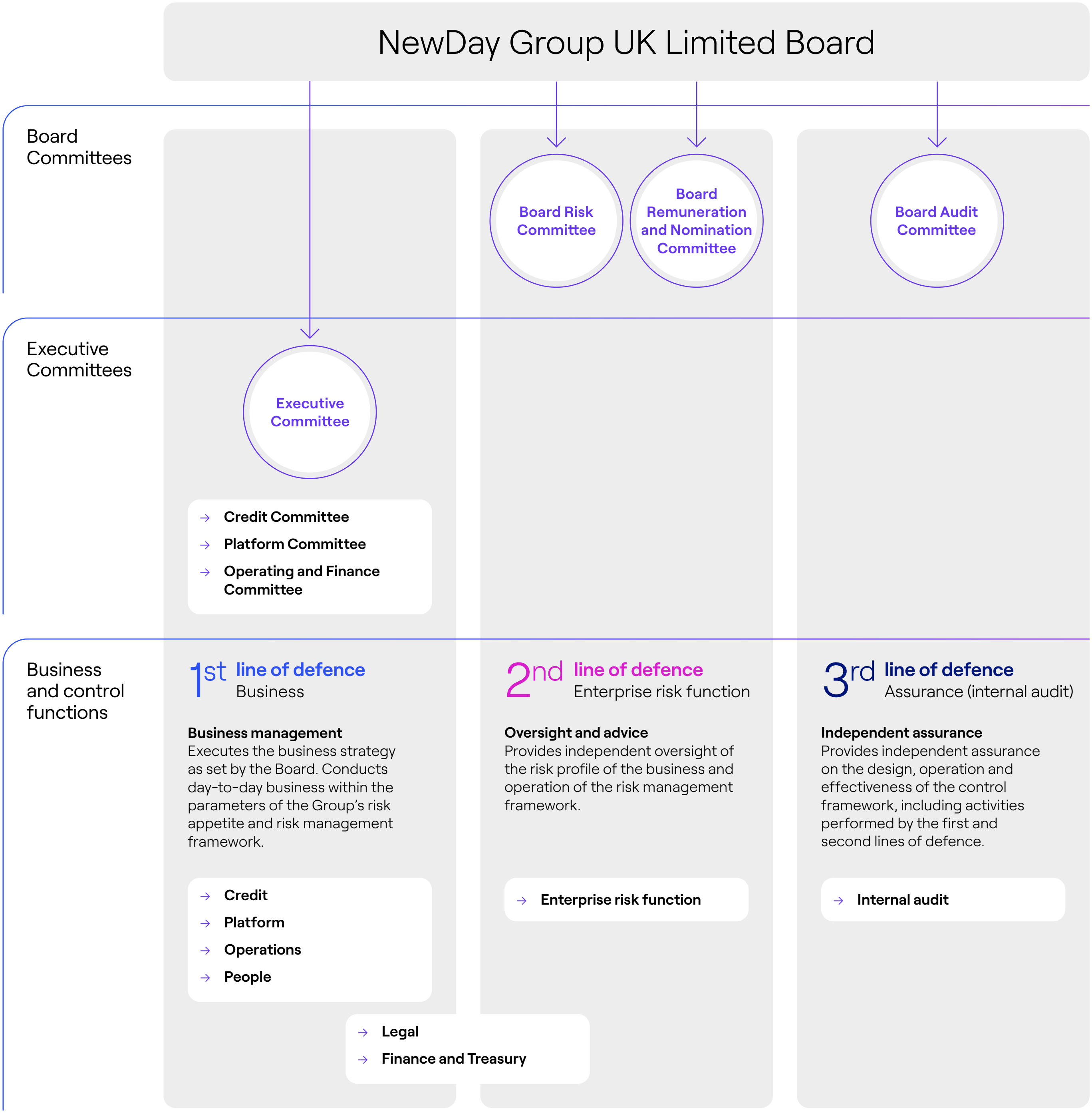
Chairman's introduction to corporate governance continued

Governance framework

During 2023, the commercial aspects of the Group's UK subsidiaries were managed by the Board of NewDay Group UK Limited (the Board), a wholly owned subsidiary of NewDay Group (Jersey) Limited, the Jersey-based parent company.

The Directors of NewDay Group (Jersey) Limited were responsible for the matters relating to NewDay Group (Jersey) Limited and their report for the year is set out on page 74. In addition, the Managers of NewDay Group Holdings S.à r.l. (the parent company of the Predecessor Group) remain responsible for matters relating to NewDay Group Holdings S.à r.l.

Other than as set out on pages 74 and 75, the governance and risk framework described in this report relates to the governance and risk framework established for the Group's UK subsidiaries and references to the 'Board', 'Group', 'NewDay' and 'Company' should be construed accordingly (where appropriate).



The chart on page 56 shows the governance structure effective from 1 January 2024. Page 58 of the 2022 Annual Report and Financial Statements (which are available on our website) details the structure applied throughout 2023.

The Board's role and composition are regularly reviewed to ensure that they are well defined and appropriate, and support the long-term development of the Group. The day-to-day responsibility for managing the Group's business is delegated to the Group Chief Executive Officer who, supported by the Executive Committee, implements the decisions and policies approved by the Board and deals with matters within the ordinary course of business.

For the year ended 31 December 2023, the Board has applied the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council (FRC) and available on the FRC's website) (the 'Wates Principles'). In addition, the Group complies with: (i) the FRC's UK Corporate Governance Code (which can also be found on the FRC's website) where deemed appropriate taking account of the size, nature and share ownership structure of the Group; and (ii) the Guidelines for Disclosure and Transparency in Private Equity, which can be found online at **privateequityreportinggroup.co.uk.**

A summary of how the Group has complied with the Wates Principles is set out below.

Principle 1 An effective Board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.	→ We believe in credit as a force for good. Our purpose is to help people move forward with credit. This is at the heart of everything we do and is supported by our manifesto. Detailed disclosures regarding our manifesto and strategy can be found on pages 02 and 22.
Principle 2 Effective Board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual Directors having sufficient capacity to make a valuable contribution. The size of a Board should be guided by the scale and complexity of the company.	→ We have a highly experienced Board with a diverse range of skills and experience, reflecting the needs of the business. Board biographies can be found on pages 58 to 60. Details on how the Board operates, together with further details on its composition and committee structure, can be found on pages 62 and 56.
Principle 3 The Board and individual Directors should have a clear understanding of their accountability and responsibilities. The Board's policies and procedures should support effective decision-making and independent challenge.	→ The Board executes its responsibilities through its own decision-making and by delegating responsibility to Board committees and to the Group Chief Executive Officer, with support from the Executive Committee. Responsibilities are appropriately defined in terms of reference to ensure there are clear lines of accountability between the Board and the other committees. Further details on: (i) the Group's committee structure and their responsibilities can be found on page 56; and (ii) how our Board operates can be found on page 62.
Principle 4 A Board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.	→ The Board meets regularly to review strategic opportunities including through the annual strategy process culminating in the Board's annual strategy day. The Board drives a technology agenda to enhance digital capabilities to create value. The Board also receives regular ESG updates to ensure success is delivered in a sustainable manner, see pages 08 and 36 for further details. → The Board Risk Committee ensures risks are identified and managed appropriately. Further details can be found on page 70.
Principle 5 A Board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.	→ The Board Remuneration and Nomination Committee oversees our remuneration policy with the aim of ensuring the long-term health and success of the Group. Further details can be on page 72.
Principle 6 Directors should foster effective stakeholder relationships aligned to the company's purpose. The Board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.	→ We are committed to ensuring we maintain strong relationships with all stakeholders (including employees) and actively engage with them on an ongoing basis. Further details are provided on page 34.

Board of Directors

Sir Michael Rake

Chairman and Independent Non-Executive Director

N

Appointed - May 2018

Sir Michael is currently chairman of Wireless Logic Ltd, Phoenix Global Resources plc and Majid Al Futtaim Holdings LLC. He is also a senior advisor to Elliott Advisors and a Vice President of the RNIB.

He has previously been chairman of BT plc, Worldpay plc, EasyJet plc, KPMG (UK and International), deputy chairman of Barclays Bank plc and a director of the Financial Reporting Council (FRC). He has been a director of S&P Global Inc and lead director of Worldpay Inc (now FIS). He has been a senior advisor to Chatham House, a member of the Oxford University global board for business reputation and a William Pitt fellow at Pembroke College Cambridge. He has been president of the CBI, a member of Prime Minister David Cameron's Business Advisory Council and chairman of the International Chairman of Commerce (UK). He was a member of Prime Minister Gordon Brown's National Security Forum, the first chairman of the Commission for Employment and Skills and the first chairman of the Private Equity Oversight group. He has also been chairman of Great Ormond Street Hospital, Business in the Community (BITC), Blueprint for Better Business and a director of the Prince's Charitable Foundation.

John Hourican

Executive Director and Group Chief Executive Officer

N

Appointed – October 2019

John has over 30 years of global financial services experience. He began his career at Price Waterhouse working in Dublin, Hong Kong and London before moving to Royal Bank of Scotland in 1997. He served as Chief Executive of the Group's Investment Bank (Markets & International Banking) for five years. Between 2013 and 2019 John served as CEO of Bank of Cyprus, the largest banking and financial services group in Cyprus. During his tenure, John reshaped the business, re-established its deposit base, improved the quality of its loan book and strengthened its financial position. He was named Euromoney's Banker of the Year in 2015 and is a fellow of the Institute of Chartered Accountants in Ireland.

Paul Sheriff

Executive Director and Group Chief Financial and Operations Officer

Appointed – June 2016 (joined NewDay in January 2016)

Paul has over 25 years of experience in financial services organisations spanning banking, asset management and insurance. Paul joined from Legatum, a private investment firm based in Dubai where he was CFO/COO for three years, having previously been CFO/COO of Record plc, a main market listed asset management business. Prior to this, he was Group Finance Director at Arbuthnot Banking Group plc, a listed banking group, and Commercial Finance Director of the Prudential's UK and European Business. Earlier in his career he spent five years in private equity and qualified as a Chartered Accountant with Arthur Andersen. He is a member of the Institute of Chartered Accountants in England and Wales.

Alison Reed

Senior Independent
Non-Executive Director

A R

Appointed – October 2012

Alison is a Chartered Accountant with over 40 years of experience in retail, financial services, transport and technology. Alison spent 20 years at Marks and Spencer plc where she held senior management roles across the business, including as CFO from 2001 to 2005 where she played a key role in the 2004 bid defence. She was also CFO at Standard Life plc (including Standard Life Assurance Company) where she led the company's listing on the London Stock Exchange in 2006. Alison currently serves as a non-executive Director and Deputy Chairman of British Airways plc, a non-executive Director of CGI Inc. and as a member of council of Exeter University. She has served as a non-executive Director on the Board of Directors of several companies including HSBC Bank plc and Darty plc. Alison holds a Bachelor of Arts degree from Exeter University and qualified as a Chartered Accountant with Touche Ross in London.

Rupert Keeley

Independent Non-Executive Director

N

Appointed – July 2014

Rupert has more than 40 years of banking and payments experience and was formerly EVP/GM for PayPal's business in EMEA including as CEO for PayPal Europe. Prior to PayPal, Rupert was Visa Inc.'s Group Executive and President of the Asia Pacific and CEMEA regions and a Section 16 Officer of the company. In his 11-year career with Visa, he held a number of management roles including Global Head of Strategy and Corporate Development. Prior to joining Visa, Rupert held senior management positions with Standard Chartered plc based in London, Singapore and the Middle East. Current external appointments include as an adviser to the NatWest Group, a member of the Board of Directors of the Dubai Financial Services Authority and as a member of the Advisory Boards of Unzer GmbH in Germany and Team8 Fintech based in Israel. Rupert holds a Management Sciences degree from Manchester University and an MBA from Bayes Business School in London.

James Corcoran

Non-Executive Director

Appointed – January 2009
(originally as Chief Executive Officer)

James Corcoran has over 30 years of global financial services experience with large multinational companies, such as American Express, Citibank, HBOS and IBM. James began his career in sales and marketing, moving into general management where he has held various senior executive positions over the last 20 years. He has run credit card businesses for First USA/Bank One and Amex and at HBOS his final role was CEO of Distribution, Retail and Insurance Division. Prior to that, he was head of their Retail Product business units. James joined NewDay as CEO in January 2009 from Washington Mutual in Seattle, where he was President of the Retail Banking Division.

Key to committee membership

N Board Remuneration and Nomination Committee
A Board Audit Committee
R Board Risk Committee
● Board Committee Chair

Board of Directors continued

Peter Rutland

Investor Director
(CVC Capital Partners)

N R

Appointed – January 2017

Peter is a Managing Partner at CVC and is Head of CVC's Financial Services Group. Prior to joining CVC in 2007, he worked for Advent International and Goldman Sachs in the Investment Banking Division. Peter holds an MA degree from the University of Cambridge and an MBA from INSEAD. Peter has led or been responsible for investments in Brit Insurance, Avolon, Skrill, Domestic & General, Pension Insurance Corporation, Paysafe, April Group, TMF Group and Riverstone International. He serves on the boards of a number of these portfolio companies as well as CVC Group, some of which are PRA/FCA regulated.

Rebecca Hunter

Investor Director
(Cinven)

A R

Appointed – March 2021

Rebecca is a Principal at Cinven and a member of the Consumer sector team. She has been involved in a number of transactions, including JLA, Miller, PCL and True Potential. Prior to joining Cinven, Rebecca worked at Lazard, focusing on M&A transactions across both the Financial Institutions and Industrials sectors. Rebecca has a BA in Economics and Management from Oxford University. She joined Cinven in 2017.

Matthew Sabben-Clare

Investor Director
(Cinven)

N

Appointed - February 2024

Matthew is a Senior Adviser at Cinven, a role he moved into recently following 18 years with the firm, 15 of which were as a Partner. He was Cinven's Chief Administrative Officer between 2016 and 2023 and a member of the firm's Executive Committee and Portfolio Review Committee. Before this he founded and ran Cinven's Capital Markets team, where he worked with a wide range of portfolio companies across sectors including Financial Services, TMT/Technology and Business Services. Matthew has extensive experience of equity and debt financing. Prior to Cinven, he worked in investment banking at Merrill Lynch and Schroders. He graduated from Cambridge University and is AMCT-qualified with a Diploma in Treasury from the UK's Association of Corporate Treasurers.

Executive Committee

Whilst the Board, amongst other things, directs the Group's strategy, the Executive Committee supports the Group Chief Executive Officer in the management of the Group's day-to-day operations. The Executive Committee comprises the Group Chief Executive Officer (who acts as Chair) and Group Chief Financial and Operations Officer together with the individuals listed below[1].

John Hourican
Group Chief Executive Officer

See page 58

Paul Sheriff
Group Chief Financial and Operations Officer

See page 58

Rob Holt
Chief Executive Officer, Credit

Rob joined NewDay in 2012 from Santander UK where he held various leadership roles spanning Credit Risk, Collections, Commercial and Marketing Analytics. Prior to this, he worked for HBOS, Capital One and PwC in a career spanning over 20 years in financial services.

Sanjay Sharma
Chief Executive Officer, Platform

Sanjay joined NewDay in 2013. He has nearly 30 years of experience in senior technology and operational roles in international and UK businesses working in India, the Philippines, London and Austria. He joined from BAWAG PSK in Vienna where he was Chief Operating Officer and a member of the Management Board.

Damaris Anderson-Supple
Group Chief People Officer

Damaris joined NewDay in 2013 to establish and lead the People team. Previously she had 20 years' experience in senior commercial leadership roles in the pharmaceutical industry. She joined from Hill and Knowlton, where she was Chief Operating Officer.

1 From 1 January 2024, the composition of the Executive Committee changed to the individuals listed. During 2023, the Committee also included Ian Corfield, Stephen Rowland and Mark Eyre. These individuals left NewDay in 2024.

The Board

The Board is responsible for overseeing the Group's activities. The Directors are apprised of, debate and challenge strategy, mergers and acquisitions, operational performance metrics, risk matters, customer and conduct-related matters and receive reports on current strategic initiatives.

The Directors bring many skills and a breadth of experience to the Board, including strategic experience, commercial knowledge, retail and investment banking experience, UK regulatory knowledge, customer management and conduct expertise, treasury and funding experience, risk management expertise and operational, IT and accounting experience. This enables Board members to make informed decisions on key issues facing the business.

Throughout the year, the Group maintained appropriate insurance cover to protect the Directors from liabilities that may arise against them personally in connection with the performance of their role. In addition: (i) the Articles of Association of NewDay Group (Jersey) Limited contain an indemnity in favour of its Directors so far as is permitted under Jersey law; and (ii) certain of the Group's UK subsidiaries have similar provisions in their Articles of Association providing qualifying third party indemnities for the benefit of the Directors of such entities.

Role of the Board

The Board is responsible for creating a foundation for growth and attractive shareholder returns. It determines the vision, strategy and high-level policies of the Group, striking an appropriate balance between risk and reward, whilst ensuring positive customer outcomes. It sets out the guidelines within which the business, including those parts of the business that are outsourced, is managed and controlled. It monitors business performance against agreed targets, within an agreed budget, to support the strategic objectives of the business.

It also provides oversight and independent challenge, particularly with regard to the business' culture and values.

The Board executes these responsibilities through its own decision-making and by delegating responsibility to Board committees and to the Group Chief Executive Officer, with support from the Executive Committee. The Board has three sub-committees: (i) the Board Audit Committee; (ii) the Board Risk Committee; and (iii) the Board Remuneration and Nomination Committee. The roles and responsibilities of each committee are documented in Board-approved terms of reference. However, some matters are reserved for consideration by the Board. These include matters relating to: (i) strategy and management; (ii) structure, capital and funding; (iii) financial reporting and controls; (iv) internal controls and risk management; (v) material contracts; (vi) external communications requiring Board approval; (vii) changes to the Board's structure and remuneration and senior management arrangements; (viii) delegation of authority; and (ix) corporate governance matters.

Attendance at Board and Committee meetings

Member	Board	Board Audit Committee	Board Risk Committee	Board Remuneration and Nomination Committee
Sir Michael Rake	10/10	N/A	N/A	2/2
John Hourican	10/10	N/A	N/A	2/2
Paul Sheriff	9/10	N/A	N/A	N/A
Alison Reed	10/10	8/8	5/5	N/A
Rupert Keeley	10/10	N/A	N/A	2/2
Javed Khan OBE[1]	8/10	N/A	N/A	N/A
James Corcoran	10/10	N/A	N/A	N/A
Caspar Berendsen[2,3,4]	6/8	N/A	1/4	1/1
Peter Rutland[5,6]	8/10	0/8	3/5	2/2
David Giroflier[7]	9/10	7/8	N/A	N/A
Alex Lelekov[8]	9/10	N/A	N/A	N/A
Rebecca Hunter[9]	10/10	N/A	1/1	N/A

1 Javed Khan OBE left the Board in March 2024.
2 Caspar Berendsen left the Board in October 2023.
3 Rebecca Hunter attended three Board Risk Committee meetings as alternate for Caspar Berendsen.
4 Rory Neeson, a Partner at Cinven, attended one Board Remuneration and Nomination Committee meeting after Caspar Berendsen left the Board.
5 Alex Lelekov attended seven Board Audit Committee meetings and two Board Risk Committee meetings as alternate for Peter Rutland.
6 Antoine Grosjean, an Investment Executive at CVC, attended one Board Audit Committee meeting as alternate for Peter Rutland.
7 Rebecca Hunter attended one Board Audit Committee meeting as alternate for David Giroflier. David Giroflier also left the Board in March 2024.
8 Alex Lelekov left the Board in March 2024.
9 Rebecca Hunter was appointed a member of the Board Risk Committee in December 2023.

Chairman and Group Chief Executive Officer

The roles of the Chairman and Group Chief Executive Officer are separate and clearly defined.

The Chairman is responsible for overseeing the Board and its meetings to ensure that: (i) the Board meets its responsibilities; (ii) effective communications are maintained with stakeholders; and (iii) Directors receive accurate, timely and clear information regarding the Group.

The Group Chief Executive Officer is responsible for overseeing the Group and the management of its senior executives within parameters set by the Board.

The Group Chief Executive Officer is also responsible for the development, recommendation and implementation of the Group's strategic plans, which are approved by the Board. The Executive Committee supports the Group Chief Executive Officer in the performance of his duties.

Board balance and independence

Three of our nine Board members are Investor Directors (two of whom have been appointed by Cinven with another single Investor Director appointed by CVC). These Investor Directors have significant experience serving on the boards of regulated companies as well as in the specialty finance sector. James Corcoran (the Group's former Chief Executive Officer) serves as a Non-Executive Director providing the benefit of his over ten years of experience at NewDay.

In addition, two experienced Independent Non-Executive Directors sit on the Board whose views carry substantial weight in the Board's decision-making processes. These members were appointed on merit after a process involving external search consultants. They were considered to be free from any relationship with the Group's executive management that could compromise their independent judgement.

Independent professional advice is available to the Directors at the Group's expense.

The long-standing inclusion of Independent Non-Executive Directors offers an external perspective, independent challenge and broad expertise in key areas of financial services and other related disciplines.

Training

Directors have access to relevant training courses during the year to continue to ensure they are up to date on the latest developments and maximise their effectiveness. During 2023, training focused on the FCA's Consumer Duty and the Senior Managers and Certification Regime.

Supply of information

An online repository for Board materials is used to supply appropriate and good-quality information to the Board. All Directors have access to the services of the Company Secretary and other staff, as required.

Political donations

The Group did not incur any political expenditure or make any political donations to political parties, other political organisations, or any independent election candidates during the year.

Relations with Cinven and CVC

Cinven and CVC have both appointed Investor Directors to the Board. In addition, two experienced Independent Non-Executive Directors, one Non-Executive Director and two Executive Directors sit on the Board. Cinven and CVC are able to appoint and/or remove sufficient Directors to ensure they control the Board for voting purposes.

The Boards of NewDay Ltd and NewDay Cards Ltd, the regulated entities within the Group, do not have Investor Directors and are comprised only of Executive Directors (together with, in the case of NewDay Ltd only, certain of the Independent Non-Executive Directors and the Non-Executive Director).

Engagement with Cinven and CVC is encouraged through attendance at Board meetings and representatives of Cinven and CVC receive updates on key Group initiatives.

Directors' conflicts of interest

The Group has procedures in place for the effective management of conflicts of interest. The Articles of Association of relevant UK Group companies contain provisions to allow the Board to authorise potential conflicts of interest so that a Director is not in breach of his or her duty under company law.

Internal control and risk management systems

The Board is responsible for monitoring and reviewing the Group's internal control system to maximise its effectiveness. The internal control environment is described on page 69.

Share capital

During the year ended 31 December 2023, the Company did not acquire any of its own shares.

Board Audit Committee

"The ongoing economic uncertainty presented financial reporting challenges in 2023. The business has well-established and proven governance processes and the Committee will continue to play an important role in monitoring the effectiveness of the control environment.

Alison Reed
Senior Independent Non-Executive Director,
Chair of the Board Audit Committee

I am pleased to introduce the Board Audit Committee report setting out the key considerations and issues reviewed in 2023.

Chair's overview

Our business has successfully navigated several years of economic uncertainty and 2023 was no different. Higher levels of inflation and interest rates prevailing in the year presented ongoing challenges requiring careful consideration by the Committee.

The adequacy of the ECL allowance and recoverability of amounts due from customers facing cost-of-living pressures was the key focus of the Committee. The Committee also assessed the recoverability of goodwill against the evolving economic backdrop. We received several updates from management and worked closely with the external auditor to ensure there was appropriate challenge and support for reported balances.

All other significant judgement areas within the Group's financial reporting were regularly reviewed during the year. This included the going concern assumption which the Committee concluded was appropriate based on management's forecast cash flows. Additionally, the business retains the contractual right to extend the maturity of all asset-backed term debt and VFNs by one year should capital markets close.

