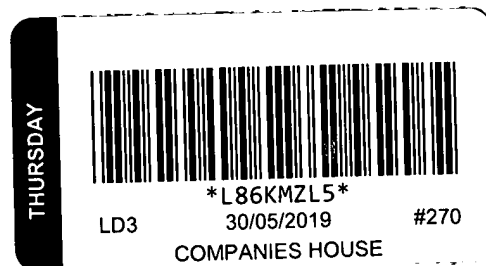


E-Carat 8 plc

Annual report and financial statements

For the year ended 31 December 2018



E-Carat 8 plc

Annual report and financial statements for the year ended 31 December 2018

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E-Carat 8 plc

Officers and professional advisers

Directors

Intertrust Directors 1 Limited
Intertrust Directors 2 Limited
Daniel Jaffe

Company secretary

Intertrust Corporate Services Limited

Registered office

35 Great St. Helen's
London
EC3A 6AP

Company number

10611809
(England and Wales)

Auditor

Deloitte LLP
Statutory Auditor
Bristol
United Kingdom

Strategic report for the year ended 31 December 2018

The directors present the strategic report of E-Carat 8 plc (the "Company") for the year ended 31 December 2018.

Principal activities, business review and future developments

The Company was established as a special purpose vehicle to raise funding by the issuance of £400,000,000 Class A asset backed floating rate notes, £46,200,000 Class B asset backed floating rate notes and £39,945,000 Subordinated asset backed fixed rate notes all due March 2024 and listed on the Irish Stock Exchange trading as Euronext Dublin (together the "Notes"). On 18 April 2017 the Company issued the Notes and used the funds to acquire a portfolio of auto hire purchase receivables (the "Receivables") originated by Vauxhall Finance plc ("Vauxhall Finance"), (the "Seller" and "Originator") together with the ancillary rights. The Receivables consist of amounts due to the Seller in respect of fixed interest rate agreements available for new and used vehicles entered into by retail and small business customers.

The legal ownership of the Receivables acquired by the Company from the Seller fail the de-recognition criteria of FRS 102 in the Seller's financial statements and therefore these Receivables remain on the balance sheet of the Seller. The Receivables are therefore classified as a loan to the Originator (the "Loan") on the balance sheet of the Company (note 7).

The Company has also entered into a subordinated loan agreement with the Seller and on the closing date received a loan of £4,840,805 from the Seller (the "Sub Loan") to enable the Company to pay its initial fees and expenses and to fund the reserve account. The Sub Loan was fully repaid in July 2017. The reserve account will be repaid following redemption of the Notes. The initial balance of the reserve account was £4,462,000 and at the balance sheet date is £3,045,715 (2017: £3,431,229).

The directors do not anticipate any changes to the present level of activity, or the nature of the Company's business in the near future.

On 23 June 2016, the UK voted to exit the European Union ("EU"). The UK is scheduled to leave the EU on or before 31 October 2019, however with no exit deal currently reached; it is difficult to determine the financial impact on the Company at this stage. There is a risk of financial instability, for example a detrimental effect on the UK economy may ultimately impact the underlying borrowers' ability to repay the Loans. However, in the worst case scenario the Notes are a limited recourse obligation of the Company, therefore payment of them is dependent upon redemptions on the Loan.

Results

The profit after taxation for the year was £972 (2017: £647) as shown in the statement of comprehensive income on page 14.

The directors recognise that the implementation of the Company's accounting policies, as set out in the notes to the financial statements, in respect of derivative contracts, may result in volatility in the profit and loss account with consequent impact on the Company's balance sheet. Such contracts have been put in place to hedge the Company's exposure to interest rate to ensure a level of certainty surrounding cash flows. The directors do not consider that the use of such accounting policies will affect the long term commercial integrity of the Company or its expected performance.

The profit after taxation has been transferred to reserves.