The Committee remained abreast of developments to the regulatory landscape including proposed changes to the UK Corporate Governance Code, and ensured the business was well placed to embed them into existing processes.

Fair, balanced and understandable reporting is a focus for the business. The Committee provided challenge to the integrity and accuracy of externally reported financial information before recommending for approval to the Board. This incorporated all quarterly, half-yearly and Annual Reports, Financial Statements and investor presentations.

The Committee also oversaw the in-house internal audit function, including monitoring its effectiveness and audit plan.

Committee composition, skills and experience

The current members of the Committee and those that served during the year are as follows:

- Alison Reed (Committee Chair), Senior Independent Non-Executive Director;
- David Giroflier, Investor Director (Cinven) – left in March 2024;
- Peter Rutland, Investor Director (CVC) – left in February 2024;
- Alex Lelekov, Investor Director (CVC) – joined in February 2024, left in March 2024;
- Rebecca Hunter, Investor Director (Cinven) – joined in March 2024; and
- Antoine Grosjean, an Investment Executive at CVC – joined in March 2024.

The diverse backgrounds of the Committee members and our combined skills and range of accounting and financial reporting, risk and business experience enable us to fulfil the Committee's remit, as set out in the terms of reference, which are reviewed regularly.

The Committee acts independently from the Executive team to ensure shareholders' interests are protected in relation to financial reporting and internal control. The internal and external auditors attend all meetings when necessary and the Committee members regularly meet with them in private.

Although not members of the Committee, the Chairman, Group Chief Executive Officer, Group Chief Financial and Operations Officer and Company Secretary attend each meeting. Other Directors and members of the Executive Committee are invited as and when required, to ensure that the Committee has all the information required to operate effectively.

Committee members also regularly meet with senior management to further understand the financial reporting challenges faced by the business.

Roles and responsibilities

The main roles and responsibilities of the Committee, as set out in the terms of reference, are:

- to monitor the integrity of the Financial Statements, review and challenge significant financial reporting issues and assess the judgements made;
- to review the financial reports for publication to ensure compliance with accounting policies and standards and that, taken as a whole, they are fair, balanced and understandable;
- to review and approve financial control and liquidity frameworks;
- to review the internal financial control and risk management systems and to review risk exposures and steps taken to monitor and mitigate them;
- to monitor and review the effectiveness of the internal audit function;
- to make recommendations to the Board in relation to the appointment, remuneration and terms of engagement of the external auditor;
- to review and monitor the external auditor's independence, objectivity and effectiveness, taking into consideration relevant UK professional and regulatory requirements;
- to develop and implement an approach on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm;
- to review the findings of the external auditor;
- to monitor management's response to the findings and recommendations of internal and external audit;
- to review compliance with legal and regulatory requirements;
- to report the outcome of meetings to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and make recommendations as to the steps to be taken;
- to monitor, and challenge where appropriate, the whistleblowing arrangements as set out in the whistleblowing policy; and
- to review procedures for detecting fraud, including the systems and controls for the prevention of bribery.

Key activities of the Board Audit Committee in 2023

The Committee convened several times during the year and delivered the following key outcomes:

- reviewed the 2022 Annual Report and Financial Statements and each of the quarterly investor reports and presentations to ensure that, taken as a whole, they were fair, balanced and understandable and advised the Board to that effect;
- reviewed and challenged the appropriateness of the Group's critical accounting estimates and key judgements which were presented to the Committee quarterly. This included challenging the adequacy of the ECL allowance against a backdrop of cost-of-living pressures and calibration to recent loss experience;
- considered and challenged management forecasts of cash flows and net debt, as well as financing facilities available to the Group to approve to the Board the use of the going concern basis of preparation in the Group's Financial Statements;
- oversaw the relationship with the internal and external auditor including consideration of the terms of engagement and assessed the effectiveness of both the internal and external audit functions. The Committee also reviewed its effectiveness including how it interacts with the internal and external audit functions;
- approved the internal audit plan for the year to ensure it focused on key risk areas of the business;
- reviewed the Group's tax strategy;
- reviewed the effectiveness of the Financial Control Framework;
- assessed the Group's compliance with certain provisions of the UK Corporate Governance Code;
- reviewed the 2022 Sustainability Report;
- evaluated the reports and findings of the internal and external auditors, including management's response to any recommendations along with status updates on the resolution of agreed actions; and
- reviewed updates on whistleblowing, and fraud and money laundering monitoring.

Financial reporting

The main areas of judgement the Committee considered in relation to the Financial Statements for the year ended 31 December 2023 are detailed in the following table. These issues were closely examined with our external auditor during the year.

Board Audit Committee continued

Key issues and judgements in financial reporting	Board Audit Committee's review and conclusions
ECL allowance on loans and advances to customers ECL allowances are recognised on origination of a financial asset, based on anticipated credit losses. The ECL allowance is the product of the probability of default, exposure at default and loss given default, discounted at the original effective interest rate. The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. ECL allowances and credit risk remain a significant area of risk and audit focus in the Financial Statements because of the various assumptions and judgements that are necessary. This is made even more significant against a backdrop of continuing economic uncertainty prevailing over the last few years. The ECL allowance recorded by the Group as at 31 December 2023 was £401m (2022: £475m) for the Direct to Consumer portfolio and £114m (2022: £112m) for the Merchant Offering portfolio. Refer to note 2.3 for further details on the judgements inherent within the ECL allowance.	The Committee regularly reviewed and challenged the key judgements applied, including the appropriateness of the modelling estimates, the determination of a significant increase in credit risk, the definition of default and incorporation of forward-looking information. In considering the appropriateness, the Committee reviewed the rationale and impact of variations to each of the key assumptions. The Committee assessed the credit performance of the Group's portfolio against the current economic backdrop. The Committee reviewed and approved the forward-looking information incorporated in the ECL allowance, including the use of post model adjustments, to ensure the credit performance observed on the portfolio and the likely estimates of future performance were appropriately reflected. This included the impact of cost-of-living stresses. The Committee reviewed the disclosures in the Financial Statements to ensure they were appropriate and addressed the requirements of IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures'. The Committee was satisfied that the ECL allowance was appropriate.
Impairment of goodwill and acquired intangible assets The carrying value of goodwill and acquired intangible assets should be reduced to the higher of their fair value less costs of disposal and their value in use should both be lower than the asset's carrying value. Accordingly, an impairment review is required whenever there is evidence to suggest the assets may be impaired, in addition to the annual impairment review required for goodwill. An impairment review is conducted by comparing the discounted estimated future cash flows of the cash-generating units or underlying intangible assets with their carrying value prior to impairment. In 2023, the Group revised the phasing of cash flows expected from the Merchant Offering business to an extent sufficient to be deemed an indicator of impairment. Accordingly, an ad-hoc impairment assessment was performed on Merchant Offering goodwill in addition to the annual assessment. No impairment was required following this review or the annual review. As at 31 December 2023, the Group reported acquired intangible assets of £29m (2022: £80m) and goodwill of £280m (2022: £280m). Refer to note 2.3 for further details on the judgements inherent within the impairment assessment on goodwill and acquired intangible assets.	The Committee reviewed and challenged the impairment reviews performed in the year and challenged the key assumptions made within them. This included consideration of the rationale and impact of variations to each of the key assumptions and the estimated future cash flows, including scenario analysis. The Committee also challenged the support for the discount rate used in the impairment assessment against an economic backdrop of higher interest rates prevailing in 2023. The Committee was satisfied that the no impairment charge was required and the reported carrying values of goodwill and acquired intangible assets were appropriate.

Key issues and judgements in financial reporting	Board Audit Committee's review and conclusions
Effective interest rate (EIR) method of accounting for loans and advances to customers The Group applies the requirements of IFRS 9 through the EIR method for the recognition and measurement of interest income for loans and advances to customers, including customers who have been offered interest-free promotional periods. The EIR is determined on inception as management's best estimate of future cash flows based on historical information, where available, and considers the repayment activity and the retention of the customer balance after the end of the promotional period. As such, in the case of interest-free promotional period offers, the EIR method introduces estimation uncertainty which, if the actual cash flows differ from the estimate, could result in an adjustment to the carrying value of the asset recognised from interest accrued in the interest-free promotional period. The Group has recognised an EIR adjustment to loans and advances to customers in respect of interest-free periods of £30m (2022: £36m) as at 31 December 2023. Refer to note 2.3 for further details on the judgements inherent within the EIR accounting for loans and advances to customers.	The Committee received regular updates on several aspects of the EIR accounting adjustments and focused specifically on the significant judgements used in the adjustment to loans and advances to customers in respect of interest-free promotional periods. These judgements, which include the expected repayment activity and customer retention after the end of the promotional period, were reviewed and approved by the Committee throughout the year. The Committee was satisfied that the carrying value of the EIR adjustment to loans and advances to customers in respect of interest-free periods was appropriate. Whilst other aspects of the EIR accounting adjustments include judgements, these judgements are not considered by the Committee to be significant as they incorporate low levels of estimation uncertainty.

Board Audit Committee continued

Other financial reporting issues

Going concern

The Committee considered and challenged management forecasts of cash flows and net debt, as well as financing facilities available to the Group. The Committee concluded that the Group has adequate resources, including in a severe but plausible stress scenario, to continue in operational existence for a period of at least 12 months from the date of approval of the Financial Statements and confirmed to the Board that it was appropriate for the Group's 2023 Financial Statements to be prepared on a going concern basis.

Provisions

The Group is engaged in various operational, legal and regulatory matters, the impact of which cannot always be predicted, but can give rise to provisioning for contingent and other liabilities depending on the relevant facts and circumstances. The level of provisioning is subject to management judgement on the basis of legal advice and the uncertainty over the potential outcome and is therefore an area of focus for the Committee. Having reviewed all information available to determine what was both probable and could be reliably estimated, the Committee determined that the provisions reported at the year end were appropriate. See note 20 for further details of the Group's provisions.

Assessment of fair, balanced and understandable reporting

The Committee provided robust challenge to the integrity and accuracy of the 2023 Annual Report and Financial Statements to ensure it was fair, balanced and understandable, before recommending for approval to the Board. This included ensuring the Strategic Report presented a balanced view of the successes and challenges experienced by the Group in the year as well as ensuring there was equal prominence given to relevant statutory and adjusted performance measures.

Internal audit

The business operates an in-house internal audit function with support provided by third party consultants where specialist knowledge is required. The internal audit function reports to me, as Chair of the Committee, to ensure its independence from the management team and I regularly meet with the Director of Internal Audit and his team.

The Committee assesses the performance of the internal audit function on an ongoing basis to ensure it is satisfied with the function's effectiveness. The Committee monitored progress and delivery against the 2023 internal audit plan throughout the year, including assessing the scope of work performed, and evaluating coverage of the internal audit plans. The Committee determines the effectiveness with which internal audit performs its activities, including the level of resources and training of the internal audit function.

Internal audit reports issued in the year covered the following areas:

- → customer credit acceptance (including the assisted transfer journey of John Lewis & Partners customers);
- → customer fulfilment and customer account transaction processing activities (including Consumer Duty aspects);
- → disaster recovery testing and business continuity planning (including attendance at third party testing);
- → liquidity and cash management;
- → digital delivery – software development controls;
- → customer complaints, customer outcomes and treating customers fairly (including Consumer Duty aspects);
- → employee life cycle management;
- → cyber security;
- → credit bureau usage and reporting follow-up;
- → end user developed applications follow-up covering implementation of local system tools;
- → nexus controls (development and security controls over data warehouse); and
- → follow-up review of data governance.

The Committee reviewed all internal audit reports issued and assessed whether management had appropriate actions planned to address issues arising from these reports. The Committee subsequently assessed progress against agreed management actions to assess their prompt resolution.

Having reflected on the achievements of the 2023 internal audit plan, the Committee endorsed the internal audit plan for 2024 ensuring it was tailored to address areas on a risk-based approach either as a result of regulator or industry focus, or as a result of the continued pace of growth and change within the business.

In order to ensure the continued development of the internal audit function such that it can continue to fulfil its responsibilities and adapt its audit plans to the changes in the business, we oversaw a series of training sessions for the internal audit team facilitated by Ernst & Young and Grant Thornton.

External audit

The Board and the external auditor have safeguards in place to protect the independence and objectivity of the external auditor. KPMG LLP has been the auditor of the Group (including predecessor groups) since 2012.

The external auditor is not permitted to perform any work that might affect its objectivity and independence or create a conflict of interest with respect to the Group. The Committee has procedures in place to determine the use of the external auditor for non-audit services. The amount paid to the external auditor is disclosed in note 8.

The Committee reviewed and approved the annual external audit plan, including the methodology and risk identification processes used, and reviewed the findings of the external audit including key judgements and the level of challenge provided. The Committee assesses the performance of the external auditor on an ongoing basis to ensure it is satisfied with the quality of the services provided. This includes consideration of the experience and capabilities of the external auditor, the delivery of their audit work in accordance with the agreed plan and the quality of their reports and communications to the Committee.

The Committee has examined regulatory and legislative guidance around the tenure of the external auditor. Having considered this, along with the assessment of the effectiveness of the external auditor, the Committee has recommended to the Board that KPMG LLP be reappointed as external auditor for the financial year ending 31 December 2024.

Alison Reed
Senior Independent Non-Executive Director,
Chair of the Board Audit Committee

Internal control environment

The Committee monitors, and conducts a robust review of, the effectiveness of the Group's internal control systems, accounting policies and practices and compliance controls, including key financial controls, before they are agreed by the Board for inclusion in the Annual Report and Financial Statements. The Board retains overall responsibility for the Group's internal control environment. The system of internal controls is designed to mitigate the risk of material misstatements in the financial records of the Group and to facilitate the business in achieving its objectives. The internal control environment only provides reasonable, rather than absolute, assurance against material misstatement, loss or fraud to the Group.

The Board confirms that a system of internal controls for identifying, evaluating and managing the significant risks faced by the Group has been in place throughout the year ended 31 December 2023, and up to the date of the approval of these consolidated Financial Statements.

The Board, through the Board Audit and Risk Committees, has reviewed the effectiveness of the system of internal controls and is satisfied with the controls operated over financial reporting and associated business activities such that to the best of the Committee's knowledge there was no material loss, contingency or uncertainty to the Group requiring disclosure in the Financial Statements.

Board Risk Committee

"Throughout 2023, the Committee oversaw ongoing improvements to the Group's risk management framework to ensure that the business' risk profile remained aligned with the Board's risk appetite and adequately safeguarded the interests of NewDay and its customers.

Alison Reed
Senior Independent Non-Executive Director,
Chair of the Board Risk Committee

The Committee prioritised agenda items that addressed the most pressing risks faced by the business and spent significant time examining the impact of economic volatility and regulatory developments, particularly with respect to cyber security and the FCA's Consumer Duty.

Chair's overview

2023 presented many risk management challenges primarily stemming from persistent economic volatility. The portfolio's credit performance remained under scrutiny by the Committee, as cost-of-living stresses presented strain on our customers' ability to repay amounts falling due. The Committee monitored the proactive measures implemented by the business throughout the year to manage credit exposure whilst continuing to ensure the necessary support was provided to customers struggling with repayments.

Another significant area of focus has been the FCA's Consumer Duty and oversight of the change programme before and after its implementation in July. The Committee oversaw the approval of four new policies and the updating and mapping of Consumer Duty roles to our existing policies. The Committee was satisfied that NewDay is in a strong position to evidence the existing good practices of our conduct risk management and can demonstrate that acting to deliver good customer outcomes is fundamental to NewDay's core purpose.

A rise in the volume of affordability complaints across the consumer credit industry prompted the Committee to consider the business' low and grow lending strategies and methods of assessing customer affordability. This highlighted the importance of understanding regulatory and Ombudsman expectations and the need to keep investing in enhanced affordability solutions such as Open Banking.

Information and cyber security remained a key focus of the Committee, mirroring the heightened global cyber risk landscape. These topics will remain as a standing agenda item throughout 2024 and the Committee is encouraging the business to remain vigilant to this ever-present risk.

The Committee reviewed the growing prevalence of third party fraud and its impact on our customers. The Committee worked to ensure management was considering strategic and tactical solutions to enhance fraud prevention measures and ensuring customers were educated about the best way to protect themselves.

The Committee also maintained its oversight of risk management in the context of major projects and business initiatives, ensuring that risk management practices remained adaptable and effective amidst the business' fast-paced change agenda.

The Committee continuously evaluated the effectiveness of the risk management framework to ensure that the principal and emerging risks identified by the business remained relevant and appropriately managed within the boundaries of the Board's established risk appetite. Ongoing oversight of NewDay's day-to-day risk management is provided through a twice-yearly assessment of our consolidated business-wide risk profile. This focuses on our most material principal and functional risks as well as those on the horizon. This helps ensure the Committee remains fully informed of NewDay's risk management position.

Committee composition, skills and experience

The current members of the Committee and those that served during the year are as follows:

- Alison Reed (Committee Chair), Senior Independent Non-Executive Director;
- Caspar Berendsen, Investor Director (Cinven) – left in October 2023;
- Peter Rutland, Investor Director (CVC) – left in March 2024;
- Rebecca Hunter, Investor Director (Cinven) – joined in December 2023; and
- Antoine Grosjean, an Investment Executive at CVC – joined in March 2024.

The diverse backgrounds of the Committee members and their combined skills and range of risk and business experience enable us to fulfil the Committee's remit, as set out in the terms of reference, which are reviewed annually. Although not members of the Committee, the Group Chief Executive Officer and Group Chief Financial and Operations Officer attend each meeting. Other members of senior management and the external auditor are invited as and when required to ensure that the Committee has all the information it requires to operate effectively.

Additionally, during the year the Chair and members of the Executive Committee met frequently to discuss upcoming topics and areas of focus for the Committee.

Roles and responsibilities

The main roles and responsibilities of the Committee, as set out in the terms of reference, are:

- to oversee the risk management framework and challenge the processes and methodologies used for identifying, measuring, managing, monitoring and reporting all key risks facing the business;
- to recommend to the Board how to improve the risk management framework including the monitoring of risk exposures, risk appetite, capital and liquidity and any significant risk issues;
- to review the output, effectiveness and resources of the Enterprise Risk team;
- to review, monitor and report to the Board on our interactions with regulators, the effectiveness of regulatory reporting and action on any significant regulatory issues;
- to review and monitor the implementation of risk or compliance-related policies, their suitability in terms of compliance, and the necessary actions taken as a result of policy breaches; and
- to oversee, review, report and make associated recommendations to the Board on risk appetite, risk management culture, training and competence throughout the business.

Key activities of the Board Risk Committee in 2023

The Committee convened several times during the year and delivered the following key outcomes:

- reviewed the effectiveness of the risk management framework and associated policy to ensure it remained appropriate and fit for purpose;
- considered the effectiveness of the Board Risk Committee;
- reviewed and challenged the proposed risk appetite statements and metrics, to ensure they were in line with our strategic objectives;
- reviewed the performance of the John Lewis & Partners programme;
- reviewed the stress testing scenarios used throughout the business when assessing risk;
- regularly assessed performance against risk appetite, and monitored any breaches or trends towards breaches, challenging management to deliver action plans to improve when appropriate;
- reviewed and challenged the risk profile of the business using the aggregated risk profile and focused on the management of risks and issues within the business;
- provided oversight and ongoing challenge to management's approach to managing credit risk and fraud, including credit performance, impairment performance and payment deferrals alongside customer outcomes. The Committee particularly focused on ensuring the customers' interests were front of mind against a backdrop of economic uncertainty and cost-of-living pressures. This included reviewing customer affordability and delinquency behaviour;
- reviewed and challenged new product approvals to ensure that proposals were in line with business aims;
- provided oversight of the regulatory horizon and management response to regulation and legislation, including NewDay's preparation for the Consumer Duty and design and implementation of NewDay's Operational Resilience programme;
- provided ongoing oversight of cyber security programme, including a review of the management of increased cyber risk relating to geopolitical situations during the year and a review of an independent assessment of the business' cyber security;
- reviewed continued progress of our new in-house collections platform to provide customers with both a self-service collections journey as well as an agent platform to support customers when this is needed or preferred; and
- considered updates in relation to other matters during the year to understand management's plans, for example stress test scenarios against forecasted plans.

Alison Reed
Senior Independent Non-Executive Director,
Chair of the Board Risk Committee

Board Remuneration and Nomination Committee

> The Committee evaluated and supported the Executive Committee's recommendations to restructure and to reposition the business for accelerated growth.

Rupert Keeley
Independent Non-Executive Director, Chair of the Board Remuneration and Nomination Committee

Chair's overview

The Committee has a responsibility to support the long-term health and development of the business. It works with the Executive Committee to review and update a range of measurable performance, culture and risk management goals, ensuring that they remain relevant and material for the organisation. Progress against these goals is assessed yearly to help determine annual bonuses and remuneration awards. The Committee also examines the Group's overall performance ratings distribution and reviews the rating of each member of the executive team. It also reviews the Group's people-related policies and practices.

In 2023, the Committee assessed the Group's compensation and benefits programme in light of the significant cost-of-living challenges faced by our colleagues. External benchmarking data confirmed that Group-wide benefits are above market median levels so no changes were made during the year. The Committee supported the Executive Committee's decisions to award again NewDay's lowest earners with the highest percentage salary increases and to exercise restraint for the senior leader100 group.

In the second half of 2023, the Executive Committee, in its continual efforts to ensure operational efficiency, conducted a review of and made recommendations on the Group's organisational structure. The Committee evaluated and supported the Executive Committee's recommendations to restructure and to reposition the business for accelerated growth. In particular it endorsed a simpler operating structure in four new organisational verticals: Credit, Platform, Finance and Operations, and People. Accordingly, the remuneration of key roles was revised to reflect the changes. The Executive Committee was reduced from eight to five people and over 100 roles were removed from the organisation. The Committee reviewed and approved the costs of implementing the plan, which would see the new structure in place from 1 January 2024.

Current Committee composition, skills and experience

The current members of the Committee and those that served during the year are as follows:

- Rupert Keeley (Committee Chair), Independent Non-Executive Director;
- Sir Michael Rake, Chairman and Independent Non-Executive Director;
- John Hourican, Executive Director and Group Chief Executive Officer;
- Caspar Berendsen, Investor Director (Cinven) – left in October 2023;
- Rory Neeson, a Partner at Cinven – joined in December 2023 and left in February 2024;
- Peter Rutland, Investor Director (CVC); and
- Matthew Sabben-Clare, Investor Director (Cinven) – joined in February 2024.

The diverse backgrounds of the Committee members and their complementary skills and range of risk and business experience enable the Committee to fulfil its remit, as set out in the terms of reference. Although not a member of the Committee, the Group Chief People Officer attends each meeting and acts as Secretary.

Roles and responsibilities

The main roles and responsibilities of the Committee, as set out in the terms of reference, are:

- recommending to the Board a suitable remuneration policy and reviewing its ongoing appropriateness and relevance;
- setting the remuneration of all Executive Directors, Non-Executive Directors (including the Chairman) and members of the Executive Committee (including pension rights and any compensation payments);
- recommending for the Board's approval, candidates for appointment to the Board and reviewing the process undertaken in relation to such appointments; and
- recommending for the Board's approval, suitable candidates for the role of Senior Independent Non-Executive Director, membership of each Board Committee and matters relating to the continuation in office of any Director.

Rupert Keeley
Independent Non-Executive Director, Chair of the Board
Remuneration and Nomination Committee

Directors' report

Group business review and results

The Group's business model is outlined on page 20 and the KPIs and financial review on pages 26 to 33 contain highlights of the financial performance and capital structure for the year. The Group reported a profit before tax of £98m for the year ended 31 December 2023. A reconciliation of the statutory profit to underlying profit before tax, referred to throughout the Strategic Report, is provided on page 28.

The Group Chief Executive Officer's review on page 12 and the strategic priorities on page 22 provide details of future business developments.

We do not propose the payment of a dividend for the year ended 31 December 2023.

Principal risks and management

The principal risks and management thereof are described on pages 46 to 54.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, as well as the overall financial position of the Group, its cash flows, liquidity position and borrowing facilities, are described in the KPIs and financial review on pages 26 to 33 and within the Financial Statements. The notes to the Financial Statements include our objectives, policies and processes for managing capital, financial risk management objectives, details of financial instruments and our exposures to credit risk and liquidity risk.

We continue to monitor the outlook for the UK economy and its impact on the Group's credit risk exposure. We have a robust credit risk management framework in place to limit unexpected losses arising as a result of customers failing to meet their repayment obligations. We also depend on the availability of external borrowing to finance our existing gross receivables as well as fund future growth. We aim to refinance or repay all debt maturing within the next 12 months. Our funding is structured so that we have a right to extend the maturity date of all our asset-backed term debt by one year (where not already exercised). As at 31 December 2023, we reported a cash balance of £589m.

We believe that our existing plans and projections of business performance will be sufficient to allow us to continue to meet all of our current obligations, including financial covenants and cash requirements, for a period of at least 12 months following the approval of the Financial Statements. Whilst the UK's economic outlook remains uncertain, we have considered the impact of this uncertainty on the Group's forecast profitability and ability to refinance maturing debt, including through conducting severely stressed but plausible scenario analysis. Considering the scenario analysis and our current funding position, we feel that we are well placed to continue trading as a going concern for the next 12 months. For this reason the Board has adopted the going concern basis in preparing these Financial Statements.

Transparency in reporting

In preparing the Annual Report and Financial Statements, we have fully complied with the best practice principles set out in 'The Walker Guidelines for Disclosure and Transparency in Private Equity', which were established to provide oversight on disclosure issues and, specifically, to demonstrate private equity companies' commitment to transparency.

ESG matters

We are committed to conducting our business in a manner that is socially responsible and protects the environment. This means ensuring that all relevant legislation and regulations are met, and reducing consumption of resources. For further details see pages 08 and 36. The Group's Sustainability Report is also available on its website at newday.co.uk.

Modern slavery and human trafficking

We aim to act fairly, ethically and openly in everything that we do and are committed to carrying out our business responsibly. This includes ensuring that modern slavery and human trafficking are not taking place in any part of our business or supply chain. The Group's statement on modern slavery is available on its website at newday.co.uk.

Business relationships and employee engagement

The Group is committed to ensuring it maintains strong relationships with all stakeholders (including employees) and actively engages with them on an ongoing basis. Further details are provided on page 34.

Directors' insurance

Throughout the year, we maintained appropriate insurance cover to protect the Directors from liabilities that may arise against them personally in connection with the performance of their role. In addition: (i) the Articles of Association of NewDay Group (Jersey) Limited contain an indemnity in favour of its Directors so far as is permitted under Jersey law; and (ii) certain of the Group's UK subsidiaries have similar provisions in their Articles of Association providing qualifying third party indemnities for the benefit of the Directors of such entities.

Research and development activities

During the ordinary course of business we develop new products and services within our business units.

Issuance of shares

Upon incorporation on 26 September 2016, the Company issued share capital of 101 fully paid ordinary shares of one pence each. No shares were issued during the year.

Directors

The Directors who held office during the year and up to approval of the Annual Report and Financial Statements were as follows:

- Grant Collins; and
- Carl Hansen.

Auditor and disclosure of information to auditor

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

Statement of Directors' responsibilities

The Directors are responsible for preparing the Group and parent company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare group Financial Statements for each financial year which give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and parent company for that year. Under that law they have elected to prepare the group Financial Statements in accordance with UK accounting standards, including, International Financial Reporting Standards and applicable law. They have elected to prepare the parent company Financial Statements on the same basis.

In preparing those Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- assess the Group's and 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 Group or Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping sufficient accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies (Jersey) Law 1991. 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 Group and the Company and to prevent and detect fraud and other irregularities.

The maintenance and integrity of the Group's website is the responsibility of the Directors. The work carried out by the independent auditor does not involve consideration of these matters and, accordingly, the independent auditor accepts no responsibility for any changes that may have occurred to the Financial Statements or the audit report since 27 March 2024. The independent auditor has carried out no procedures of any nature subsequent to 27 March 2024 which in any way extends this date.

Legislation in Jersey governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions. The Directors remain responsible for establishing and controlling the process for doing so, and for ensuring that the Financial Statements are complete and unaltered in any way.

Grant Collins
Director

Carl Hansen
Director

27 March 2024

Independent auditor’s report

Opinion

We have audited the Group Financial Statements of NewDay (Group) Jersey Limited (‘the company’) for the year ended 31 December 2023 which comprise the income statements and statements of comprehensive income, balance sheets, statements of changes in equity, statements of cash flows and the related notes, including the accounting policies in note 2.

In our opinion the Group Financial Statements:

- give a true and fair view, in accordance with UK accounting standards, including International Financial Reporting Standards (‘IFRS’) as adopted by the UK, of the state of the Group’s and parent company’s affairs as at 31 December 2023 and of the Group’s and the parent company’s result for the year then ended; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

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 Group 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 Group or the company or to cease their operations, and as they have concluded that the Group’s and 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 their 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 Group’s and the company’s business model and analysed how those risks might affect the Group’s and 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; and
- 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 Group’s or 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 Group or 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.

Our risk assessment procedures included:

- enquiring of Directors, Board Audit Committee, Internal Audit and inspection of policy documentation as to the Group’s high level policies and procedures to prevent and detect fraud, including the Internal Audit function, and the Group’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; and
- 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, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the estimation of expected credit losses (‘ECL’). On this audit we do not believe there is a fraud risk related to revenue recognition because of the automated system driven calculation of contractual revenue, and mechanical data-driven process for calculating effective interest rate adjustments.

We also identified a fraud risk related to estimation of ECL, specifically relating to post model adjustments and the economic scenarios as these involve subjective judgements, in response to possible pressures to meet performance targets.

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; and
- critically evaluating, with the assistance of our modelling specialists, the appropriateness of the ECL methodologies and post model adjustments recognised against market practice and the Group’s historical loss experience.

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 Group'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 Group 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 Group 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 Group's and parent 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.

Other information

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 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.

Matters on which we are required to report by exception

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- proper accounting records have not been kept by the company, or
- proper returns adequate for our audit have not been received from branches not visited by us; or
- the company's accounts are not in agreement with the accounting records and returns; 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 75, the Directors are responsible for: the preparation of Financial Statements which 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 Group's and the parent 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 Group or the parent 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 Article 113A of the Companies (Jersey) Law 1991. 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.

A Simpson

Alexander Simpson (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Chartered Accountants
1 Sovereign Square, Sovereign Street
Leeds, LS1 4DA
28 March 2024

Income statements and statements of comprehensive income

	Note	Group		Company	
		Year ended 31 December 2023 £m	Year ended 31 December 2022 re-presented[1] £m	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Continuing operations					
Interest and similar income	4	1,047.0	887.2	46.1	46.3
Interest and similar expense	5	(294.4)	(155.1)	(37.7)	(30.3)
Net interest income		**752.6**	**732.1**	**8.4**	**16.0**
Fee and commission income[1]		133.4	112.7	–	–
Fee and commission expense[1]		(24.8)	(16.9)	–	–
Net fee and commission income	6	**108.6**	**95.8**	**–**	**–**
Impairment losses on loans and advances to customers	11	(404.5)	(382.3)	–	–
Risk-adjusted income		**456.7**	**445.6**	**8.4**	**16.0**
Personnel expense	7	(154.0)	(135.2)	–	–
Other operating expenses	8	(205.0)	(200.5)	(3.4)	(0.4)
Total operating expenses		**(359.0)**	**(335.7)**	**(3.4)**	**(0.4)**
Dividend and similar income		–	–	76.1	–
Profit before tax		**97.7**	**109.9**	**81.1**	**15.6**
Tax expense	9	(15.3)	(15.6)	–	–
Profit after tax		**82.4**	**94.3**	**81.1**	**15.6**
Other comprehensive (expense)/income					
Items that may subsequently be reclassified to the income statement:					
– Effective portion of changes in fair value of cash flow hedges		(37.4)	84.1	–	–
– Net income statement transfer from hedging reserve		20.5	(58.0)	–	–
Other comprehensive (expense)/income		**(16.9)**	**26.1**	**–**	**–**
Total comprehensive income		**65.5**	**120.4**	**81.1**	**15.6**

1 In 2023, the Group expanded its presentation of fee and commission income and expense so that they are shown on a gross basis as well as a net basis. Accordingly, the prior year comparatives have been re-presented for consistency.

The notes on pages 82 to 117 form an integral part of these statutory Financial Statements.

Balance sheets

	Note	Group 31 December 2023 £m	Group 31 December 2022 £m	Company 31 December 2023 £m	Company 31 December 2022 £m
Assets					
Loans and advances to banks	10	589.3	382.2	3.2	10.7
Loans and advances to customers	11	3,919.4	3,807.9	–	–
Other assets	12	169.2	146.5	491.0	514.4
Derivative financial assets	13	32.9	63.4	–	–
Current tax assets		16.1	10.8	–	–
Deferred tax assets		0.5	0.5	–	–
Property and equipment	14	8.6	12.5	–	–
Intangible assets	15	82.7	111.8	–	–
Investment in subsidiaries	16	–	–	610.9	570.4
Goodwill	17	279.9	279.9	–	–
Total assets		**5,098.6**	**4,815.5**	**1,105.1**	**1,095.5**
Liabilities					
Debt issued and other borrowed funds	18	4,381.9	4,237.2	231.5	290.2
Other liabilities	19	221.1	158.0	1.0	5.6
Derivative financial liabilities	13	7.2	–	–	–
Current tax liabilities		9.7	0.1	–	–
Deferred tax liabilities		1.9	1.1	–	–
Provisions	20	5.4	5.0	–	–
Total liabilities		**4,627.2**	**4,401.4**	**232.5**	**295.8**
Net assets		**471.4**	**414.1**	**872.6**	**799.7**
Equity attributable to owners of the Company					
Share capital[1]	21	–	–	–	–
Equity instruments	21	593.9	593.9	593.9	593.9
Hedging reserve	21	6.7	23.6	–	–
Retained (losses)/profits	21	(129.2)	(203.4)	278.7	205.8
Total equity		**471.4**	**414.1**	**872.6**	**799.7**

1 Share capital consists of 101 fully paid up ordinary shares at a nominal value of 1 pence each.

The notes on pages 82 to 117 form an integral part of these statutory Financial Statements.

The Financial Statements on pages 76 to 117 were approved and authorised for issue by the Board of Directors on 27 March 2024 and signed on its behalf by:

Grant Collins
Director

Carl Hansen
Director

Registration number 122135

Statements of changes in equity

Group	Share capital £m	Equity instruments £m	Capital contribution £m	Hedging reserve £m	Retained losses £m	Total equity £m
As at 1 January 2022	**–**	**593.9**	**9.2**	**(2.5)**	**(288.4)**	**312.2**
Return on loan from immediate parent company[1]	–	–	(9.2)	–	(9.3)	(18.5)
Total comprehensive income for the year:						
– Profit after tax	–	–	–	–	94.3	94.3
– Other comprehensive income	–	–	–	26.1	–	26.1
As at 31 December 2022	**–**	**593.9**	**–**	**23.6**	**(203.4)**	**414.1**
Return on loan from immediate parent company[1]	–	–	–	–	(8.2)	(8.2)
Total comprehensive income for the year:						
– Profit after tax	–	–	–	–	82.4	82.4
– Other comprehensive expense	–	–	–	(16.9)	–	(16.9)
As at 31 December 2023	**–**	**593.9**	**–**	**6.7**	**(129.2)**	**471.4**

Company	Share capital £m	Equity instruments £m	Capital contribution £m	Retained profits £m	Total equity £m
As at 1 January 2022	**–**	**593.9**	**9.2**	**199.5**	**802.6**
Return on loan from immediate parent company[1]	–	–	(9.2)	(9.3)	(18.5)
Total comprehensive income for the year:					
– Profit after tax	–	–	–	15.6	15.6
As at 31 December 2022	**–**	**593.9**	**–**	**205.8**	**799.7**
Return on loan from immediate parent company[1]	–	–	–	(8.2)	(8.2)
Total comprehensive income for the year:					
– Profit after tax	–	–	–	81.1	81.1
As at 31 December 2023	**–**	**593.9**	**–**	**278.7**	**872.6**

1 The Group (and Company) made a return of £8.2m (2022: £18.5m) to Nemean Midco Limited, its immediate parent. The return was made in accordance with the £529.2m loan agreement between NewDay Group (Jersey) Limited and Nemean Midco Limited which, consistent with the requirements of IFRS, is reported as an equity instrument in the Group's and Company's Financial Statements.

The notes on pages 82 to 117 form an integral part of these statutory Financial Statements.

Statements of cash flows

	Note	Group: Year ended 31 December 2023 £m	Group: Year ended 31 December 2022 re-presented[1] £m	Company: Year ended 31 December 2023 £m	Company: Year ended 31 December 2022 re-presented[1] £m
Operating activities					
Profit after tax		82.4	94.3	81.1	15.6
Reconciliation of profit after tax to net cash generated from/(used in) operating activities:					
– Tax expense	9	15.3	15.6	–	–
– Interest and similar income	4	(1,047.0)	(887.2)	(46.1)	(46.3)
– Interest and similar expense	5	294.4	155.1	37.7	30.3
– Depreciation of property and equipment	14	4.5	4.8	–	–
– Amortisation of intangible assets	15	58.1	61.1	–	–
– Impairment of intangible assets	15	0.4	–	–	–
– Impairment losses on loans and advances to customers	11	404.5	382.3	–	–
– Dividend and similar income		–	–	(76.1)	–
Changes in operating assets and liabilities:					
– Increase in loans and advances to customers		(408.2)	(1,248.6)	–	–
– Increase in other assets		(21.4)	(98.6)	(1.0)	(0.4)
– Increase/(decrease) in other liabilities		70.2	65.6	(0.1)	(0.1)
– Increase/(decrease) in provisions		0.4	(6.1)	–	–
– Interest and similar income received		937.9	789.8	70.4	89.0
– Interest and similar expense paid		(291.2)	(148.1)	(39.9)	(31.3)
– Tax paid		(9.2)	(21.7)	–	–
Net cash generated from/(used in) operating activities		**91.1**	**(841.7)**	**26.0**	**56.8**
Cash flows from investing activities					
Purchases of property and equipment	14	(0.6)	(1.9)	–	–
Investment in intangible assets	15	(29.4)	(20.0)	–	–
Investment in subsidiary	16	–	–	(40.5)	(59.0)
Dividends and similar income received		–	–	76.1	–
Net cash (used in)/generated from investing activities		**(30.0)**	**(21.9)**	**35.6**	**(59.0)**
Cash flows from financing activities					
Proceeds from debt issued and other borrowed funds	18	1,648.9	3,383.2	–	229.4
Repayment of debt issued and other borrowed funds	18	(1,491.9)	(2,420.5)	(60.9)	(264.1)
Payment of principal element of lease liabilities		(2.8)	(2.8)	–	–
Return paid on loan from immediate parent company		(8.2)	(18.5)	(8.2)	(18.5)
Net cash generated from/(used in) financing activities		**146.0**	**941.4**	**(69.1)**	**(53.2)**
Net increase/(decrease) in cash and cash equivalents		207.1	77.8	(7.5)	(55.4)
Cash and cash equivalents at the start of the year		382.2	304.4	10.7	66.1
Cash and cash equivalents at the end of the year	10	**589.3**	**382.2**	**3.2**	**10.7**

1 In 2023, the Group and Company changed how it presented its cash flow statement with respect to interest and similar income. For the Group, interest and similar income per the income statement and interest and similar income received are now both shown as separate items rather than as a component of the movement in loans and advances to customers. For the Company, interest and similar income per the income statement and interest and similar income received are now both shown as separate items rather than as a component of other assets. Accordingly, the 2022 comparatives have been re-presented for consistency.

The notes on pages 82 to 117 form an integral part of these statutory Financial Statements.

Notes to the Financial Statements

1. Corporate information

NewDay Group (Jersey) Limited (the Company) was incorporated in Jersey as a private limited company on 26 September 2016. The address of its registered office is 27 Esplanade, St Helier, Jersey JE1 1SG. Nemean Midco Limited has been the sole shareholder of the Company since incorporation. The ultimate parent undertaking is Nemean Topco Limited, a private limited company incorporated in Jersey.

2. Accounting policies

2.1 Basis of preparation

The consolidated Group and Company Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the UK. The Group's accounting policies have been consistently applied in the current year and prior year comparatives, and the Financial Statements of the Group and Company have been prepared on a historical cost basis except for derivative financial instruments which have been measured at fair value.

The consolidated Group and Company Financial Statements for the year ended 31 December 2023 were approved by the Board of Directors on 27 March 2024.

Going concern

As at 27 March 2024, the Group has £638.8m (including £150.1m through a cross-currency interest rate swap) of asset-backed term debt principal within the Direct to Consumer securitisation programme maturing in the next 12 months. Additionally, the Group has drawn VFNs of £43.6m within the Direct to Consumer securitisation programme and £61.5m within the Merchant Offering securitisation programme maturing in the next twelve months. In order to deliver the growth plans, it is the Directors' intention to refinance the funding due to mature with new asset-backed term debt or VFNs. If new funding cannot be obtained in line with the Group's growth plans, the Directors note that the Group can, if required, exercise an option to extend the maturity date on all its asset-backed term debt and VFNs by one year. As at 27 March 2024, the Group has undrawn VFNs of £733.5m within the Direct to Consumer securitisation programme and £443.4m within the Merchant Offering securitisation programme (excluding VFNs specific to the John Lewis & Partners portfolio) with a maturity in excess of 12 months which can be used to fund future growth and refinance any other maturing debt (subject to sufficient headroom).

In addition to regular forecasting of performance, the Group has undertaken various stress scenarios to assess the impact on profitability, cash flows, the balance sheet and compliance with funding covenants (such as a minimum excess spread, maximum delinquency rate and maximum charge-off rate) in stressed environments. This information is formally presented to the Board for review, and has been approved by the Board, along with consideration of the potential impact of contingent liabilities on the Group.

As part of the stress scenarios, the Directors also considered the impact of the UK economic outlook on the Group including the potential closure of capital markets and other restrictions on the Group's ability to raise new finance. In the event that there is limited headroom within the Group's financing structures, the Directors also have the ability to alter the Group's growth plans to reduce funding requirements.

The most severe but plausible stress scenario considered by the Directors assumes an uplift in unemployment, inflation and base rates in line with the latest PRA stress forecast, as well as a limited ability to raise new financing. In this scenario, the Directors would be required to take mitigating action to reduce growth plans, tighten credit amongst the Group's customers as well as reducing costs and discretionary spend. However, the Group would continue to operate within the financing available under its existing facilities and funding covenants.

Considering this scenario analysis and the stress testing on the Group's current funding position, the Directors are satisfied that the Group and Company have the resources necessary to continue in business for a period of at least 12 months after the approval of the Financial Statements and are of the opinion that the Group and Company are both a going concern. Therefore, the Financial Statements are prepared on the going concern basis.

Presentation of the Financial Statements

The Financial Statements are presented in Sterling and all values are rounded to the nearest £0.1m, except where otherwise indicated. The Group presents its balance sheets in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 24.

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

Basis of consolidation

The consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries (together with certain structured entities (SEs) that the Group consolidates) as at 31 December 2023. The subsidiaries and SEs are disclosed in note 26. The Financial Statements of the Group's subsidiaries (including SEs that the Group consolidates) are prepared for the same reporting period as the Company, except for NewDay Partnership Master Issuer plc which was incorporated on 19 May 2023, using consistent accounting policies.

Subsidiaries are fully consolidated from the date that control is transferred to the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity, has the exposure or rights to the variable returns from the involvement with the entity, and is able to use its power to affect the amount of returns for the Group.

SEs are fully consolidated based on the power of the Group to direct relevant activities, and its exposure to the variable returns of the SE. In assessing whether the Group controls a SE, judgement is exercised to determine the following: whether the activities of the SE are being conducted on behalf of the Group to obtain benefits from the SE's operation; whether the Group has the decision-making powers to control or to obtain control of the SE or its assets; whether the Group is exposed to the variable returns from the SE's activities; and whether the Group is able to use its power to affect the amount of returns. The Group's involvement with SEs is detailed in note 27.

All intra-Group balances, transactions, income and expenses are eliminated in full.

2.2 Summary of material accounting policies

(1) Foreign currency translation

The Financial Statements are presented in Sterling which is the presentational and functional currency of the Group and Company. The Group transacts mainly in Sterling. Transactions that are not Sterling denominated are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the relevant functional currency at the exchange rates ruling at the balance sheet date. Differences arising on translation are charged or credited to the income statement, except when deferred in equity as effective cash flow hedges.

(2) Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition

Loans and advances to customers are initially recognised on the date on which they are originated or purchased. All other financial instruments are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument and are initially measured at fair value.

(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 generally 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 Group's business model objective for continuing operations is to hold assets to collect the contractual cash flows. Any financial asset sales from continuing operations are incidental to the objective of the business model. The Group has assessed the contractual cash flow characteristics of its non-derivative 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 Group's non-derivative financial assets are classified as measured at amortised cost. The Group's derivative financial instruments meet the hedge accounting requirements of IFRS 9, which the Group has elected to apply, and are measured at FVTPL with the effective portion of changes in their fair value recognised in other comprehensive income.

The classification and subsequent measurement of financial assets changes at the start of the next reporting period after the objective of the Group's business model associated with those financial assets changes.

Non-derivative financial liabilities are held at amortised cost and derivative financial liabilities are measured at FVTPL with the effective portion of changes in their fair value recognised in other comprehensive income.

(iii) Loans and advances to banks

Loans and advances to banks, as referred to in the balance sheet, comprise cash and cash equivalents (which are amounts due on demand or with an original maturity of three months or less) and restricted cash. Restricted cash are demand deposits that is ring-fenced cash for credit balances on loans and advances to customers and cash restricted due to covenants in place in accordance with the Group's funding structure.

(iv) Loans and advances to customers

Financial instruments which are disclosed as loans and advances to customers include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement at fair value, they are subsequently measured at amortised cost using the effective interest rate (EIR) method, less allowances for any expected credit loss (ECL). The interest income calculated using this method is included in interest and similar income in the income statement (see note 2.2(6)(i)). The ECL is recognised in the income statement in impairment losses on loans and advances to customers.

(v) 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 Group 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 (such as debt funding issuance fees) that are an integral part of the EIR.

Notes to the Financial Statements continued

2. Accounting policies continued

2.2 Summary of material accounting policies continued

(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;
- the performance of the asset suggests there is no reasonable expectation of its recovery and it is therefore written off; or
- the Group 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 Group has transferred substantially all the risks and rewards of the asset; or
  - the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group 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. For example, the Group has issued asset-backed securities to fund certain loans and advances to customers. In cases where the securitisation vehicles are funded by the issue of debt, on terms whereby the majority of the risks and rewards of the portfolio of the securitised lending are retained by the Group, these loans and advances to customers continue to be recognised in the Group's balance sheet, together with a corresponding liability for the debt issued. In transactions in which the Group 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 Group 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 other 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 Group assesses impairment on a collective basis for all financial assets that are not individually significant. Loans and advances to customers are collectively grouped together by brand and retail partner which reflects the shared risk characteristics at this level.

IFRS 9 prescribes a forward-looking ECL model for financial assets measured at amortised cost. An impairment provision is recognised on origination of a financial asset, based on its anticipated 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.

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'. Financial assets that were credit-impaired when purchased by the Group through the Acquisition (being the purchase by NewDay Group (Jersey) Limited of NewDay Group Holdings S.à r.l. and its subsidiaries on 26 January 2017) are classified as 'POCI' for the remainder of their life and cannot transition out of this classification. The assessment of whether a significant increase in credit risk has occurred is a key aspect of the IFRS 9 methodology which includes quantitative and qualitative measures and therefore requires management judgement as disclosed in note 2.3.

ECL is the product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD), discounted at the original effective interest rate. The assessment of credit risk and the estimation of ECL are required to be unbiased, probability-weighted, and should incorporate all information that is available without undue cost or effort relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. The forward-looking aspect of IFRS 9 requires judgement as to how changes in economic factors affect ECL. See note 2.3 for further details of the significant accounting judgements, estimates and assumptions used in the ECL allowance.

(ii) Renegotiated loans and advances to customers

Where possible, the Group seeks to restructure assets before they reach write-off based on customers' ability to make minimum monthly payments on their outstanding balances. This may involve setting up payment arrangements. The terms and conditions of the credit agreements are not varied as the payment arrangements operate by way of waiver. Once these arrangements are in place, any impairment is measured using a provision rate consistent with other restructured assets (separately from the portfolio of non-renegotiated assets) discounted at the original EIR as calculated before the introduction of the payment arrangements and the asset is no longer considered past due. Management continually reviews renegotiated assets to ensure that all criteria are met and that future payments are likely to occur. The assets continue to be subject to collective impairment assessments.

(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 Group 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 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 asset; or
- the amortised cost of the financial liability.

When calculating the EIR for financial instruments, other than for POCI financial assets, the Group estimates future cash flows considering all contractual terms of the financial instrument but not ECL. 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. For POCI financial assets, a credit-adjusted EIR is calculated using estimated future cash flows including ECL.

In calculating interest income and expense, the EIR is applied to the gross carrying value of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition and are therefore classified as stage 3, interest income is calculated by applying the EIR to the carrying value of the financial asset net of the ECL allowance. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For POCI financial assets, interest income is calculated by applying the EIR to the carrying value of the financial asset net of the ECL allowance and does not revert to a gross basis, even if the credit risk of the asset improves.

The Group recognises interest and similar income using the EIR on loans and advances to customers that have been offered interest-free promotional periods. The EIR is determined on inception as management's best estimate of expected future cash flows based on historical information, where available. The EIR methodology applied by the Group brings forward interest expected to be charged to the customer after the interest-free period to recognise a yield in the interest-free period. This interest is derived from the expected pay down of the spend that attracts the interest-free period. Any costs incurred to originate the account that has an interest-free period are spread over the expected life of the account.

See note 2.3 for further details of the significant accounting judgements, estimates and assumptions used in the EIR method.

The Group extends short-term concessions to customers in the form of payment holidays which suspend interest and fees for the duration of the intervention. These concessions have been accounted for as a non-substantial modification and therefore have not resulted in derecognition of the underlying asset. As at 31 December 2023, the total loans and advances to customers that were on a payment holiday was £113.9m (31 December 2022: £90.0m). In the year ended 31 December 2023, the Group reported a loss on modification of £36.4m (2022: £17.7m) on balances totalling £471.0m (2022: £330.6m) at the point of modification. This loss has been recorded within impairment losses on loans and advances to customers because the modifications are deemed to have resulted from financial difficulties of the customers.

See note 23.2 for further details of the Group's forbearance and other temporary arrangements offered to customers.

(ii) Net fee and commission income

In accordance with IFRS 15 'Revenue from Contracts with Customers', fee and commission income is recognised when the Group satisfies its underlying performance obligations. Fees arising from revolving credit product agreements are predominantly based on customer transaction events (for example, foreign exchange fees) and are recognised at the point of the customer transaction. Fees linked to certain servicing activities are recognised after fulfilling the corresponding criteria. Any subsequent refunds of fees to customers are netted against fee and commission income in the period in which the Group commits to make the refund. Fee and commission income excludes fees that have been recognised using the EIR method and reported within interest and similar income in the income statement. Also included within fee and commission income are interchange fees which are the fees received, as card issuer, each time a cardholder purchases goods and services; and income earned from insurance commission (including profit shares).

Netting off against fee and commission income is fee and commission expense which principally consists of scheme fees arising from using third party processing networks (such as the Mastercard network), cashback the Group pays to its customers on qualifying spend and customer goodwill gestures.

Notes to the Financial Statements continued

2. Accounting policies continued

2.2 Summary of material accounting policies continued

(6) Recognition of income and expenses continued

(iii) Loyalty programmes

Loyalty points and vouchers costs relate to programmes run by the Merchant Offering retail partners and are recognised in the period in which they are incurred. Earned but not yet redeemed points and vouchers at the year end are accrued in the balance sheet within other liabilities.

Where loyalty points and vouchers expire before they are utilised by customers, the accrual is reversed in the period in which they expire. The costs are calculated individually for each scheme in place and are accrued within commissions to retailers, advertising and marketing costs in other operating expenses.

(iv) Personnel expense

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

(v) Defined contribution pension plan

The contributions payable to the defined contribution pension plan are in proportion to the services rendered to the Group by its employees and are recorded in the income statement as a personnel expense on an accruals basis. Unpaid contributions are accrued in the balance sheet within other liabilities.

(vi) Servicing costs

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

(vii) Capitalisation of expenditure

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

(viii) Dividend and similar income

Dividend income is recognised in the income statement when the Company's right to receive payment is established. The Company's dividend and similar income also consists of returns of interest on Tracking Preferred Equity Certificates (TPECs) issued by NewDay Group Holdings S.à r.l, an immediate subsidiary. Interest is contractually accrued on the TPECs per the terms of the underlying agreement, however it is only payable at the sole discretion of the TPEC issuer. Accordingly, a return of interest is only recognised as dividend and similar income when there is an irrevocable right to receive it.

(7) Tax

Income tax expense comprises current tax, deferred tax and tax provisions for uncertain tax positions.

(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.

Current tax relating to items recognised directly in equity is also recognised in equity and not in the income statement.

(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 liabilities are recognised for all taxable temporary differences, except:

→ where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

→ in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

→ where the deferred tax assets relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

→ in respect of deductible temporary differences associated with investments in subsidiaries, where deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the 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 assets to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised directly in equity are also recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

(iii) Uncertain tax positions
The Group considers an uncertain tax position to exist when it considers that ultimately, in the future, the amount of profit subject to tax may be greater than the amount initially reflected in the Group's tax returns. A tax provision is recognised when it is considered probable that the outcome of a review by a tax authority of an uncertain tax position will alter the amount of cash tax due to, or from, a tax authority in the future. The tax provision is measured based on a probability-weighted range of possible outcomes to resolve the position.

The approach taken to measurement takes account of whether the uncertain tax position is a discrete position reviewed in isolation from any other position, or one of several items which are expected to be reviewed concurrently and resolved simultaneously with a tax authority. The Group's measurement of provisions is based on a probability-weighted estimate of the additional profit that will become subject to tax. Where several items are expected to be reviewed and resolved together, the Group will take into account not only the merits of its position in respect of each particular item but also the overall level of provision across all the items that are expected to be resolved at the same time. In assessing provision levels, it is assumed that tax authorities will review with all facts fully and transparently disclosed.

(8) Derivative financial instruments
The Group uses derivative financial instruments, namely interest rate swaps and cross-currency interest rate swaps, to manage the interest rate and foreign exchange rate risks arising from the Group's debt. No transactions of a speculative nature are undertaken.

All derivative financial instruments are assessed against the hedge accounting criteria prescribed in IFRS 9. The Group's derivatives are cash flow hedges and meet the hedge accounting requirements of IFRS 9.

Derivatives are recognised initially at the fair value on the date a derivative contract is entered into and are remeasured subsequently at each reporting date at their fair value. Where derivatives do not qualify for hedge accounting, movements in their fair value are recognised immediately in the income statement.

For derivatives that are designated as cash flow hedges and where the hedge accounting criteria are met, the effective portion of changes in the fair value is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recognised in the income statement when the income or expense on the hedged item is recognised in the income statement.

The Group discontinues hedge accounting when:

- it is evident from testing that a derivative no longer meets the hedge effectiveness requirements of IFRS 9;
- the derivative expires, or is sold, terminated or exercised, with the exception of when the expiry or termination of a derivative is a replacement or roll-over of a hedging instrument into another that is part of, and consistent with, the Group's documented risk management objective; or
- the underlying hedged item matures or is sold or repaid.

(9) Business combinations and goodwill
Business combinations are accounted for using the acquisition method of accounting as required by IFRS 3 'Business Combinations'. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities but excluding future restructuring) of the acquired business at fair value. Any excess of the consideration transferred over the fair values of the identifiable net assets acquired is recognised as goodwill.

Goodwill is allocated to cash-generating units for the purposes of impairment assessments. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment is tested by comparing the carrying value of the cash-generating unit to the discounted expected future cash flows from the relevant cash-generating unit. Any impairment is recognised immediately in the income statement.

See note 2.3 for further details on the significant accounting judgements, estimates and assumptions that affect the carrying value of goodwill.

Notes to the Financial Statements continued

2. Accounting policies continued

2.2 Summary of material accounting policies continued

(10) Intangible assets

The Group's intangible assets include intangible assets acquired as part of the Acquisition and internally generated intangible assets.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired as part of a business combination is their fair value at the date of acquisition.

Internally generated intangible assets primarily include computer software and core operating platforms. These assets are capitalised as an intangible asset based on the costs incurred to acquire, develop and bring it into use. An intangible asset is recognised only when an asset is created that can be identified, its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group. Expenditure incurred in relation to scoping and researching the build of an asset as part of a project is expensed as incurred.

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

- computer software and core operating platforms 3–5 years
- acquired customer and retail partner relationships 6–8 years
- acquired brand and trade names 20 years
- acquired intellectual property (credit scoring models) 7 years

Changes in the expected useful economic life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates.

The Group has no intangible assets with an infinite useful economic life. The amortisation expense on intangible assets with finite lives is recognised within other operating expenses in the income statement.

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

See note 2.3 for further details on the significant accounting judgements, estimates and assumptions that affect the carrying value of intangible assets.

(11) Property and equipment

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

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

- computer equipment 3–5 years
- fixtures and fittings 3–5 years
- leasehold improvements over the lease term

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

(12) Leasing

(i) Lease liability

All leases where the Group is a lessee, other than those that are less than 12 months in duration or are low value which the Group has elected to treat as exempt, require a lease liability to be recognised on the balance sheet on origination of the lease. The lease liability is initially measured as the present value of the contractual lease payments payable over the lease term discounted at the rate implicit in the lease if that can be readily determined or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Subsequently settled lease payments reduce the lease liability and an interest expense is recognised in the income statement as the discount is unwound. Each lease payment is allocated between payments of the principal element of the lease liability and interest payments within the consolidated statement of cash flows.

(ii) Right-of-use asset
For each lease liability a corresponding right-of-use asset is recorded in the balance sheet. The right-of-use asset is measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

The right-of-use asset is subsequently depreciated over the shorter of the asset's useful economic life and the lease term on a straight-line basis and recorded as an expense in other operating expenses. All of the Group's right-of-use assets relate to property leases.

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

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

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

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

(15) Share capital and equity instruments
The Group applies IAS 32 'Financial Instruments: Presentation' to determine whether funding is either a financial liability or equity.

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

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

(16) Investment in subsidiary undertakings
The Company's equity investments in its subsidiary undertakings are recorded at cost less impairment. At each reporting date an assessment is undertaken to determine whether there is any indication of impairment.

2.3 Significant accounting judgements, estimates and assumptions
The preparation of the consolidated Group and Company Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of income and expenses during the reporting period. The Group's Board Audit Committee regularly reviews and approves the significant accounting judgements, estimates and assumptions, see pages 66 and 67 for further details. The most significant uses of judgements, estimates and assumptions are detailed below, and within note 2.2 (7) and 9 for taxation.

(1) ECL on loans and advances to customers
The following judgements, estimates and assumptions are made in determining the Group's ECL under the requirements of IFRS 9.

(i) Modelling estimates
The measurement of ECL is calculated using three main components: (i) PD; (ii) EAD; and (iii) LGD. The ECL is calculated by multiplying the PD, EAD and the LGD. The 12-month PD, being the likelihood of default occurring in the next 12 months, is used for assets in stage 1 and the lifetime PD, being the likelihood of default occurring over the remaining expected life of the asset, is used for all other assets. The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of unutilised but committed credit limits. The LGD represents expected losses upon default, taking into account the time value of money. The Group's strategy is to sell debt once it is written off, which is predominantly after it reaches 180 days past due, and the Group's LGD is primarily determined by the recoveries received following such debt sales. The debt sales are principally at contractually agreed prices through forward flow agreements. The assumptions are regularly validated to recent performance and reviewed by management. Improvements in EAD performance and debt sale recoveries, partly offset by worsening PDs, contributed to a reduction in ECL allowance during the year.

Notes to the Financial Statements continued

2. Accounting policies continued

2.3 Significant accounting judgements, estimates and assumptions continued

(1) ECL on loans and advances to customers continued

The following table details the movements in the ECL allowance for changes in the significant modelling estimates, being the PD and expected recoveries incorporated in the LGD.

Group	31 December 2023 £m	31 December 2022 £m
+/-5% relative change in the PD (with a fixed stage 1 and 2 receivable distribution per the unsensitised model output)	14.1/(14.1)	17.7/(17.7)
+/-1 pence movement per pound of receivable on recoveries from debt sales assumed in the LGD	(2.8)/2.8	(3.4)/3.4

(ii) Significant increase in credit risk

In determining whether an account has demonstrated a significant increase in credit risk since origination the Group applies the following criteria, based on its historical experience, to assess whether an asset should move from stage 1 to stage 2:

- quantitative measures consider the increase in an account's remaining lifetime PD compared to the expected lifetime PD when the account was originated. For the purposes of provisioning, the Group segments its portfolios into PD risk grades and has determined a relevant threshold for each risk grade where a movement in excess of the threshold since origination is considered to be significant and the account is therefore moved into stage 2;
- qualitative measures which consider whether an account has displayed specific adverse behaviour which is indicative, based on historical experience, that the account may go on to default. These measures include a range of information as reasonably available, including payment holiday intervention, bureau scores, specific credit bureau flags and a high consumer indebtedness index (wherever possible or relevant); and
- IFRS 9 includes a rebuttable presumption that once contractual payments are more than 30 days past due this is an indicator of a significant increase in credit risk since origination. The Group considers 30 days past due to be an appropriate backstop and has not rebutted this presumption.

In most instances an account has to meet both the quantitative and at least one qualitative criteria before it is deemed to have experienced a significant increase in credit risk since origination. An account on a payment holiday is deemed to have experienced a significant increase in credit risk since origination irrespective of the quantitative criteria.

An account is moved back to stage 1 when it no longer meets these criteria for a period of three consecutive monthly payment cycles.

As at 31 December 2023, a 10% increase/decrease in the significant increase in credit risk PD thresholds (for example, from a 1.0 to 1.1 times uplift) results in a £2.3m reduction or £3.6m increase (31 December 2022: £2.9m reduction or £4.7m increase) in the Group's ECL allowance respectively.

(iii) Definition of default

The Group classifies an account as in default and therefore moves to stage 3 when it meets one or more of the following criteria:

- quantitative measures including once contractual payments are more than 60 days past due; and
- qualitative measures including the observation of specific events such as insolvency or forbearance measures.

Where the performance of the asset improves to the extent that it no longer meets any of the default criteria for three consecutive months, or 12 consecutive months for accounts that were in default through forbearance measures, it transitions out of stage 3.

(iv) Forward-looking information

The assessment of significant increase in credit risk and the calculation of ECL both incorporate forward-looking information. As at 31 December 2023, the Group has identified the UK unemployment rate as the most significant macroeconomic factor that is likely to impact credit loss. The UK unemployment rate and its associated impact on ECL has been factored into the credit loss models using a five-year outlook period utilising four scenarios based on reasonable forecasts of future economic conditions and applying a probability-weighted approach. These scenarios include a base, an upside and two downside scenarios, which are based on a panel of external forecasts taken from HM Treasury and the latest PRA stress forecast. The probability weighting applied to each scenario is based on management's best estimate of the likely occurrence of each scenario.

The following table details the key forward-looking information incorporated into the Group's ECL allowance over the five-year outlook period used in the Group's ECL provisioning model.

Group	UK unemployment rate forecast over five-year outlook period %			ECL allowance assuming 100% probability weighting £m	Probability weighting used in reported ECL allowance %
	Peak	Minimum	Average		
31 December 2023					
Upside	4.4	4.0	4.1	482.5	15
Base	4.7	4.2	4.4	502.9	50
Downside 1	6.5	4.2	5.8	534.9	30
Downside 2	8.5	4.2	7.1	611.2	5
31 December 2022					
Upside	4.0	3.6	3.8	527.2	5
Base	4.4	3.7	4.2	564.9	55
Downside 1	6.4	3.7	5.6	612.4	35
Downside 2	8.5	3.7	7.0	698.2	5

A summary of the assumptions in each scenario as at 31 December 2023 is detailed below.

- The upside scenario assumes the UK economy avoids going into a recession as price and wage expectations ease faster than expected, reducing the need for the Bank of England to undertake substantial interest rate increases. The unemployment rate is expected to remain broadly flat over the outlook period and reach a long-term rate of 4.0%.
- The base scenario is that the UK economy will avoid entering a recession but there will be limited growth. The outlook assumes consumer price inflation continues to fall largely driven by energy price reductions. The Bank of England base rate reduces in a similar trend to inflation so as not to overstimulate the economy and drive inflation again. With a rebound in consumer confidence, the unemployment rate rises gradually to its peak of 4.7% in 2025 before falling back to 4.3% by the end of the forecast period.
- The downside 1 scenario assumes a combination of strong domestic price growth, ongoing wage inflation and lower global economic growth. This sees businesses face higher costs, lower domestic consumer spending and reduced exports, which causes them to reduce hiring and investment. This in turn further affects household incomes through reduced employment and the economy enters into a recession in 2024. The unemployment rate gradually rises to its peak of 6.5% in 2025, before falling back to 5.4% by the end of the forecast period.
- The downside 2 scenario embodies a series of cost shocks along with high and persistent consumer price inflation across advanced economies. A fall in real household income, lower confidence and tighter financial conditions result in a severe UK recession. Inflation rises sharply and predominantly reflects increases in energy and food prices as well as wider global supply chain pressures affecting import and domestic prices. The unemployment rate peaks at 8.5% during 2025 before recovering to 6.6% at the end of the forecast period.

The changes to the probability weighting applied to each scenario represent changes to management's view of the likelihood of each scenario occurring and reflect the uncertainty in the UK economic outlook at the prevailing date. The ECL allowance assuming a 100% probability weighting applied to each scenario also includes the impact of post model adjustments.

As at 31 December 2023, the impact of probability-weighting these scenarios and overlaying other forward-looking information increased the ECL allowance on loans and advances to customers by £12.1m (31 December 2022: £21.4m) compared to the base scenario ECL allowance.

(v) Post model adjustments (PMAs)
The Group uses PMAs to adjust modelled ECL outcomes when it is deemed that the ECL model methodology has not fully captured anticipated credit losses. The following table details the PMAs reported in the Group's ECL allowance, with a negative balance representing a reduction in total ECL allowance.

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Forward-looking information	(8.4)	24.3
Model performance	(12.3)	(35.3)
Total PMAs	**(20.7)**	**(11.0)**

Notes to the Financial Statements continued

2. Accounting policies continued

2.3 Significant accounting judgements, estimates and assumptions continued

(1) ECL on loans and advances to customers continued

The methodologies used to calculate PMAs are based on similar principles to those used in the underlying model methodology, with the inputs and calculations subject to regular oversight and review consistent with the underlying model output. A summary of each category of PMA is detailed below.

- The forward-looking information PMAs primarily represent a £10.5m (31 December 2022: £4.2m reduction in ECL) PMA which reduces overall ECL for the use of proxies to model the impact on ECL of multiple economic scenarios. The Group uses its Direct to Consumer model as a proxy for considering the impact of changes in forward-looking information on ECL for portfolios which do not have a bespoke forward-looking model. Additionally, the Group reported a £2.1m (31 December 2022: £28.5m) PMA to uplift modelled ECL for cost-of-living related exposures. In 2023, the Group changed its cost-of-living PMA methodology from being a broad range of cost-of-living related exposures to a specific mortgage shock exposure. This change reflected the Group's non-modelled exposure at the year end.
- Model performance PMAs represent adjustments to modelled outcomes including normalisation for recent experience and the outcome of periodic model validations. As at 31 December 2023, through its regular validation of model metrics, the Group recalibrated the probability of default it uses in its ECL methodology. This resulted in a PMA of £22.6m (31 December 2022: £35.3m reduction in ECL) reducing overall ECL and reflects the improvement in the underlying performance of the receivables portfolio and updates to the calibration period since the last calibration exercise. As at 31 December 2023, the calibration period used in the PMA was the 24-month period ended 31 December 2023 because this period best reflected the expected future performance of the receivables portfolio as at the year end. Model performance PMAs also include several other PMAs that collectively total a £10.3m (31 December 2022: £nil) uplift in ECL as at 31 December 2023.

See note 23.2 for further details of the Group's ECL allowance.

(2) Effective interest rate (EIR) on loans and advances to customers

In accordance with IFRS 9, interest income is recognised in the income statement using the EIR method for loans and advances to customers, including throughout interest-free promotional periods when these are offered to customers.

The EIR is determined on inception as management's best estimate of future cash flows based on historical information, where available, and considers the repayment activity and the retention of the customer balance after the end of the promotional period. As such the EIR method introduces estimation uncertainty which, if the actual cash flows differ from that estimate, could result in an adjustment to the carrying value of the asset which reflects the value of interest recorded.

The Group's best estimate of the future cash flows is a profile running off over a period of ten years. The interest-free promotional period is the most sensitive element of the total EIR methodology.

As at 31 December 2023, the Group reported an EIR adjustment to loans and advances to customers in respect of interest-free periods of £29.9m (31 December 2022: £35.7m). Net interest and similar income recognised in relation to the interest-free promotional periods totalled £(5.8)m (2022: £(1.7)m) for the year ended 31 December 2023. As at 31 December 2023, if the estimated cash flows used in the EIR model for interest-free promotional products increased/decreased by 5% the EIR adjustment to loans and advances to customers would increase/decrease by £1.2m/£1.2m (31 December 2022: £1.8m/£1.8m).

(3) Impairment of intangible assets and goodwill

In accordance with IAS 36 'Impairment of Assets' the goodwill arising on the Acquisition is subject to an annual impairment review and intangible assets are assessed for indications of impairment at each balance sheet date, or more frequently where changes in circumstances exist.

(i) Impairment of goodwill

In 2023, the Group performed an annual impairment review of goodwill by comparing the discounted estimated future cash flows of the cash-generating units with their carrying value including goodwill. The impairment review is dependent on several assumptions with the most significant being the cash flow forecasts and discount rate; both are detailed further below.

- The cash flow forecasts were extracted from the Group's Board-approved five-year budget and inherently include a number of judgements and estimates, particularly in relation to interest income rates, new customer account originations, impairment rates and the ongoing cost base of the cash-generating units. Interest income is dependent on customer behaviour and their appetite for carrying interest-bearing balances. The economic environment can also impact cash flows. The unemployment rate and/or base rate influences credit losses and interest income. The Group's budgeted cash flows incorporates the expected impact of forecast unemployment rates and base rates (amongst other economic variables). Cash flows were extrapolated into perpetuity, reflecting the fact they are held for long-term investment, with an annual growth rate of 1.3% (2022: nil) after year five.
- The discount rate is based on the cost of equity relevant to each cash-generating unit, being 12.6% (2022: 12.0%). In 2023, against a backdrop of rising interest rates, the Group assessed internal and external data (including benchmarking to other companies) and determined 12.6% to be an appropriate rate. The inferred pre-tax discount rate from the impairment review was 14.7% (2022: 16.0%).

The nature and inherent uncertainty relating to the above judgements and estimates means that the forecast cash flows may be materially different from actual cash flows. A material reduction in future cash flows from these assets would necessitate a full impairment review and the possibility of a material impairment charge in future years.

As at 31 December 2023, the Group reported a goodwill carrying value of £279.9m (31 December 2022: £279.9m) and no impairment charge in the year (2022: £nil). Cash flows used in the impairment review would have to reduce by over 28% (2022: over 40%) or the discount rate would have to increase to 16.8% (2022: 20.1%) for there to be an impairment charge (with the goodwill allocated to Merchant Offering incurring the charge). Within the Merchant Offering cash-generating unit impairment assessment is an assumption that cash flows will increase as a result of initiatives being introduced in 2024. These initiatives require third party consent before implementation. Excluding the incremental cash flows from these initiatives in the goodwill impairment assessment would reduce headroom. Specifically, cash flows would need to decrease by a further 7% or the discount rate would have to increase to 13.5% for there to be an impairment charge. See note 17 for further details of the Group's goodwill.

From 1 January 2024, the Group changed its operating segments (see note 3 for further details). This occurred after the balance sheet date and, as at 31 December 2023, the Group's cash-generating units were not impacted.

(ii) Impairment of acquired intangible assets
As at 31 December 2023, the reported carrying value of the Group's acquired intangible assets was £28.9m (31 December 2022: £79.5m). In accordance with IAS 36, intangible assets arising on the Acquisition are measured at fair value on the date they were acquired less accumulated amortisation and impairment losses. Accordingly, at each reporting date the Group is required to assess whether there are any indicators that the assets may be impaired. If any such indicators exist, the asset's recoverable amount must be calculated and the carrying value should be reduced to the recoverable amount should it be lower.

As at 31 December 2023, the Group has reviewed all available information that may indicate its acquired intangible assets are impaired and assessed there to be no impairment triggers. Accordingly, no impairment has been recognised on the acquired intangible assets in the year. See note 15 for further details of the Group's acquired intangible assets.

2.4 Adoption of new and revised standards
The following new amendments to existing standards are relevant to the Group and Company and are mandatory for the first time for the year ended 31 December 2023.

- Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2. The amendments require entities to disclose their material accounting policy information rather than their significant accounting policies. The Group has assessed the requirements of the amendments and revised its accounting policies disclosure accordingly.
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The amendments introduce a new definition for accounting estimates and clarify the relationship between accounting policies and accounting estimates.
- Amendments to IAS 12 'Income Taxes' for deferred tax on certain transactions, such as leases and decommissioning provisions.
- Amendments to IAS 12 'Income Taxes' for the International Tax Reform Pillar Two Model Rules. The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the implementation of the OECD Pillar Two Model Rules, together with targeted disclosure requirements for affected entities. As mandated, the Group applied the temporary exemption on adoption and has neither recognised nor disclosed information about deferred tax assets and liabilities related to Pillar Two income taxes.

The Group is currently assessing the impact of Pillar Two Model Rules once the exemption ends. The other amendments noted above do not have a significant impact on the Group's or Company's Financial Statements.

2.5 Standards issued but not yet effective
The following amendments have been issued by the International Accounting Standards Board and are relevant to the Group and Company but have not been adopted early.

- Amendments to IAS 1 'Presentation of Financial Statements'. The amendments provide more guidance on the definition of a current and non-current liability, and guidance on disclosures for non-current liabilities subject to covenants.

The item noted above is not expected to have a significant impact on the Group's or Company's Financial Statements.

3. Segment information
The Group's operating performance on a segmental basis is regularly reviewed by management. These segmental results contain various reclassifications from the statutory results. As at 31 December 2023, the Group's reportable segments comprised Direct to Consumer, Merchant Offering and Platform Services, which were the segments reported to the chief operating decision maker, which is deemed to be the Group Chief Executive Officer and the Executive Committee. Each segment offers different products and services and is managed in line with the Group's management and internal reporting structure prevailing at the year end. The segments are detailed below.

- Direct to Consumer: this segment serves customers who are typically new to credit or have a limited or poor credit history. The segment issues credit cards under the *Aqua*, *Marbles* and *Fluid* brands and digital credit under the *Bip* brand. The segment also includes two closed portfolios.
- Merchant Offering: this segment provides co-branded credit products in partnership with established retail and consumer brands, and an own-branded *Pulse* card to customers from previous partnerships that have since ended. The segment also offers finance products to customers through its digital revolving credit product, *Newpay*. In addition, the segment has a portfolio of other closed credit cards and point-of-sale finance products.
- Platform Services: this segment provides digital platform solutions for end-to-end servicing of unsecured credit products financed and owned by third parties, together with certain other capital-light activities.

Notes to the Financial Statements continued

3. Segment information continued

These segments reflect how internal reporting was provided to management during 2023 and how management allocated resources and assessed performance. Segment performance is assessed on the basis of contribution. The accounting policies of the reportable segments are consistent with the Group's accounting policies. The Group's activities are managed across Jersey, Luxembourg and the UK. However, the Group only offers products to customers in the UK. Capital expenditure is not allocated to individual segments as property and equipment is managed at a Group level.

From 1 January 2024, the Group revised its operating structure and subsequently its reporting segments. Direct to Consumer and Merchant Offering were combined into one segment, Credit, and Platform Services was renamed Platform.

The table below presents the Group's performance on a segmental basis in line with reporting to the chief operating decision maker.

Year ended 31 December 2023	Direct to Consumer £m	Merchant Offering £m	Platform Services £m	Total £m
Interest income	748.1	284.0	–	1,032.1
Cost of funds	(152.3)	(103.7)	–	(256.0)
Net interest income	**595.8**	**180.3**	**–**	**776.1**
Fee and commission income	39.9	40.8	3.5	84.2
Net revenue	**635.7**	**221.1**	**3.5**	**860.3**
Impairment losses on loans and advances to customers	(301.3)	(102.3)	–	(403.6)
Underlying risk-adjusted income	**334.4**	**118.8**	**3.5**	**456.7**
Servicing costs	(65.2)	(52.6)	(1.6)	(119.4)
Change costs	(17.8)	(18.1)	(4.4)	(40.3)
Marketing and partner payments	(10.2)	(33.2)	(0.2)	(43.6)
Collection fees	17.5	7.8	–	25.3
Contribution	**258.7**	**22.7**	**(2.7)**	**278.7**
Salaries, benefits and overheads				(71.4)
Underlying profit before tax				**207.3**
Add back: depreciation and amortisation				12.0
Adjusted EBITDA				**219.3**
Senior Secured Debt interest and related costs				(37.7)
Platform development costs				(10.4)
Restructuring costs				(10.9)
Depreciation and amortisation including amortisation of intangible assets arising on the Acquisition				(62.6)
Profit before tax				**97.7**
Gross receivables	**2,465.1**	**1,843.7**	**–**	**4,308.8**

See page 29 for details of the reconciling items between adjusted EBITDA and profit before tax. No single customer in the current and prior year accounts for more than 10% of revenue.

The table below presents a reconciliation of the reclassifications from the statutory performance to the results shown in the segmental analysis.

Year ended 31 December 2023 reconciling items	Statutory £m	Fee income £m	Senior Secured Debt interest and related costs £m	Other £m	Segmental basis £m
Interest income	1,047.0	–	–	(14.9)	1,032.1
Cost of funds	(294.4)	–	37.7	0.7	(256.0)
Fee and commission income	108.6	(24.1)	–	(0.3)	84.2
Impairment losses on loans and advances to customers	(404.5)	–	–	0.9	(403.6)
Underlying risk-adjusted income	**456.7**	**(24.1)**	**37.7**	**(13.6)**	**456.7**
Total operating expenses	(359.0)	24.1	(37.7)	13.6	(359.0)
Profit before tax	**97.7**	**–**	**–**	**–**	**97.7**

Fee income primarily represents cost recovery fees which are presented as a component of collection fees on a segmental basis rather than income. Senior Secured Debt interest and related costs represents interest and related on the Senior Secured Debt and the Revolving Credit Facility, which are excluded from underlying profit on a segmental basis where appropriate. Other primarily represents interest income from loans and advances to banks which is presented in overheads on a segmental basis rather than interest and similar income.

The table below presents the Group's performance on a segmental basis for the year ended 31 December 2022 in line with reporting to the chief operating decision maker.

Year ended 31 December 2022	Direct to Consumer £m	Merchant Offering £m	Platform Services £m	Total £m
Interest income	640.3	243.8	–	884.1
Cost of funds	(78.0)	(46.3)	–	(124.3)
Net interest income	**562.3**	**197.5**	**–**	**759.8**
Fee and commission income	44.3	21.3	1.4	67.0
Net revenue	**606.6**	**218.8**	**1.4**	**826.8**
Impairment losses on loans and advances to customers	(302.0)	(80.6)	–	(382.6)
Underlying risk-adjusted income	**304.6**	**138.2**	**1.4**	**444.2**
Servicing costs	(56.5)	(51.5)	(0.4)	(108.4)
Change costs	(23.4)	(16.6)	(3.3)	(43.3)
Marketing and partner payments	(24.2)	(21.1)	(0.2)	(45.5)
Collection fees	21.3	8.9	–	30.2
Contribution	**221.8**	**57.9**	**(2.5)**	**277.2**
Salaries, benefits and overheads				(73.8)
Underlying profit before tax				**203.4**
Add back: depreciation and amortisation				11.6
Adjusted EBITDA				**215.0**
Senior Secured Debt interest and related costs				(30.3)
Platform development costs				(9.3)
PPI				1.2
Other				(0.8)
Depreciation and amortisation including amortisation of intangible assets arising on the Acquisition				(65.9)
Profit before tax				**109.9**
Gross receivables	**2,418.3**	**1,833.4**	**–**	**4,251.7**

The table below presents a reconciliation of the reclassifications from the statutory performance to the results shown in the segmental analysis.

Year ended 31 December 2022 reconciling items	Statutory £m	Fee income £m	Senior Secured Debt interest and related costs £m	Other £m	Segmental basis £m
Interest income	887.2	–	–	(3.1)	884.1
Cost of funds	(155.1)	–	30.3	0.5	(124.3)
Fee and commission income	95.8	(28.6)	–	(0.2)	67.0
Impairment losses on loans and advances to customers	(382.3)	–	–	(0.3)	(382.6)
Underlying risk-adjusted income	**445.6**	**(28.6)**	**30.3**	**(3.1)**	**444.2**
Total operating expenses	(335.7)	28.6	(30.3)	3.1	(334.3)
Profit before tax	**109.9**	**–**	**–**	**–**	**109.9**

The table below presents a reconciliation from gross receivables to gross loans and advances to customers.

	31 December 2023			31 December 2022		
	Direct to Consumer £m	**Merchant Offering £m**	**Group £m**	Direct to Consumer £m	Merchant Offering £m	Group £m
Gross receivables	**2,465.1**	**1,843.7**	**4,308.8**	**2,418.3**	**1,833.4**	**4,251.7**
Deferred origination costs[1]	47.4	9.4	56.8	57.6	8.4	66.0
EIR method adjustment for interest-free promotional periods (note 2.3)	16.7	13.2	29.9	21.2	14.5	35.7
Other[2]	22.5	16.4	38.9	23.7	17.1	40.8
Gross loans and advances to customers	**2,551.7**	**1,882.7**	**4,434.4**	**2,520.8**	**1,873.4**	**4,394.2**

1 This relates to transaction costs incurred on origination of customer accounts. These costs are amortised through the EIR method over the life of the underlying accounts.
2 This relates to other adjustments required by IFRS and principally includes: interest income accruals to ensure appropriate cut-off to the period end; fee income deferred and amortised through the EIR method over the life of the underlying account; and reclassification of accounts that are in a credit position.

Notes to the Financial Statements continued

4. Interest and similar income

	Group		Company	
	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m	**Year ended 31 December 2023 £m**	Year ended 31 December 2022 £m
Interest income from loans and advances to customers	1,032.1	884.0	–	–
Interest income from loans and advances to banks	14.9	3.2	0.2	–
Interest income from loans with Group undertakings	–	–	45.9	46.3
Interest and similar income	**1,047.0**	**887.2**	**46.1**	**46.3**

Increases in the Bank of England base rate, which in most instances the Group passes on to customers, was the primary reason for the Group's increase in interest and similar income in the year.

The Company's interest and similar income primarily consists of interest on a loan note issued by NewDay UK Limited.

5. Interest and similar expense

	Group		Company	
	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m	**Year ended 31 December 2023 £m**	Year ended 31 December 2022 £m
Interest and similar expense on debt issued and other borrowed funds	305.5	153.5	3.3	5.5
Interest expense on amounts owed to Group undertakings	–	–	34.4	24.8
Net realised (gain)/loss arising from qualifying hedge relationships	(11.8)	1.1	–	–
Other	0.7	0.5	–	–
Interest and similar expense	**294.4**	**155.1**	**37.7**	**30.3**

Increases in base rates was the primary reason for the Group's increase in interest and similar expense in the year.

Within the Group's interest and similar expense on debt issued and other borrowed funds was £37.7m (2022: £30.3m) of Senior Secured Debt interest and related costs. Other includes £0.4m (2022: £0.5m) of cost which represents the interest expense arising from the unwind of lease liabilities.

6. Net fee and commission income

	Group		Company	
	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m	**Year ended 31 December 2023 £m**	Year ended 31 December 2022 £m
Card fees	71.4	76.4	–	–
Interchange fees	49.5	28.8	–	–
Other income	12.5	7.5	–	–
Fee and commission income	**133.4**	**112.7**	**–**	**–**
Fee and commission expense	(24.8)	(16.9)	–	–
Net fee and commission income	**108.6**	**95.8**	**–**	**–**

Fee and commission income consists of fees earned on customer accounts but excludes fees that have been recognised using the EIR method which are reported within interest and similar income in the income statement. Also included in fee and commission income are interchange fees earned each time a cardholder purchases goods or services. Fee and commission expense principally consists of scheme fees arising from using third party processing networks (such as the Mastercard network), cashback the Group pays to its customers on qualifying spend and customer goodwill gestures.

7. Personnel expense

	Group		Company	
	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m	**Year ended 31 December 2023 £m**	Year ended 31 December 2022 £m
Wages and salaries	115.1	112.1	–	–
Social security costs	11.7	10.3	–	–
Pension contributions	7.8	6.4	–	–
Redundancy costs	11.3	0.4	–	–
Other staff costs	8.1	6.0	–	–
Personnel expense	**154.0**	**135.2**	**–**	**–**
Average number of full time equivalent employees	1,360	1,253	–	–
Number of full time equivalent employees as at the year end	1,312	1,346	–	–

In December 2023, the Group announced an operational restructure which resulted in 90 employees being made redundant. These employees were still employed on 31 December 2023 and have various contract end dates up to 30 June 2024.

In 2023, the Group incurred £46.5m (2022: £40.8m) of project-related personnel expenses, of which £18.6m (2022: £11.5m) was capitalised within intangible assets. The corresponding capitalisation credit is netted off project expenses and other items within other operating expenses (note 8).

The Company has no employees (2022: none). No Directors' remuneration was paid by the Company during the year (2022: £nil). Remuneration for the Directors listed in the Board of Directors section on pages 58 to 60 is borne by NewDay Cards Ltd (for the Executive Directors) and NewDay Group UK Limited (for the Non-Executive Directors). See note 26 for details of transactions with key management personnel.

8. Other operating expenses

	Group		Company	
	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m	**Year ended 31 December 2023 £m**	Year ended 31 December 2022 £m
Servicing costs	58.4	56.4	–	–
Commission to retailers, advertising and marketing costs	43.3	43.8	–	–
Administrative costs	9.7	7.0	0.6	0.4
IT and communications	24.6	19.9	–	–
Professional fees	5.6	4.2	0.1	–
Depreciation of property and equipment	4.5	4.8	–	–
Amortisation of intangible assets	58.1	61.1	–	–
Impairment of intangible assets	0.4	–	–	–
Release of PPI provision	–	(1.2)	–	–
Project expenses and other items	0.4	4.5	2.7	–
Other operating expenses	**205.0**	**200.5**	**3.4**	**0.4**

Professional fees include fees payable to the external auditor, KPMG LLP, in relation to:

	Group	
	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Audit of consolidated Group and Company Financial Statements	0.6	0.4
Audit of the Financial Statements of the Company's subsidiaries	1.3	1.1
Other assurance services	0.3	0.4
Fees payable to the external auditor	**2.2**	**1.9**

The auditor may undertake work in other areas where it is permissible under the Ethical Standard published by the Financial Reporting Council if it is the most suitable supplier and the terms and conditions of the engagement, including the fee, do not impair its objectivity or independence.

Notes to the Financial Statements continued

9. Tax expense

	Group		Company	
	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m	**Year ended 31 December 2023 £m**	Year ended 31 December 2022 £m
Current tax expense	14.4	14.7	–	–
Deferred tax expense	0.9	0.9	–	–
Tax expense	**15.3**	**15.6**	**–**	**–**

Reconciliation of the total tax expense
The applicable tax regime for all the Group's entities apart from the Company, NewDay Group Holdings S.à r.l., NewDay Partnership Receivables Trustee Ltd and NewDay Funding Receivables Trustee Ltd is the UK. The Jersey tax regime is applicable for the Company, NewDay Partnership Receivables Trustee Ltd and NewDay Funding Receivables Trustee Ltd and the Luxembourg tax regime is applicable for NewDay Group Holdings S.à r.l. and is reflected in the tax computations accordingly. A reconciliation between the result before tax and the tax expense at the UK corporation tax rate is shown in the following table.

	Group		Company	
	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m	**Year ended 31 December 2023 £m**	Year ended 31 December 2022 £m
Profit before tax	97.7	109.9	81.1	15.6
Tax charge at average UK corporation tax rate of 23.5% (2022: 19.0%)	23.0	20.9	19.1	3.0
Effects of:				
– Disallowable items and allowable deductions[1]	5.5	8.4	(17.9)	–
– Profits subject to corporation tax under securitisation vehicle rules	(10.9)	(4.6)	–	–
– Adjustment in respect of foreign tax rates	(1.3)	(3.0)	(1.2)	(3.0)
– Prior year adjustment[2]	(1.0)	(6.1)	–	–
Tax expense	**15.3**	**15.6**	**–**	**–**

1 In 2023, disallowable items and allowable deductions for the Group largely relates to disallowable amortisation and depreciation.
2 In 2023, the prior year adjustment principally relates to the utilisation of brought forward losses and provisions for specific tax positions.

As at 31 December 2023, the enacted UK corporation tax rate applicable to the Group was 25% (31 December 2022: 19%). An increase in the UK corporation tax rate from 19% to 25% was effective from 1 April 2023 and therefore the average UK corporation tax in the year was 23.5% (2022: 19.0%). For the year ended 31 December 2023, the Jersey tax regime rate applicable to the Company was 0% (2022: 0%).

The 31 December 2023 deferred tax balances have been calculated based on the 25% rate (31 December 2022: 19%), reflecting the expected timing of the reversal of the related temporary differences.

As at 31 December 2023, the Group reported a deferred tax asset of £0.5m (31 December 2022: £0.5m) and a deferred tax liability of £1.9m (31 December 2022: £1.1m) and both resulted from temporary differences. There was no tax recognised through the Group's or Company's statement of other comprehensive income in the year (2022: £nil).

The Group does not consider there to be a significant risk of a material adjustment to the carrying amount of current and deferred tax balances, including provisions for uncertain tax positions in the next financial year. The provisions for uncertain tax positions cover a range of issues and reflect advice from external counsel where relevant. The scale of NewDay's business means it is periodically subject to reviews and enquiries from HMRC.

10. Loans and advances to banks

	Group		Company	
	31 December 2023 £m	31 December 2022 £m	**31 December 2023 £m**	31 December 2022 £m
Unrestricted cash	515.5	314.1	3.2	10.7
Restricted cash	73.8	68.1	–	–
Loans and advances to banks	**589.3**	**382.2**	**3.2**	**10.7**

Loans and advances to banks are held with large commercial banks and represent cash and cash equivalents in the cash flow statement. Restricted cash of £73.8m (31 December 2022: £68.1m) are demand deposits that is ring-fenced cash for credit balances on loans and advances to customers and cash restricted due to covenants in place in accordance with the Group's funding structure.

As at 31 December 2023, the Group's cash balance included £208.3m (31 December 2022: £nil) arising from funding overlaps where funds were raised in advance of the maturity of the debt it was replacing. Additionally, as at 31 December 2023, the Group's unrestricted cash balance included £62.0m (31 December 2022: £60.1m) of cash held by entities outside of the securitisation structure and not held for specific funding activities.

11. Loans and advances to customers

	Group		Company	
	31 December 2023 £m	31 December 2022 £m	**31 December 2023 £m**	31 December 2022 £m
Gross loans and advances to customers	4,434.4	4,394.2	–	–
ECL allowance on loans and advances to customers	(515.0)	(586.3)	–	–
Loans and advances to customers	**3,919.4**	**3,807.9**	**–**	**–**

There is no fixed term for repayment of revolving credit agreements other than a contractual requirement for customers to make a minimum monthly repayment towards their outstanding balance. For details of the ECL assessment performed on loans and advances to customers see note 23.2. See note 3 for a reconciliation between gross receivables and gross loans and advances to customers.

Transfers of financial assets

The Group transfers certain receivables to recovery agencies, in the ordinary course of business, for a proportion of their carrying value. During the year the Group sold and derecognised certain loans and advances to customers for the purpose of expediting recovery of these balances for total net proceeds of £117.1m (2022: £74.2m). The Group has no other transferred financial assets which are derecognised partly or in their entirety and in which it retains some form of continuing involvement.

12. Other assets

	Group		Company	
	31 December 2023 £m	31 December 2022 £m	**31 December 2023 £m**	31 December 2022 £m
Other receivables	142.0	118.9	–	–
Prepayments and accrued income	21.6	26.5	0.1	–
Amounts due from related parties	5.6	1.1	1.7	0.9
Amounts due from Group undertakings	–	–	489.2	513.5
Other assets	**169.2**	**146.5**	**491.0**	**514.4**

On 28 April 2017, the Company acquired from NewDay Group Holdings S.à r.l. a loan note issued by NewDay UK Limited of £483.7m at an interest rate of 9% per annum due 2027. The loan note was listed on the International Stock Exchange on 12 October 2017. The outstanding balance is included within amounts due from Group undertakings.

See note 26 for details of the amounts due from related parties.

13. Derivative financial instruments

The Group uses derivative financial instruments, namely interest rate swaps and cross-currency interest rate swaps, to manage the interest rate and foreign exchange rate risks arising from the Group's debt. The principal terms of the instruments match (except for spreads) and this results in an economic hedge but gives rise to an accounting mismatch as derivatives are measured at fair value and asset-backed term debt is measured at amortised cost.

Management regularly assesses the effectiveness of the hedge relationships and to date the hedge relationships have been 100% effective. The key consideration that could give rise to any ineffectiveness is whether there is a need for a debit valuation adjustment (DVA) or credit valuation adjustment (CVA). Any DVA/CVA has been assessed as being immaterial.

The Group has designated its derivative financial instruments as hedging instruments in qualifying cash flow hedges. Their fair value has been calculated by discounting contractual future cash flows using relevant market interest rate yield curves and forward foreign exchange rates (where relevant) prevailing at the balance sheet date.

Notes to the Financial Statements continued

13. Derivative financial instruments continued

The notional amounts and fair values of derivative financial instruments at the year end are detailed in the following table.

	As at 31 December 2023			As at 31 December 2022		
Group	Notional amount £m	Assets £m	Liabilities £m	Notional amount £m	Assets £m	Liabilities £m
Cross-currency interest rate swaps	403.9	22.0	(2.3)	364.4	43.0	–
Interest rate swaps	735.0	10.9	(4.9)	680.0	20.4	–
Derivative financial instruments	**1,138.9**	**32.9**	**(7.2)**	**1,044.4**	**63.4**	**–**

The following table shows a reconciliation of the movements in the notional amounts of the derivative financial instruments.

	Cross-currency interest rate swaps £m	Interest rate swaps £m
As at 31 December 2021	403.3	–
Issued	76.3	680.0
Settled	(166.4)	–
Foreign exchange movements	51.2	–
As at 31 December 2022	**364.4**	**680.0**
Issued	60.8	155.0
Settled	–	(100.0)
Foreign exchange movements	(21.3)	–
As at 31 December 2023	**403.9**	**735.0**

All cash flow hedges are deemed to be effective and the fair value thereof has been deferred in equity within the hedging reserve. There was no impact on the income statement in the year in respect of the movement in the fair value of ineffective cash flow hedges (2022: £nil). Foreign currency basis spreads of the financial instruments are excluded from the designated hedging instrument and are recognised in the income statement as a cost of hedging.

The Company held no derivative financial instruments during the year (2022: £nil).

14. Property and equipment

Group	Computer equipment £m	Fixtures and fittings £m	Leasehold improvements £m	Right-of-use assets £m	Total property and equipment £m
Cost as at 1 January 2023	4.0	3.6	7.6	17.4	32.6
Additions	0.1	0.3	0.2	–	0.6
Disposals	(0.2)	(0.1)	–	–	(0.3)
Cost as at 31 December 2023	**3.9**	**3.8**	**7.8**	**17.4**	**32.9**
Depreciation as at 1 January 2023	(2.0)	(3.4)	(5.1)	(9.6)	(20.1)
Charge to the income statement for the year	(1.1)	(0.2)	(0.8)	(2.4)	(4.5)
Disposals	0.2	0.1	–	–	0.3
Depreciation as at 31 December 2023	**(2.9)**	**(3.5)**	**(5.9)**	**(12.0)**	**(24.3)**
Net book value as at 31 December 2023	**1.0**	**0.3**	**1.9**	**5.4**	**8.6**
Net book value as at 31 December 2022	2.0	0.2	2.5	7.8	12.5

The right-of-use assets consist solely of land and buildings leased by the Group. The total cash outflow in the year arising from right-of-use leases was £3.2m (2022: £3.3m).

The Company held no property and equipment during the year (2022: £nil).

15. Intangible assets

Group	Acquired customer and retail partner relationships £m	Acquired brand and trade names £m	Acquired intellectual property £m	Internally generated intangibles £m	Total intangible assets £m
Cost as at 1 January 2023	313.4	27.8	51.9	49.2	442.3
Additions	–	–	–	29.4	29.4
Disposals	–	–	–	(5.2)	(5.2)
Impairment	–	–	–	(0.4)	(0.4)
Cost as at 31 December 2023	**313.4**	**27.8**	**51.9**	**73.0**	**466.1**
Amortisation as at 1 January 2023	(258.9)	(8.1)	(46.6)	(16.9)	(330.5)
Charge to the income statement for the year	(44.2)	(1.4)	(5.0)	(7.5)	(58.1)
Disposals	–	–	–	5.2	5.2
Amortisation as at 31 December 2023	**(303.1)**	**(9.5)**	**(51.6)**	**(19.2)**	**(383.4)**
Net book value as at 31 December 2023	**10.3**	**18.3**	**0.3**	**53.8**	**82.7**
Net book value as at 31 December 2022	54.5	19.7	5.3	32.3	111.8

As at 31 December 2023, the remaining amortisation period for acquired customer and retail partner relationships was less than one year (31 December 2022: less than two years) and for acquired brand and trade names it was 13 years (31 December 2022: 14 years). For details of the significant accounting judgements, estimates and assumptions in the acquired intangibles see note 2.3.

Internally generated intangibles primarily include computer software and core operating platforms. These assets are amortised over a three to five year period.

The Company held no intangible assets during the year (2022: £nil).

16. Investment in subsidiaries

Company	£m
As at 31 December 2022	570.4
Capital contribution	40.5
As at 31 December 2023	**610.9**

The Company holds 100% of the ordinary shares of NewDay Group UK Limited and NewDay Group Holdings S.à r.l.

On 28 April 2017, NewDay Group Holdings S.à r.l. assigned to the Company a loan note issued by NewDay UK Limited for £483.7m, at an interest rate of 9% per annum due 2027 in consideration for: (i) the repurchase of 312,500 A9 NewDay Group Holdings S.à r.l. shares for £324.6m; (ii) redemption of £68.5m Interest Free Preferred Equity Certificates; and (iii) repayment of £92.5m Tracking Preferred Equity Certificate interest.

Since acquiring NewDay Group Holdings S.à r.l., the Company made several capital contributions into the entity. In 2023, the Company made capital contributions totalling £40.5m (2022: £59.0m).

In 2023, an impairment assessment was performed on the carrying value of the investments which concluded that no impairment was required (2022: £nil). The headroom in the impairment assessment will vary depending on the outcome of the ongoing tax authority enquiries (see note 9).

17. Goodwill

Group	£m
As at 31 December 2022	279.9
As at 31 December 2023	**279.9**

On 26 January 2017, the Company acquired 100% of the issued share capital and preferred equity certificates in NewDay Group Holdings S.à r.l. for cash consideration of £990.5m. NewDay Group Holdings S.à r.l. was the parent company of the Predecessor Group.

The allocation of the consideration was subject to a purchase price allocation exercise. The excess of consideration over the net assets acquired was allocated to goodwill. Goodwill is allocated to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose. £240.5m of goodwill was allocated to Direct to Consumer and £39.4m was allocated to Merchant Offering.

In line with the requirements of IAS 38, an annual impairment assessment has been completed and no impairment was identified (2022: £nil). See note 2.3 for further details.

Notes to the Financial Statements continued

18. Debt issued and other borrowed funds

	Group		Company	
	31 December 2023 £m	31 December 2022 £m	31 December 2023 £m	31 December 2022 £m
Senior Secured Debt and associated facilities	234.6	294.4	–	–
Asset-backed term debt	2,513.5	2,218.4	–	–
Variable funding notes	1,647.3	1,741.9	–	–
Intercompany loan agreement and related items	–	–	234.6	294.4
Gross debt issued and other borrowed funds	**4,395.4**	**4,254.7**	**234.6**	**294.4**
Capitalised debt funding fees	(13.5)	(17.5)	(3.1)	(4.2)
Debt issued and other borrowed funds	**4,381.9**	**4,237.2**	**231.5**	**290.2**

In connection with the Acquisition, on 25 January 2017 NewDay BondCo plc (formerly Nemean BondCo plc) issued £425.0m Senior Secured Notes comprising £275.0m Fixed Rate Senior Secured Notes due in 2024 and £150.0m Floating Rate Senior Secured Notes that were due in 2023 before being repaid. In 2022, the Group completed a financing transaction which repaid in full the £150.0m Floating Rate Senior Secured Notes. These notes were repaid using £100.0m of cash and £50.0m raised from an issuance of additional Fixed Rate Senior Secured Notes, leaving £325.0m of notes outstanding. In 2022, the Group completed an Exchange Offer whereby it exchanged £237.7m of the remaining notes for new notes with a December 2026 maturity and settled £26.4m of notes in cash, leaving £298.6m of notes outstanding at that point in time. In accordance with IFRS, the new notes were treated as being issued at an £8.3m discount to their nominal value, which is being accounted for as an adjustment to the EIR of the financial instrument. In 2023, the Group repaid the remaining £60.9m of notes due to mature in 2024. As at 31 December 2023, the nominal value of the outstanding notes was £237.7m (31 December 2022: £298.6m).

In addition, the Company and certain subsidiaries of the Group entered into a £30.0m Super Senior Revolving Credit Facility. The facility was undrawn as at 31 December 2023 (31 December 2022: undrawn).

Debt issued and other borrowed funds includes publicly listed asset-backed securities and variable funding notes provided by a number of different investors. The debt is provided at SOFR or SONIA plus margin and is backed by securitised outstanding loans and advances to customers. As at 31 December 2023, £2,403.1m (31 December 2022: £2,168.8m) was used to fund the Direct to Consumer portfolio and £1,757.7m (31 December 2022: £1,791.5m) was used to fund the Merchant Offering portfolio.

Of the debt issued and other borrowed funds, £405.6m (31 December 2022: £365.5m) was denominated in US Dollars with the remaining denominated in Sterling.

A reconciliation of gross debt issued and other borrowed funds movements during the year is as follows:

		Cash flows		Non-cash movements	
Group	As at 1 January 2023 £m	Proceeds from debt issued £m	Repayment of debt issued £m	Other £m	As at 31 December 2023 £m
Senior Secured Debt and associated facilities	294.4	–	(60.9)	1.1	234.6
Asset-backed term debt	2,218.4	642.6	(331.5)	(16.0)	2,513.5
Variable funding notes	1,741.9	1,006.3	(1,099.5)	(1.4)	1,647.3
Gross debt issued and other borrowed funds	**4,254.7**	**1,648.9**	**(1,491.9)**	**(16.3)**	**4,395.4**

		Cash flows		Non-cash movements	
Group	As at 1 January 2022 £m	Proceeds from debt issued £m	Repayment of debt issued £m	Other £m	As at 31 December 2022 £m
Senior Secured Debt and associated facilities	335.0	229.4	(264.1)	(5.9)	294.4
Asset-backed term debt	2,192.3	840.5	(869.8)	55.4	2,218.4
Variable funding notes	709.1	2,313.3	(1,286.6)	6.1	1,741.9
Gross debt issued and other borrowed funds	**3,236.4**	**3,383.2**	**(2,420.5)**	**55.6**	**4,254.7**

Other non-cash movements includes changes in accrued interest and foreign exchange movements on the US Dollar denominated debt.

In 2023, the Group completed several financing transactions including those listed below.

- A £350.0m issuance of a new asset-backed term debt (of which £18.6m was retained internally) from the Merchant Offering securitisation programme.
- A £350.0m issuance of a new asset-backed term debt (of which £38.9m was retained internally and $75.0m was raised from US capital markets) from the Direct to Consumer securitisation programme.
- A £60.9m repayment of Senior Secured Notes maturing in 2024.
- Converted the first master trust bank VFN to achieve STS status, with associated funding cost benefits.

On 26 January 2017, the Company entered into an intercompany loan agreement with NewDay UK Limited pursuant to which the Company borrowed £425.0m comprising: (i) a fixed rate loan of £275.0m at an interest rate of 7.375% per annum due 2024; and (ii) a floating rate loan of £150.0m at an interest rate of three-month LIBOR plus a margin of 6.5% per annum that was originally due 2023. In 2021, the floating rate loan was settled and a further £50.0m fixed rate loan was issued with the same terms as the original fixed rate loan. On 7 December 2022, the Company settled £264.1m of the fixed rate loan and issued a £237.7m loan at a fixed rate of 13.25% per annum due 2026. In 2023, the Company settled the remaining £60.9m of the fixed rate loan due 2024, leaving the £237.7m fixed rate loan due 2026 remaining.

The scheduled maturities of gross debt issued and other borrowed funds are shown in the following table.

	Group		Company	
	31 December 2023 £m	31 December 2022 £m	**31 December 2023 £m**	31 December 2022 £m
Less than one year	1,100.2	338.7	–	–
Between one and two years	1,304.7	1,861.6	–	62.8
Between two and five years	1,990.5	2,054.4	234.6	231.6
	4,395.4	**4,254.7**	**234.6**	**294.4**

The Group aims to refinance maturing debt through new deals and/or existing VFN facilities in advance of their maturity. If new funding cannot be obtained the Group can, if required, exercise an option at its own discretion to extend the maturity date on all asset-backed term debt and VFNs by one year (where not already exercised).

Refer to note 27 for further details on the Group's funding structure.

19. Other liabilities

	Group		Company	
	31 December 2023 £m	31 December 2022 £m	**31 December 2023 £m**	31 December 2022 £m
Trade payables and accruals	105.7	95.4	–	5.2
Other payables	108.3	51.8	–	–
Lease liabilities	6.3	9.2	–	–
Pension contributions	–	0.9	–	–
Amounts due to related parties	0.8	0.7	0.7	–
Amounts due to Group undertakings	–	–	0.3	0.4
Other liabilities	**221.1**	**158.0**	**1.0**	**5.6**

Lease liabilities consist of leases held by the Group for land and buildings. The scheduled maturities of the leases are shown in the following table.

	Group	
	31 December 2023 £m	31 December 2022 £m
Less than one year	2.7	2.9
Between one and two years	2.1	2.7
Between two and five years	1.5	3.6
Lease liabilities	**6.3**	**9.2**

Notes to the Financial Statements continued

20. Provisions

Group	£m
As at 1 January 2022	11.1
Released during the year	(0.3)
Utilised during the year	(5.8)
As at 31 December 2022	**5.0**
Arising during the year	6.1
Utilised during the year	(5.7)
As at 31 December 2023	**5.4**

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, the Group records a provision for its best estimate of cost where an outflow of economic resources is considered probable. As at 31 December 2023, the Group's provisions constituted several individually immaterial items of this nature.

The Company held no provisions during the year ended 31 December 2023 (2022: £nil).

21. Share capital and reserves

	Group		Company	
	31 December 2023 £m	31 December 2022 £m	**31 December 2023 £m**	31 December 2022 £m
Share capital	–	–	–	–
Equity instruments	593.9	593.9	593.9	593.9
Hedging reserve	6.7	23.6	–	–
Retained (losses)/profits	(129.2)	(203.4)	278.7	205.8
Total equity	**471.4**	**414.1**	**872.6**	**799.7**

	Company	
Called up share capital ordinary shares (1 pence)	**Number of shares**	**Nominal value £**
Issued upon incorporation	101	1.01
As at 31 December 2023 and 31 December 2022	**101**	**1.01**

Share capital consists of 101 fully paid up ordinary shares at a nominal value of 1 pence each.

Equity instruments

The equity instruments relate to a £529.2m intercompany loan from Nemean Midco Limited and £64.7m loan notes issued by the Company which are also held by Nemean Midco Limited. The terms of the instruments are that they, and any associated interest, are repayable solely at the discretion of the Company. Accordingly, they are classified as equity instruments.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges net of income statement transfers.

Capital management

The Group manages its capital structure and adjusts it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may return capital to shareholders or issue capital securities. The objectives, policies and processes are under regular review by the Directors.

The Group maintains an actively managed capital base to cover risks inherent in the business and specifically for NewDay Ltd, to meet the capital adequacy requirements of the FCA under the Payment Services Regulations (2017) for Authorised Payment Institutions.

During the year, the Group complied with its externally imposed capital requirements (2022: complied).

22. Fair value of financial instruments

Fair value hierarchy

The Group 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, having 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.

Derivative financial instruments are recognised at fair value and are classified as level 2 (31 December 2022: level 2) as they are not traded in an active market and the fair value is therefore determined by discounting expected future cash flows using interest rate yield curves and forward foreign exchange rates prevailing at the year end. See note 13 for further details.

Fair value of financial instruments carried at amortised cost

Set out below is a comparison, by class, of the carrying value and fair values of the Group's and Company's financial instruments. During the year there have been no transfers between levels (2022: none).

Group **As at 31 December 2023**	**Level 1** **£m**	**Level 2** **£m**	**Level 3** **£m**	**Total carrying value** **£m**	**Fair value** **£m**
Financial assets					
Loans and advances to banks	–	589.3	–	589.3	589.3
Loans and advances to customers	–	–	3,919.4	3,919.4	4,056.7
Other assets	–	147.6	–	147.6	147.6
Total financial assets	**–**	**736.9**	**3,919.4**	**4,656.3**	**4,793.6**
Financial liabilities					
Debt issued and other borrowed funds	–	(4,381.9)	–	(4,381.9)	(4,408.1)
Other liabilities	–	(221.1)	–	(221.1)	(221.1)
Total financial liabilities	**–**	**(4,603.0)**	**–**	**(4,603.0)**	**(4,629.2)**

Group As at 31 December 2022	Level 1 £m	Level 2 £m	Level 3 £m	Total carrying value £m	Fair value £m
Financial assets					
Loans and advances to banks	–	382.2	–	382.2	382.2
Loans and advances to customers	–	–	3,807.9	3,807.9	3,969.1
Other assets	–	120.0	–	120.0	120.0
Total financial assets	**–**	**502.2**	**3,807.9**	**4,310.1**	**4,471.3**
Financial liabilities					
Debt issued and other borrowed funds	–	(4,237.2)	–	(4,237.2)	(4,200.5)
Other liabilities	–	(157.1)	–	(157.1)	(157.1)
Total financial liabilities	**–**	**(4,394.3)**	**–**	**(4,394.3)**	**(4,357.6)**

Company **As at 31 December 2023**	**Level 1** **£m**	**Level 2** **£m**	**Level 3** **£m**	**Total carrying value** **£m**	**Fair value** **£m**
Financial assets					
Loans and advances to banks	–	3.2	–	3.2	3.2
Other assets	–	1.8	489.1	490.9	490.9
Total financial assets	**–**	**5.0**	**489.1**	**494.1**	**494.1**
Financial liabilities					
Debt issued and other borrowed funds	–	(231.5)	–	(231.5)	(243.5)
Other liabilities	–	(1.0)	–	(1.0)	(1.0)
Total financial liabilities	**–**	**(232.5)**	**–**	**(232.5)**	**(244.5)**

Notes to the Financial Statements continued

22. Fair value of financial instruments continued

Company As at 31 December 2022	Level 1 £m	Level 2 £m	Level 3 £m	Total carrying value £m	Fair value £m
Financial assets					
Loans and advances to banks	–	10.7	–	10.7	10.7
Other assets	–	0.9	513.5	514.4	514.4
Total financial assets	**–**	**11.6**	**513.5**	**525.1**	**525.1**
Financial liabilities					
Debt issued and other borrowed funds	–	(290.2)	–	(290.2)	(287.1)
Other liabilities	–	(5.6)	–	(5.6)	(5.6)
Total financial liabilities	**–**	**(295.8)**	**–**	**(295.8)**	**(292.7)**

Loans and advances to banks
These items have a short-term maturity (usually less than three months) and it is assumed that their carrying value approximates to their fair value as a result of their short time horizon to maturity. These have been classified as level 2.

Loans and advances to customers
This contains the receivables related to credit products that have been issued by the Group. The fair value of these instruments is based on valuation inputs that have been derived from historical performance of the Group's portfolios which would not be observable to a market participant and as such these financial instruments have been classified as level 3.

Other assets
Except for the loan note held by the Company, other assets of the Group and Company consist of other receivables. The fair value of these receivable balances approximates to their carrying value as there have been no significant changes to market conditions that would have caused a difference between the two values. As the assets can be repriced using market observable inputs these have been classified as level 2. The loan note held by the Company, issued by NewDay UK Limited, cannot be repriced using market observable data and therefore has been classified as level 3.

Debt issued and other borrowed funds
The debt issued contains Senior Secured Debt and associated facilities, asset-backed term securities and variable funding notes. For the Senior Secured Debt, excluding the Revolving Credit Facility, and asset-backed term debt an observable market price is available; however, such debt is not actively traded, therefore the fair value has been estimated using prices quoted by banks and they have been classified as level 2. The senior variable funding notes and Revolving Credit Facility's fair value approximate to their carrying values. The variable funding notes and Revolving Credit Facility are private bilateral agreements that can be drawn upon and repaid by the borrower. These issuances have been classified as level 2.

Debt issued and other borrowed funds of the Company consists of the intercompany loan with NewDay UK Limited and the Revolving Credit Facility. The fair value of the intercompany loan is determined by using the market price quoted by banks on the publicly listed bonds issued by NewDay BondCo plc, another Group entity, whose terms are identical. The Revolving Credit Facility's fair value approximates to its carrying value. These issuances have been classified as level 2.

Other liabilities
Other liabilities of the Group largely consist of accounts payable. The fair value of other liabilities approximates to their carrying value because there have been no significant changes to market conditions that would have caused a difference between these two values. These have been classified as level 2 because these items can be repriced using market observable inputs.

23. Risk management

23.1 Introduction
Risk is inherent in the Group's activities, but is managed through a process of ongoing identification, measurement and monitoring, with respect to predetermined risk appetite settings and other controls performed by the Board. The Group controls risk via the operation of a risk management framework.

Sound risk management is critical to ensure the Group meets its regulatory requirements, and delivers on the strategic and financial goals agreed with shareholders, whilst also preserving the Group's brand and reputation. The financial risks faced by the Group include:

→ credit risk;

→ liquidity, funding and cash management risk;

→ market risk; and

→ regulatory and conduct risk.

See pages 46 to 54 for details of the Group's principal risks and how they are addressed.

Risk measurement and reporting systems
As part of the overall risk management strategy, risks are measured, monitored and reported to ensure the Group understands the risks it faces. The Group has a definition and categorisation model that forms a key part of the risk management framework.

The Group uses qualitative and quantitative methods (including the use of statistical models) to compute both expected and unexpected losses.

Monitoring and control processes are set by the Board, delegated to the Board Risk Committee and subsequently delegated down to the individual business committees and ultimately to all employees of the Group.

Information is compiled from all parts of the business in order to identify, analyse and control risks on a timely basis. Appropriate key risk indicators and other information are presented and discussed at the Board Risk Committee, Executive Committee and specific sub-committees on a regular basis.

23.2 Credit risk

The Group is exposed to credit risk on loans and advances to customers and other financial assets. Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and monitoring exposures in relation to such limits.

Credit risk exposure from customers is managed throughout the life cycle, underpinned by proprietary credit models which have been developed from customers' historical credit performance and are used to forecast a probability of default for a given level of credit. At the point of originating a new account, the risk profile is assessed against the credit policy and scorecard cut-off, aligned to the product applied for, to determine the terms and credit limit offered. Credit assessments utilise a combination of customer-provided data as well as data sourced from multiple credit reference agencies. A monthly assessment of existing customers' risk profiles determines if their credit limit is still appropriate for their borrowing needs. The proprietary credit models utilise spend and payment behaviour from products held by the Group as well as products with other providers to determine if a credit limit increase or decrease should be extended to the customer.

Risk-based arrears management combined with a range of contact strategies are deployed so that the Group can manage credit risk and achieve appropriate customer outcomes. Contact is established with customers to understand the reason behind missed payments and to understand if potential future concerns exist over payments due. Strategies are then deployed to ensure that customers in arrears are supported in returning to an up-to-date position or appropriate forbearance arrangements are put in place.

The Group has a range of treatments for customers who are experiencing financial stress through concessions which can be applied on a short-term or permanent basis where there is no detriment to the customer. Forbearance or other temporary arrangements are designed with the aim of ensuring that the customer's product remains sustainable and aligned to their personal circumstances. A customer identified as being in financial difficulty will be managed on an individual basis, with the appropriate understanding of their personal circumstances and priority debt being key factors in judging if a suitable arrangement can be made so the debt repayment becomes affordable and sustainable. One such solution offered by the Group is a payment holiday. A payment holiday suspends payments, interest, fees and any undrawn credit limit for a period of between one to three months depending on the specific circumstances of the individual. At the end of the payment holiday, the customer circumstances are reassessed, and additional forbearance support is available where required, including the option of a further payment holiday of up to three months, depending on the specific circumstances of the individual.

The provision of such arrangements is managed through the operational centres and governed using several processes, including, but not limited to: operational policy framework; controls against the execution of the policy; regular quality assurance reviews; and monitoring of customer outcomes through regular reporting. Forbearance arrangements, which typically include a temporary suspension of fees and interest, are available to customers who complete an income and expenditure assessment and conclude that their contractual minimum payment is unaffordable. These arrangements are tailored to individual customer circumstances and, on the condition that an agreed and affordable monthly payment is made, can range from the suspension of fees for a short time period through to an indefinite suspension of fees and interest.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of customers. Credit limits are established using a credit risk classification system, which assigns each customer a risk rating. Customer risk ratings are subject to regular revision. The credit quality review process aims to allow the Group to assess the potential loss as a result of the risks to which it is exposed and to take corrective action where appropriate.

Credit risk exposure is also impacted by the macroeconomic environment. Adverse movements in economic trends in the UK can cause detrimental effects on the recovery of the Group's loans and advances to customers. The unemployment rate is deemed to be a key variable influencing the recoverability of customer balances and this is factored into the Group's ECL assessment as a variable in the model methodology, see note 2.3 for further details. Additionally, other macroeconomic trends (e.g. inflationary and cost-of-living pressures) are incorporated into the Group's ECL assessment through a PMA when necessary.

Notes to the Financial Statements continued

23. Risk management continued

23.2 Credit risk continued

Credit quality analysis

The following table details the internal measures used to determine the credit quality of loans and advances to customers. As shown in the table, loans and advances to customers in risk grades 1, 2 and 3 are currently continuing to make payments when due.

Credit quality	12-month probability of default	Credit quality description
Risk grade 1	0%–5.89%	Up-to-date accounts which have a very high likelihood of being fully recovered
Risk grade 2	5.90%–19.99%	Up-to-date accounts which have a high likelihood of being fully recovered
Risk grade 3	20.00%–99.99%	Up-to-date accounts which may be fully recovered but where the likelihood of default is higher
Delinquent		Accounts that are up to two monthly payments in arrears and have not defaulted
Defaulted		Accounts that are at least three monthly payments in arrears, forborne, insolvent or bankrupt

The Group extends certain short-term arrangements, being payment holidays, to customers which temporarily suspend the requirement for them to make their contractual monthly payment. As at 31 December 2023, the total loans and advances to customers that were on a payment holiday was £113.9m (31 December 2022: £90.0m), with a maximum balance at any one point in time during the year of £115.9m (2022: £90.7m).

The following table contains an analysis of the credit risk exposure of the Group's loans and advances to customers for which an ECL allowance is recognised.

	As at 31 December 2023				
Group	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**POCI £m**	**Total £m**
Risk grade 1	1,944.6	15.1	–	0.5	1,960.2
Risk grade 2	1,379.0	122.0	–	0.8	1,501.8
Risk grade 3	207.2	185.5	–	0.2	392.9
Delinquent	–	176.7	–	0.1	176.8
Defaulted	–	–	402.2	0.5	402.7
Gross loans and advances to customers	**3,530.8**	**499.3**	**402.2**	**2.1**	**4,434.4**
ECL allowance	(137.3)	(146.0)	(231.2)	(0.5)	(515.0)
Loans and advances to customers	**3,393.5**	**353.3**	**171.0**	**1.6**	**3,919.4**

	As at 31 December 2022				
Group	Stage 1 £m	Stage 2 £m	Stage 3 £m	POCI £m	Total £m
Risk grade 1	1,931.7	17.3	–	0.5	1,949.5
Risk grade 2	1,338.1	134.4	–	1.0	1,473.5
Risk grade 3	200.2	218.9	–	0.3	419.4
Delinquent	–	164.6	–	0.1	164.7
Defaulted	–	–	386.4	0.7	387.1
Gross loans and advances to customers	**3,470.0**	**535.2**	**386.4**	**2.6**	**4,394.2**
ECL allowance	(161.2)	(194.1)	(230.3)	(0.7)	(586.3)
Loans and advances to customers	**3,308.8**	**341.1**	**156.1**	**1.9**	**3,807.9**

The reduction in ECL allowance as a proportion of gross loans and advances to customers in the year was primarily driven by underlying performance and an improving economic outlook, combined with higher forward flow prices on certain charged-off debt which arose from new contracts with third party debt purchasers.

Loans and advances to banks and other financial assets are all classified as stage 1 as at 31 December 2023 (31 December 2022: stage 1). The probabilities of default associated with these balances have been assessed to be low and accordingly any ECL allowance would be immaterial.

The following tables present the credit risk exposure of the Group's loans and advances to customers on a segmental basis.

	As at 31 December 2023				
Direct to Consumer	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**POCI £m**	**Total £m**
Risk grade 1	406.1	6.2	–	0.4	412.7
Risk grade 2	1,218.1	96.0	–	0.8	1,314.9
Risk grade 3	202.0	173.4	–	0.2	375.6
Delinquent	–	140.5	–	0.1	140.6
Defaulted	–	–	307.5	0.4	307.9
Gross loans and advances to customers	**1,826.2**	**416.1**	**307.5**	**1.9**	**2,551.7**
ECL allowance	(102.5)	(126.1)	(172.2)	(0.4)	(401.2)
Loans and advances to customers	**1,723.7**	**290.0**	**135.3**	**1.5**	**2,150.5**

	As at 31 December 2022				
Direct to Consumer	Stage 1 £m	Stage 2 £m	Stage 3 £m	POCI £m	Total £m
Risk grade 1	411.0	6.2	–	0.4	417.6
Risk grade 2	1,178.9	97.6	–	1.0	1,277.5
Risk grade 3	195.4	201.1	–	0.3	396.8
Delinquent	–	127.6	–	0.1	127.7
Defaulted	–	–	300.8	0.4	301.2
Gross loans and advances to customers	**1,785.3**	**432.5**	**300.8**	**2.2**	**2,520.8**
ECL allowance	(128.6)	(166.3)	(179.0)	(0.6)	(474.5)
Loans and advances to customers	**1,656.7**	**266.2**	**121.8**	**1.6**	**2,046.3**

	As at 31 December 2023				
Merchant Offering	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**POCI £m**	**Total £m**
Risk grade 1	1,538.5	8.9	–	0.1	1,547.5
Risk grade 2	160.9	26.0	–	–	186.9
Risk grade 3	5.2	12.1	–	–	17.3
Delinquent	–	36.2	–	–	36.2
Defaulted	–	–	94.7	0.1	94.8
Gross loans and advances to customers	**1,704.6**	**83.2**	**94.7**	**0.2**	**1,882.7**
ECL allowance	(34.8)	(19.9)	(59.0)	(0.1)	(113.8)
Loans and advances to customers	**1,669.8**	**63.3**	**35.7**	**0.1**	**1,768.9**

	As at 31 December 2022				
Merchant Offering	Stage 1 £m	Stage 2 £m	Stage 3 £m	POCI £m	Total £m
Risk grade 1	1,520.7	11.1	–	0.1	1,531.9
Risk grade 2	159.2	36.8	–	–	196.0
Risk grade 3	4.8	17.8	–	–	22.6
Delinquent	–	37.0	–	–	37.0
Defaulted	–	–	85.6	0.3	85.9
Gross loans and advances to customers	**1,684.7**	**102.7**	**85.6**	**0.4**	**1,873.4**
ECL allowance	(32.6)	(27.8)	(51.3)	(0.1)	(111.8)
Loans and advances to customers	**1,652.1**	**74.9**	**34.3**	**0.3**	**1,761.6**

Notes to the Financial Statements continued

23. Risk management continued

23.2 Credit risk continued

Impairment assessment

In accordance with IFRS 9, the Group uses a forward-looking ECL model. An ECL allowance is to be recognised on origination of a credit agreement, based on its anticipated credit loss. Allowances are assessed collectively for ECL on loans and advances to customers since balances are not individually significant.

The measurement of ECL is calculated using three main components: (i) PD; (ii) EAD; and (iii) LGD. The ECL is calculated by multiplying the PD, EAD and the LGD. ECL for exposures in stage 1 is calculated by multiplying the 12-month PD by the LGD and EAD. Lifetime ECL is reported for all assets other than those in stage 1 and is calculated by multiplying the lifetime PD by the LGD and EAD. On origination, and other than for POCI assets, an asset is reported in stage 1 and subsequently transferred to stage 2 if it has experienced a significant increase in credit risk since origination. Once defaulted, and therefore credit-impaired, an asset is transferred to stage 3. An asset can transition backwards out of stage 2 or 3 if it has evidenced that it has no longer experienced a significant increase in credit risk since origination or is no longer credit-impaired respectively. An originated credit-impaired asset is classified as POCI and remains in this classification even if it is no longer credit-impaired. The Group monitors performance and default information about its credit risk exposures and employs statistical models to analyse the data collected and generate estimates of the PD.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure on the underlying asset as well as expected drawdowns of unutilised, but committed, credit limits. LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates on defaulted assets.

Subject to using a maximum of a 12-month PD for stage 1 financial assets, the Group measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk. For revolving credit facilities this period is extended to the behavioural life of the facility if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual period. This longer period is estimated taking into account the credit risk management actions that the Group expects to take, and that serve to mitigate ECL, including reducing credit limits and cancellation of the facility.

The provisioning methodology together with significant modelling techniques and assumptions are assessed for appropriateness annually through a model validation exercise. The significant judgements in the provisioning methodology are also regularly reviewed by the Board Audit Committee, see page 66 for further details.

See note 2.3 for further details of the significant accounting judgements, estimates and assumptions in the ECL on loans and advances to customers.

The following tables reconcile the movement in the ECL allowance during both years.

Group	Stage 1 £m	Stage 2 £m	Stage 3 £m	POCI £m	Total £m
ECL allowance as at 31 December 2022	(161.2)	(194.1)	(230.3)	(0.7)	(586.3)
Transfers between stages:					
– to stage 1	(41.4)	35.9	5.5	–	–
– to stage 2	19.8	(24.8)	5.0	–	–
– to stage 3	12.1	30.7	(42.8)	–	–
Remeasurement of ECL[1]	33.1	7.0	30.6	0.2	70.9
Release of ECL on loans and advances to customers settled in the year	11.7	6.3	6.2	–	24.2
ECL on new loans and advances to customers originated in the year	(11.4)	(7.0)	(5.4)	–	(23.8)
ECL allowance as at 31 December 2023	**(137.3)**	**(146.0)**	**(231.2)**	**(0.5)**	**(515.0)**

Group	Stage 1 £m	Stage 2 £m	Stage 3 £m	POCI £m	Total £m
ECL allowance as at 31 December 2021	(216.4)	(150.9)	(200.6)	(1.1)	(569.0)
Transfers between stages:					
– to stage 1	(33.3)	22.1	11.2	–	–
– to stage 2	22.6	(30.7)	8.1	–	–
– to stage 3	14.2	17.1	(31.3)	–	–
Remeasurement of ECL[1]	58.8	(30.0)	(0.7)	0.3	28.4
Release of ECL on loans and advances to customers settled in the year	13.8	3.5	5.9	0.1	23.3
ECL on new loans and advances to customers originated in the year	(20.9)	(25.2)	(22.9)	–	(69.0)
ECL allowance as at 31 December 2022	**(161.2)**	**(194.1)**	**(230.3)**	**(0.7)**	**(586.3)**

1 Includes changes in the ECL driven by changes in credit risk (both within and between stages) and write-offs.

Collateral held

The Group's primary business is to provide short-term credit to customers using the Group's various credit products. In the course of providing credit to customers, the Group has credit risk assessment practices which provide approval for individuals to be extended credit. In providing these products it is not the policy of the Group to obtain collateral or other credit enhancements which reduce exposure to credit risk, other than the individual's commitment to repay outstanding balances.

Other commitments provided

As at 31 December 2023, the Group has undrawn facilities on its loans and advances to customers that are available to draw totalling £8,220.3m (31 December 2022: £10,720.3m), however these facilities are not irrevocably committed. This amount best represents the Group's maximum exposure to credit risk.

The Company, on behalf of the Group, provides a £7.5m committed facility to Nemean Topco Limited, the Company's ultimate parent undertaking. The Group has not entered into any other financial guarantee contracts, letters of credit or other undrawn commitments to lend.

23.3 Liquidity, funding and cash management risk

Contractual cash flow maturity

Loans and advances to customers constitute primarily revolving credit products such as credit cards and digital credit. All customer receivables are contractually repayable on demand and have been disclosed as such. Individual customer behaviour varies and the finance products are used as revolving facilities where drawdowns and repayments towards outstanding balances are made over time.

Of the £4,395.4m (31 December 2022: £4,254.7m) gross debt issued, which includes the accrued interest, £1,100.2m (31 December 2022: £338.7m) has a scheduled maturity of less than one year and £3,295.2m (31 December 2022: £3,916.0m) has a scheduled maturity of over one year.

Total committed funding facilities

As at 31 December 2023, the Group's total committed funding facilities were £5,849.3m (31 December 2022: £5,612.0m) of which £1,466.2m (31 December 2022: £1,373.0m) was undrawn.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the contractual maturity profile of the undiscounted cash flows of the Group's financial liabilities as at 31 December 2023. This reflects both the interest payable and the repayment of the principal on maturity, based upon current borrowings as at the balance sheet date. The actual repayment profile of debt issued and other borrowed funds may differ due to further drawdowns or early repayment of variable funding notes after the balance sheet date.

Group **As at 31 December 2023**	**On demand** **£m**	**Less than 3 months** **£m**	**3 to 12 months** **£m**	**1 to 5 years** **£m**	**Over 5 years** **£m**	**Total** **£m**
Financial liabilities						
Debt issued and other borrowed funds	–	451.5	943.6	3,610.8	–	5,005.9
Other liabilities	–	221.1	–	–	–	221.1
Derivative financial liabilities	–	(0.3)	0.1	7.5	–	7.3
	–	**672.3**	**943.7**	**3,618.3**	**–**	**5,234.3**

Group As at 31 December 2022	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	Total £m
Financial liabilities						
Debt issued and other borrowed funds	–	56.7	509.3	4,208.1	–	4,774.1
Other liabilities	–	157.1	–	–	–	157.1
	–	**213.8**	**509.3**	**4,208.1**	**–**	**4,931.2**

Securitisation vehicles

In the ordinary course of business, the Group enters into transactions that result in the transfer of the right to receive repayments in respect of loans and advances to customers to securitisation vehicles. In accordance with the accounting policy set out in note 2.2(3), the transferred loans and advances to customers continue to be recognised in their entirety or to the extent of the Group's continuing involvement, or are derecognised in their entirety.

The Group transfers financial assets that are not derecognised in their entirety or for which the Group has continuing involvement through securitisation activities. The Group transfers loans and advances to customers to securitisation vehicles but retains substantially all of the risks and rewards of ownership. The Group benefits to the extent that the surplus income generated by the transferred assets exceeds the administration costs of the securitisations, the cost of funding the assets and the cost of any losses associated with the assets and the administration costs of servicing the assets. Refer to note 27 for further details on the structure.

The results of the securitisation vehicles are consolidated into the Group. The following table shows the carrying value and fair value of the assets transferred to securitisation vehicles and the related carrying value and fair value of the associated liabilities.

Notes to the Financial Statements continued

23. Risk management continued

23.3 Liquidity, funding and cash management risk continued

Group As at 31 December 2023	Carrying value of transferred assets not derecognised £m	Carrying value of associated liabilities £m	Fair value of transferred assets not derecognised £m	Fair value of associated liabilities £m	Net fair value £m
NewDay Funding Transferor Ltd	2,103.3	(2,396.3)	2,205.8	(2,401.5)	(195.7)
NewDay Partnership Transferor plc	1,768.8	(1,754.1)	1,803.6	(1,756.0)	47.6
	3,872.1	**(4,150.4)**	**4,009.4**	**(4,157.5)**	**(148.1)**

Group As at 31 December 2022	Carrying value of transferred assets not derecognised £m	Carrying value of associated liabilities £m	Fair value of transferred assets not derecognised £m	Fair value of associated liabilities £m	Net fair value £m
NewDay Funding Transferor Ltd	1,988.8	(2,159.8)	2,117.4	(2,127.1)	(9.7)
NewDay Partnership Transferor plc	1,761.5	(1,787.2)	1,794.1	(1,786.3)	7.8
	3,750.3	**(3,947.0)**	**3,911.5**	**(3,913.4)**	**(1.9)**

The negative net fair value for NewDay Funding Transferor Ltd as at 31 December 2023 is driven by a funding overlap of £208.3m, where new debt was issued in advance of the maturity of the debt it was replacing. Included within the carrying value of associated liabilities is £10.4m (31 December 2022: £13.3m) of capitalised debt funding fees.

23.4 Market risk

Market risk is defined as the risk that market movements will negatively affect the value of the Group's assets and liabilities. The main market risk that the Group is exposed to is interest rate risk. Foreign exchange risk also impacts the Group's debt, however this is mitigated by the use of cross-currency interest rate swaps.

The main source of interest rate risk for the Group arises where there is a significant difference between the interest rate bases on assets compared to liabilities. The Group's assets are predominantly variable rate and are sensitive to interest rate movements to the extent that the Group is prohibited from repricing the portfolio of assets. The terms and conditions of the majority of the Group's loans and advances to customers allow it to choose to pass on any increases in the Bank of England base rate to customers holding certain products of the Group, insulating the Group against future bank base rate rises. The Group's funding is predominantly SONIA or SOFR based and therefore is sensitive to interest rate movements. The Group mitigates the residual interest rate risk on its funding which cannot be passed on to customers through the use of interest rate swaps. The Group also has US Dollar denominated funding which accrues interest linked to USD SOFR but has been hedged to SONIA or fixed through cross-currency interest rate swaps. The following tables analyse the Group's assets and liabilities by reference to the period of time before that asset or liability can be repriced to realign interest rates.

Contractual repricing profile

Group As at 31 December 2023	Less than 3 months £m	3 to 12 months £m	Over 1 year £m	Non-repricing or non-interest bearing £m	Total £m
Financial assets					
Loans and advances to banks	555.3	–	–	34.0	589.3
Loans and advances to customers	2,789.2	645.7	9.0	475.5	3,919.4
Other assets	–	–	–	147.6	147.6
Derivative assets	17.5	–	–	15.4	32.9
Financial liabilities					
Debt issued and other borrowed funds	(4,160.8)	–	–	(221.1)	(4,381.9)
Other liabilities	–	–	–	(221.1)	(221.1)
Derivative financial liabilities	–	–	–	(7.2)	(7.2)
Net repricing difference	**(798.8)**	**645.7**	**9.0**	**223.1**	**79.0**

Group As at 31 December 2022	Less than 3 months £m	3 to 12 months £m	Over 1 year £m	Non-repricing or non-interest bearing £m	Total £m
Financial assets					
Loans and advances to banks	239.3	–	–	142.9	382.2
Loans and advances to customers	3,016.8	311.1	0.7	479.3	3,807.9
Other assets	–	–	–	120.0	120.0
Derivative assets	32.4	–	–	31.0	63.4
Financial liabilities					
Debt issued and other borrowed funds	(3,960.3)	–	–	(276.9)	(4,237.2)
Other liabilities	–	–	–	(157.1)	(157.1)
Net repricing difference	**(671.8)**	**311.1**	**0.7**	**339.2**	**(20.8)**

The following table demonstrates the sensitivity to changes in interest rates (all other variables being held constant) of the Group's income statement. The sensitivity of the income statement is the effect of the assumed changes in interest rates on the profit or loss for the year, based on the floating rate non-trading financial assets and financial liabilities held as at 31 December 2023. Total sensitivity of the income statement is based on the assumption that there are parallel shifts in the yield curve.

Interest rate risk sensitivity

	Sensitivity of profit or loss		
Group	Increase/ (decrease) in basis points	**Year ended 31 December 2023 £m**	Year ended 31 December 2022 £m
Loans and advances to customers	25/(25)	9.9/(9.9)	9.8/(9.8)
Debt issued and other borrowed funds	25/(25)	10.4/(10.4)	9.9/(9.9)

23.5 Regulatory and conduct risk

Regulatory risk is the risk of regulatory sanction, material financial loss or reputational damage if the organisation fails to design and implement operational processes, systems and controls such that it can maintain compliance with all applicable regulatory requirements. The Board Risk Committee reviews and discusses proposed regulatory changes that the Group is subject to. Regulatory developments form part of the Board Risk Committee's updates to the Board which assesses the impact of regulatory change on the Group's balance sheet and risk profile.

Conduct risk is the risk of customer detriment arising from inappropriate culture, products and processes. Conduct risk can arise through the design of products that do not meet customers' needs, mishandling complaints where the Group has behaved inappropriately towards its customers, inappropriate sale processes and exhibiting behaviour that does not meet market or regulatory standards. Avoiding poor customer outcomes requires focus on treating customers fairly including assessing affordability and sustainability of lending and handling vulnerable customers sensitively. The Group mitigates conduct risk by ensuring colleagues have appropriate training, monitoring various operational metrics that track activities which affect customers, monitoring customer complaints, implementing process improvements and adhering to service standards. The outcomes of this reporting are monitored by the Board and the Board Risk Committee.

Notes to the Financial Statements continued

24. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to their contractual terms or when they are expected to be recovered or settled. Contractually, most loans and advances to customers are repayable on demand but have been presented based on their expected cash flows as a more meaningful presentation.

Group	As at 31 December 2023			As at 31 December 2022		
	< 12 months £m	> 12 months £m	Total £m	< 12 months £m	> 12 months £m	Total £m
Assets						
Loans and advances to banks	515.5	73.8	589.3	314.1	68.1	382.2
Loans and advances to customers	3,421.6	497.8	3,919.4	3,390.7	417.2	3,807.9
Other assets	162.1	7.1	169.2	143.6	2.9	146.5
Derivative financial assets	18.3	14.6	32.9	2.9	60.5	63.4
Current tax assets	16.1	–	16.1	10.8	–	10.8
Deferred tax assets	–	0.5	0.5	–	0.5	0.5
Property and equipment	–	8.6	8.6	–	12.5	12.5
Intangible assets	–	82.7	82.7	–	111.8	111.8
Goodwill	–	279.9	279.9	–	279.9	279.9
Total assets	**4,133.6**	**965.0**	**5,098.6**	**3,862.1**	**953.4**	**4,815.5**
Liabilities						
Debt issued and other borrowed funds	(1,098.4)	(3,283.5)	(4,381.9)	(338.2)	(3,899.0)	(4,237.2)
Other liabilities	(200.6)	(20.5)	(221.1)	(151.7)	(6.3)	(158.0)
Derivative financial liabilities	–	(7.2)	(7.2)	–	–	–
Current tax liabilities	(9.7)	–	(9.7)	(0.1)	–	(0.1)
Deferred tax liabilities	–	(1.9)	(1.9)	–	(1.1)	(1.1)
Provisions	(4.6)	(0.8)	(5.4)	(3.2)	(1.8)	(5.0)
Total liabilities	**(1,313.3)**	**(3,313.9)**	**(4,627.2)**	**(493.2)**	**(3,908.2)**	**(4,401.4)**

Company	As at 31 December 2023			As at 31 December 2022		
	< 12 months £m	> 12 months £m	Total £m	< 12 months £m	> 12 months £m	Total £m
Assets						
Loans and advances to banks	3.2	–	3.2	10.7	–	10.7
Other assets	1.3	489.7	491.0	16.7	497.7	514.4
Investment in subsidiaries	–	610.9	610.9	–	570.4	570.4
Total assets	**4.5**	**1,100.6**	**1,105.1**	**27.4**	**1,068.1**	**1,095.5**
Liabilities						
Debt issued and other borrowed funds	–	(231.5)	(231.5)	–	(290.2)	(290.2)
Other liabilities	(1.0)	–	(1.0)	(5.6)	–	(5.6)
Total liabilities	**(1.0)**	**(231.5)**	**(232.5)**	**(5.6)**	**(290.2)**	**(295.8)**

25. Contingent liabilities and commitments

As a financial services company, the Group is subject to extensive and comprehensive regulation. The Group must comply with numerous laws and regulations, including the Consumer Credit Act, which significantly affects the way it conducts business. Whilst the Group believes there are no unidentified areas of failure to comply with these laws and regulations which would have a material impact on these Financial Statements, there can be no guarantee that all issues have been identified.

Legal and regulatory matters

In the ordinary course of business, the Group is subject to complaints and legal proceedings brought by or on behalf of external parties including its customers. These can relate to legal, compliance, conduct or other regulatory matters (amongst others) of which some are beyond the Group's control. Where material, such matters are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of the Group incurring a liability. In those instances where it is concluded that it is more likely than not that a payment will be made, a provision is established based on management's best estimate of the amount required at the relevant balance sheet date. In some cases, it will not be possible to form a view, for example because the facts are unclear or because further time is needed to assess properly the merits of the case, and no provisions are held in relation to such matters. The Group has taken legal advice in respect of a single case which the Group believes is without merit and is awaiting the outcome of a court ruling. Only in exceptional circumstances could the outcome have a material impact on the Financial Statements.

Tax authorities

The Group is currently assessing the impact of the Supreme Court's verdict in the case of Target Group Ltd v HMRC (2021) EWCA Civ 1043 and anticipates the potential annual impact on the Group's performance to be immaterial.

Commitments

As at 31 December 2023, the Group had capital expenditure commitments contracted with third parties but not provided for of £nil (31 December 2022: £0.2m).

26. Related party disclosures

Group	Maximum balance during the year 2023 £m	Year ended 31 December 2023 £m	As at 31 December 2023 £m	Maximum balance during the year 2022 £m	Year ended 31 December 2022 £m	As at 31 December 2022 £m
Transactions with key management personnel						
Total emoluments	n/a	10.4	n/a	n/a	8.6	n/a
Total pension contributions	n/a	–	n/a	n/a	–	n/a
Highest paid key management personnel	n/a	2.2	n/a	n/a	2.4	n/a
Highest pension contribution to key management personnel	n/a	–	n/a	n/a	–	n/a
Transactions with other related parties						
Other operating expenses paid to related parties	n/a	1.3	n/a	n/a	0.2	n/a
Amounts recharged to related parties	n/a	5.0	n/a	n/a	1.1	n/a
Other assets due from related parties	5.6	n/a	5.6	1.2	n/a	1.1
Other liabilities owed to related parties	0.9	n/a	0.8	0.7	n/a	0.7

Company	Maximum balance during the year 2023 £m	Year ended 31 December 2023 £m	As at 31 December 2023 £m	Maximum balance during the year 2022 £m	Year ended 31 December 2022 £m	As at 31 December 2022 £m
Transactions with other related parties						
Interest income from related parties	n/a	45.9	n/a	n/a	46.3	n/a
Interest expense to related parties	n/a	34.4	n/a	n/a	24.8	n/a
Other assets due from related parties	521.9	n/a	490.9	581.9	n/a	514.4
Loans from related parties	309.3	n/a	240.7	335.0	n/a	294.4
Other liabilities owed to related parties	1.3	n/a	1.0	1.1	n/a	1.1

Key management personnel refers to the Executive Committee of NewDay Group UK Limited and the Non-Executive Directors. Total emoluments with key management personnel include £2.6m (2022: £nil) of redundancy and similar costs.

Credit card balances outstanding to key management personnel of the Group and their connected parties as at 31 December 2023 were £34k (31 December 2022: £39k). All transactions are subject to standard commercial interest rates on an arm's length basis.

In 2023, in addition to emoluments in the normal course of business, a member of key management personnel acquired £0.7m (2022: £3.8m disposal) of Senior Secured Notes issued by NewDay BondCo Plc.

In 2023, the Group incurred subscription fees of £0.2m (2022: £0.1m) with UK Finance Limited. A member of key management personnel is a director of UK Finance Limited.

In 2023, the Group and Company made a return of £8.2m (2022: £18.5m) to Nemean Midco Limited. The return was made in accordance with the £529.2m loan agreement between NewDay Group (Jersey) Limited and Nemean Midco Limited which is a component of equity instruments.

The Group and Company reported a £0.3m (31 December 2022: £nil) other assets balance for costs recharged to Nemean Topco Limited. Amounts recharged to Nemean Topco Limited over the year totalled £0.3m (2022: £nil).

The Group and Company reported a £0.7m (31 December 2022: £0.5m) other assets balance for costs recharged to Nemean Midco Limited. Amounts recharged to Nemean Midco Limited over the year totalled £0.2m (2022: £0.5m). Additionally, as at 31 December 2023, the Group and Company reported a £0.7m (31 December 2022: £0.7m) other liabilities balance with Nemean Midco Limited.

The Group has a trading agreement with Pay4Later Limited, a sister company of the Group. As at 31 December 2023, the Group reported a £0.4m (31 December 2022: £0.1m) other assets balance with this entity for recharged staff services and a £3.5m other assets balance for project-related activities. Amounts recharged to Pay4Later Limited over the year totalled £4.4m (2022: £0.6m). Additionally, as at 31 December 2023, the Group reported an other liabilities balance of £0.1m (31 December 2022: £0.3m) for other operating expenses incurred with Pay4Later Limited. Other operating expenses incurred over the year with Pay4Later Limited totalled £1.3m (2022: £0.2m).

Certain members of key management personnel are also directors of NewDay Group plc. As at 31 December 2023, the Group and Company reported a £0.1m (31 December 2022: £nil) other assets balance for costs recharged to NewDay Group plc. Amounts recharged to NewDay Group plc during the year totalled £0.1m (2022: £nil).

Notes to the Financial Statements continued

26. Related party disclosures continued

On 11 January 2018, the Company issued a term loan facility agreement to Nemean Topco Limited for £7.5m. The facility can be drawn upon at any time and accrues interest at 9% per annum. As at 31 December 2023, the Group and Company reported an other assets balance of £0.6m (31 December 2022: £0.5m) on the facility.

As at 31 December 2023, the Company reported a £0.1m (31 December 2022: £nil) other assets balance for costs recharged to NewDay Partnership Transferor plc. Amounts recharged to NewDay Partnership Transferor plc during the year totalled £0.1m (2022: £nil). Additionally, as at 31 December 2023, the Company reported other liabilities balance of £0.2m (31 December 2022: £0.2m) with NewDay BondCo plc and £0.1m (31 December 2022: £0.1m) with NewDay Group UK Limited.

See note 12 for further details of the Company's other assets due from related parties and note 18 for the Company's loans from related parties.

In 2023, the Company paid £15k (2022: £15k) to a related party in relation to services provided by the Directors.

Consolidated subsidiaries and structured entities

The consolidated Financial Statements include the Financial Statements of NewDay Group (Jersey) Limited and the subsidiaries and structured entities detailed below.

Name	Country of incorporation	Share class held as at 31 December 2023	% equity interest as at 31 December 2023	Share class held as at 31 December 2022	% equity interest as at 31 December 2022
NewDay Group UK Limited	UK	Ordinary	100%	Ordinary	100%
NewDay BondCo plc	UK	Ordinary	100%	Ordinary	100%
NewDay UK Limited	UK	Ordinary	100%	Ordinary	100%
NewDay Group Holdings S.à r.l.	Luxembourg	Ordinary	100%	Ordinary	100%
NewDay Holdings Ltd	UK	Ordinary	100%	Ordinary	100%
NewDay Intermediate Holdings Limited	UK	Ordinary	100%	Ordinary	100%
NewDay Technology Ltd	UK	Ordinary	100%	Ordinary	100%
NewDay Cards Ltd	UK	Ordinary	100%	Ordinary	100%
NewDay Ltd	UK	Ordinary	100%	Ordinary	100%
NewDay Loyalty Limited	UK	Ordinary	100%	Ordinary	100%
NewDay Partnership Transferor plc	UK	Ordinary	100%	Ordinary	100%
NewDay Funding Transferor Ltd	UK	Ordinary	100%	Ordinary	100%
NewDay UPL Transferor Ltd[1]	UK	Ordinary	100%	Ordinary	100%
NewDay Partnership Tertiary Funding Ltd	UK	Ordinary	100%	Ordinary	100%
NewDay Partnership Receivables Trustee Ltd	Jersey	n/a	SE	n/a	SE
NewDay Partnership Loan Note Issuer Ltd	UK	n/a	SE	n/a	SE
NewDay Partnership Master Issuer plc[12]	UK	n/a	SE	–	–
NewDay Partnership Funding 2015-1 plc	UK	n/a	SE	n/a	SE
NewDay Partnership Funding 2017-1 plc	UK	n/a	SE	n/a	SE
NewDay Partnership Funding 2020-1 plc	UK	n/a	SE	n/a	SE
NewDay Funding Master Issuer plc	UK	n/a	SE	n/a	SE
NewDay Funding 2017-1 plc	UK	n/a	SE	n/a	SE
NewDay Funding 2018-1 plc	UK	n/a	SE	n/a	SE
NewDay Funding 2018-2 plc	UK	n/a	SE	n/a	SE
NewDay Funding 2019-1 plc	UK	n/a	SE	n/a	SE
NewDay Funding 2019-2 plc	UK	n/a	SE	n/a	SE
NewDay Funding Loan Note Issuer Ltd	UK	n/a	SE	n/a	SE
NewDay Funding Receivables Trustee Ltd	Jersey	n/a	SE	n/a	SE
NewDay Secondary Funding Limited	UK	n/a	SE	n/a	SE
NewDay Partnership Secondary Funding Ltd	UK	n/a	SE	n/a	SE
NewDay Reserve Funding Ltd[3]	UK	Ordinary	100%	Ordinary	100%
Progressive Credit Limited[3]	UK	Ordinary	100%	Ordinary	100%
SAV Credit Limited[3]	UK	Ordinary	100%	Ordinary	100%

1 This entity was dissolved in March 2024.
2 This subsidiary was incorporated on 19 May 2023.
3 These subsidiaries are dormant entities. An application to strike-off Progressive Credit Limited and SAV Credit Limited was submitted to Companies House in March 2024.

The Company's immediate parent company is Nemean Midco Limited. The ultimate parent undertaking is Nemean Topco Limited, a private limited company incorporated in Jersey.

In 2024, NewDay EU Financing S.à r.l., NewDay Funding EU Loan Note Issuer S.à r.l. and NewDay Partnership EU Loan Note Issuer S.à r.l. were incorporated in Luxembourg. These entities are special purpose vehicles with the aim of providing the Group with access to more cost-effective funding from banks in the European Union.

With the exception of the following entities the principal place of business for the subsidiaries and structured entities listed above is the UK and their registered address is 7 Handyside Street, London, N1C 4DA.

Name	Principal place of business	Registered address
NewDay Group Holdings S.à r.l.	Luxembourg	6, rue Jean Monnet, L-2180, Luxembourg
NewDay Partnership Receivables Trustee Ltd	Jersey	44 Esplanade, St Helier, Jersey, JE4 9WG
NewDay Partnership Loan Note Issuer Ltd	UK	1 Bartholomew Lane, London, EC2N 2AX
NewDay Partnership Master Issuer plc	UK	1 Bartholomew Lane, London, EC2N 2AX
NewDay Partnership Funding 2015-1 plc	UK	1 Bartholomew Lane, London, EC2N 2AX
NewDay Partnership Funding 2017-1 plc	UK	1 Bartholomew Lane, London, EC2N 2AX
NewDay Partnership Funding 2020-1 plc	UK	1 Bartholomew Lane, London, EC2N 2AX
NewDay Funding Master Issuer plc	UK	1 Bartholomew Lane, London, EC2N 2AX
NewDay Funding 2017-1 plc	UK	1 Bartholomew Lane, London, EC2N 2AX
NewDay Funding 2018-1 plc	UK	1 Bartholomew Lane, London, EC2N 2AX
NewDay Funding 2018-2 plc	UK	1 Bartholomew Lane, London, EC2N 2AX
NewDay Funding 2019-1 plc	UK	1 Bartholomew Lane, London, EC2N 2AX
NewDay Funding 2019-2 plc	UK	1 Bartholomew Lane, London, EC2N 2AX
NewDay Funding Loan Note Issuer Ltd	UK	1 Bartholomew Lane, London, EC2N 2AX
NewDay Funding Receivables Trustee Ltd	Jersey	44 Esplanade, St Helier, Jersey, JE4 9WG
NewDay Secondary Funding Limited	UK	1 Angel Court, 13th floor, London, EC2R 7HJ
NewDay Partnership Secondary Funding Ltd	UK	1 Angel Court, 13th floor, London, EC2R 7HJ

27. Structured entities

The Group has four financing arrangements which involve structured entities.

The Direct to Consumer business is funded by a master trust securitisation and a private securitisation. The structures have issued multiple series of debt instruments external to the Group, backed by the cash flow of the Direct to Consumer receivables portfolio. As at 31 December 2023, the master trust has in issue seven series of publicly listed term debt sold to capital market investors and two series of senior variable funding notes sold to seven major banks, which act as a revolving facility. As at 31 December 2023, the private securitisation has issued a series of senior variable funding notes to a major bank which act as a revolving facility.

The Merchant Offering business is funded by a master trust securitisation and a private securitisation. The structures have issued multiple series of debt instruments external to the Group, backed by the cash flow of the Merchant Offering receivables portfolio. As at 31 December 2023, the master trust has in issue one series of publicly listed term debt sold to capital market investors and two series of senior variable funding notes sold to five major banks which act as a revolving facility. As at 31 December 2023, the private securitisation has issued multiple series of senior and mezzanine variable funding notes sold to five major banks which act as a revolving facility.

Within the funding structure of the Direct to Consumer and Merchant Offering portfolios are various structured entities where all of the ordinary shares are held by a third party trustee for charitable purposes. The consolidated subsidiary and structured entities table in note 26 has further details of the structured entities consolidated into the Group's Financial Statements for the year ended 31 December 2023, on the basis that the Group has the power to direct relevant activities, is exposed to variable returns of the entities and is able to use its power to affect those returns. Within the master trust securitisations, there are also entities which are not consolidated into the Financial Statements of the Group on the basis that the Group does not have control over these entities because it is not exposed, or does not have rights, to variable returns of the entities. These entities are NewDay Partnership Securitisation Holdings Ltd in the Merchant Offering master trust securitisation and NewDay Funding Securitisation Holdings Ltd in the Direct to Consumer master trust securitisation.

Alternative performance measures (APMs)

The Strategic Report uses APMs to describe the Group's performance which are not defined or specified under the requirements of IFRS. The Directors believe these APMs provide readers with important additional information on business performance. The table below lists the main APMs used, their definition and why the APM is considered important to understand the Group's performance.

APM	Definition	Why the APM is important
Customer spend	The amount of customer spend through the Group's products in the period, including balance transfers, money transfers and cash advances.	Customer spend is the principal value of advances to customers and is an important measure of the level of lending in the business. If not repaid by customers each month, spend generates growth in the loans and advances to customers balance which, in turn, drives interest and fee income growth.
Free cash flow available for growth and debt servicing	Adjusted EBITDA adding back the movement in the ECL allowance during the year less changes in working capital, platform development and other costs, PPI provision payments, capital expenditure and taxes paid.	Free cash flow available for growth and debt servicing is a measure of cash generated from business performance before non-underlying operational cash flows (or similar) and investment in growth. The measure shows how much free cash flow has been generated and is available to service Senior Secured Debt or to be invested in growth.
Gross receivables	Gross customer balances outstanding at the year end.	Gross receivables represent the outstanding amount of lending (inclusive of interest and fees) that customers owe to the Group. It generates interest and fee income, and is a key driver of the Group's ECL allowance. A reconciliation of gross receivables to loans and advances to customers as presented in the Financial Statements is detailed in note 3 of the Financial Statements.
Impairment rate	Impairment losses on loans and advances to customers as a percentage of average gross receivables.	The impairment rate is a measure of the credit quality of the Group's lending portfolio. It references the average gross receivables balance over the year, therefore allowing a more like-for-like assessment of impairment losses.
Underlying cost-income ratio	Underlying costs as a percentage of net revenue.	The underlying cost-income ratio is used to understand the efficiency of the Group's underlying cost base by assessing the relationship between net revenue and the costs that drive net revenue.
Underlying profit before tax	Underlying risk-adjusted income less underlying costs (servicing, change, marketing and partner payment costs, collection fees, salaries, benefits and overheads).	Underlying profit before tax supports the assessment of the financial performance of the business by excluding interest on Senior Secured Debt (which is not used to fund loans and advances to customers) and certain other items that do not reflect the underlying operations of the business or are one-off in nature. It is a representation of operating profitability and is an important measure where exceptional items and costs that are not driven by underlying business operations may distort the operating performance of the business. A reconciliation of underlying profit before tax to statutory profit before tax is shown on page 28 of the Strategic Report.
Underlying risk-adjusted margin	Underlying risk-adjusted income as a percentage of average gross receivables.	The underlying risk-adjusted margin is a measure of returns from customers after impairment losses. The metric excludes interest and other associated costs of the Senior Secured Debt (which is not used to fund loans and advances to customers) as well as certain other items that are not directly related to customer activity. Excluding such items facilitates an assessment of the performance of the underlying portfolios.

Our owners
We are indirectly owned by funds advised by Cinven and CVC Capital Partners (CVC).

Cinven is a leading international private equity firm, founded in 1977. It has offices in London, Frankfurt, Guernsey, Luxembourg, Madrid, Milan, New York and Paris. Funds managed by Cinven acquire companies with a European focus that will benefit from Cinven's expertise of growing and building companies globally. Cinven uses a matrix of sector and country experience to invest in companies where it can strategically drive revenue growth. Cinven focuses on six sectors: Business Services, Consumer, Financial Services, Healthcare, Industrials, and Technology, Media and Telecommunications. Cinven has a long and differentiated track record of investment in the Financial Services sector where its track record in the UK includes the acquisitions of International Financial Group Limited (IFGL), True Potential, Miller Insurance Services, Premium Credit, Partnership Assurance (now part of Just group) and Guardian Financial Services.

CVC is a leading global private markets manager with a network of 29 offices throughout EMEA, the Americas, and Asia, with approximately €188bn of assets under management. CVC has seven complementary strategies across private equity, secondaries, credit and infrastructure, for which CVC funds have secured commitments in excess of €230bn from some of the world's leading pension funds and other institutional investors. Funds managed or advised by CVC's private equity strategies are invested in over 125 companies worldwide, which have combined annual sales of approximately €166bn and employ more than 590,000 people. CVC's financial services team has invested over €6bn of equity capital in the financial services sector since the team's inception in 2008, including its historic and current portfolio companies, Paysafe, Pension Insurance Corporation, Skrill, Domestic & General and Brit Insurance in the United Kingdom, Avolon in Ireland, April in France, Republic Finance and Cunningham Lindsey in the United States, Fidelis in Bermuda, Cerved in Italy, Sun Hung Kai in China and Rizal Commercial Banking Corporation and SPi Global in the Philippines.

Cautionary statement
This report comprises the Annual Report and Financial Statements of NewDay Group (Jersey) Limited (the 'Company') for the year ended 31 December 2023. Underlying and adjusted metrics referred to on pages 01 to 75 exclude a number of non-recurring items as detailed on page 28. Definitions of key performance indicators are included on pages 26 to 27.

Notwithstanding the above, as set out on page 56, with the exception of the Directors' report set out on pages 74 to 75, the governance and risk framework described in this report relate to the governance and risk framework established for the Group's UK subsidiaries. References to the 'Board', 'Group', 'NewDay' and 'Company' should be construed accordingly (where appropriate).

The financial information contained in this report may not be directly comparable to any financial information published by Nemean Topco Limited, NewDay Group plc, Pay4Later Limited (trading as Deko) or any other entity not consolidated in the financial information contained in this report. In particular, the financial information contained herein excludes the financials of Pay4Later Limited (trading as Deko).

Certain financial data included in this report consists of 'non-IFRS financial measures'. These non-IFRS (International Financial Reporting Standards) financial measures, as defined by the Company, may not be comparable to similarly titled measures as presented by other companies, nor should they be considered as an alternative to the historical financial results or other indicators of the Company's cash flow based on IFRS. Even though the non-IFRS financial measures are used by management to assess the Company's financial position, financial results and liquidity and these types of measures are commonly used by investors, they have important limitations as analytical tools, and you should not consider them in isolation or as superior to or substitutes for analysis of the Company's financial position or results of operations as reported under IFRS. These non-IFRS financial measures have not been audited. The inclusion of such non-IFRS financial measures in this report or any related presentation should not be regarded as a representation or warranty by the Company, any member of the Group, any of their respective affiliates, advisers or representatives or any other person as to the accuracy or completeness of such information's portrayal of the financial condition or results of operations of the Company and should not be relied upon.

References to adjusted EBITDA throughout this Document have been calculated in accordance with UK IFRS at the relevant time and may differ significantly from "Consolidated EBITDA" as defined in the legal documentation relating to the Senior Secured Notes issued by NewDay BondCo plc in December 2022 (the Senior Secured Debt) and the Super Senior Revolving Credit Facility entered into by the Company on 25 January 2017 (the Revolving Credit Facility).

In addition, all ratios, baskets and calculations required under the terms of the Senior Secured Debt issued in December 2022 or the Revolving Credit Facility are based on UK IFRS as in force as at 8 December 2022 (subject to certain adjustments permitted or required under the terms of the Senior Secured Debt or the Revolving Credit Facility). As a result, such ratios, baskets and calculations may differ significantly from any ratios or figures which are contained in this Document. In particular, except where otherwise expressly stated to be the case, references to "Senior Secured Debt to adjusted EBITDA" and "adjusted EBITDA to pro forma cash interest expense" contained in this Document have been calculated (subject to certain adjustments) in accordance with UK IFRS as in force as at 31 December 2023 (or, in respect of periods ending prior to 31 December 2023, UK IFRS at the relevant time). As a result, such figures will differ significantly from the calculation of Consolidated Senior Secured Net Leverage Ratio and Fixed Charge Corporate Debt Coverage Ratio (as defined under the terms of the Senior Secured Debt and Revolving Credit Facility).

Certain statements included or incorporated by reference within this report may constitute 'forward-looking statements' in respect of the Group's operations, performance, prospects and/or financial condition. All statements other than statements of historical fact included in this report are forward-looking statements. Forward-looking statements express the Company's current expectations and projections relating to its financial condition, results of operations, plans, objectives, future performance and business. These statements may include, without limitation, any statements preceded by, followed by or including words such as "aim," "anticipate," "believe," "can have," "could," "estimate," "expect," "intend," "likely," "may," "plan," "project," "should," "target," "will," "would" and other words and terms of similar meaning, the negative thereof or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions and actual results or events may differ materially from those expressed or implied by those statements. Accordingly, no assurance can be given that any particular expectation will be met and reliance should not be placed on any forward-looking statement. No responsibility is accepted to update or revise any forward-looking statement resulting from new information, future events or otherwise. Nothing in this report should be construed as a profit forecast.

The information contained in this report should be considered in the context of the circumstances prevailing at the time and will not be updated to reflect material developments that may occur after the date of this report. The information and opinions in this report are provided as at the date of this report and are subject to change without notice. None of the Company, any member of the Group, any of their respective affiliates, advisors or representatives or any other person shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this report or its contents or otherwise arising in connection with this report, or any action taken by you or any of your officers, employees, agents or associates on the basis of the information in this report.

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NewDay
7 Handyside Street, London, N1C 4DA

Email: investor.relations@newday.co.uk
Website: newday.co.uk

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NewDay
7 Handyside Street
London
N1C 4DA