Key performance indicators, principal risks and uncertainties

The Company provides a full breakdown of the performance of the portfolio on a monthly basis. Some of the key performance indicators are:

	December 2018	December 2017
Outstanding balance of Receivables	£205,346,797	£371,863,859
Outstanding balances of Receivables more than three months in arrears	£387,753	£221,565

Key performance indicators, principal risks and uncertainties (continued)

The gross principal balance of Receivables held by the Company decreased to £206,319,090 less loan losses of £972,293 giving an outstanding balance of £205,346,797 at 31 December 2018 from £371,863,859 at 31 December 2017, the closing date, due to the net effect of prepayment options availed to the underlying borrowers and scheduled repayments. At the year-end the balance of Notes outstanding amounted to £214,931,661 (2017: £383,067,928).

As at 31 December 2018 1.29% (2017: 0.82%) of the Receivables were in arrears; this increased to 1.51% for the January 2019 interest payment date ("IPD").

Other key performance indicators are the credit ratings assigned to the Class A Notes. There have been no changes in the credit rating of these Notes since their original rating of AAA by Standard and Poors Credit Market Services Europe Limited and Fitch Ratings Limited rating agencies.

The principal risks and uncertainties faced by the Company are reviewed below under Financial Instruments.

Financial instruments

The Company's operations are financed primarily by means of issuance of the Notes. The Company issued such Notes to finance the acquisition of the Receivables, which has been extended to the Originator in the form of a Loan as explained in the review of the business above. The risk profile of the Company is such that all risks of the Loan are ultimately borne by the noteholders.

The Company uses derivative financial instruments (swaps) to manage the interest rate risk arising from the Company's sources of income (the Loan) and its sources of finance (the Notes). It is not the Company's policy to trade in financial instruments.

The Company's exposure to risk on financial instruments and the management of such risk is largely determined prior to the issuance of the Notes. Cash flow modelling, including multiple stress scenarios, is carried out as part of the structuring of the transaction.

The directors monitor the Company's performance by reviewing monthly reports on the performance of the Receivables in order to ensure that the transaction terms have been complied with, that no unforeseen risks have arisen, and that the holders of the Notes have been paid on a timely basis.

Vauxhall Finance (the "Servicer") continues to administer the Receivables under the servicer agreement with the Company. In administering the Receivables, Vauxhall Finance applies its formal structure for managing risk and other control procedures.

The primary risks arising from the Company's financial instruments are credit risk, liquidity risk and interest rate risk.

Credit risk

Credit risk reflects the risk that the underlying borrowers or other transaction parties may not meet their obligations as they fall due.

The Loan may become impaired in case of a significant deterioration in the performance of the Receivables as a result of economic conditions in the UK in the future. This deterioration may result in higher levels of delinquencies and/or in a larger number of vehicle returns to Vauxhall Finance at the end of the financing contracts when their market price would be less than the one currently forecast and currently observed. The credit quality of the Receivables is set out in note 12. The directors have assessed the latest information provided by the Servicer and concluded that no impairment provisions are required as at 31 December 2018.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with its financial instruments, should the cash flows from the assets differ from those expected.

The Company's assets (the Loan) are financed by the issuance of the Notes. The financing policy substantially reduces the Company's liquidity risk by matching the maturity profile of the Company's funding to the profile of the assets being funded.

The company can also use the cash reserve fund to manage any remaining liquidity risk (note 12).

Interest rate risk

Interest rate risk exists where interest rates on assets and liabilities are either set according to different bases or reset at different times. The Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of its assets and liabilities are similar. Where this is not possible the Company uses derivative financial instruments to mitigate any residual interest rate risk.

At the year-end the Company was party to interest rate swaps to hedge against interest rate risk arising from the resetting of interest rates of assets and liabilities on different bases.

Capital management

The Company is not subject to any external capital requirements except for the minimum requirement under the Companies Act 2006. The Company has not breached the minimum requirement.

On behalf of the Board



Sue Abrahams
Per pro **Intertrust Directors 1 Limited**
Director
13 May 2019

Directors' report for the year ended 31 December 2018

The directors present their annual report for the Company together with the audited financial statements for the year ended 31 December 2018.

Corporate governance

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

The transaction documents provide for procedures that have been designed for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records, and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling them to comply with the regulatory obligations.

Due to the nature of the securities which have been listed on the EuroNext Dublin, the directors are satisfied that there is no requirement to publish a corporate governance statement and that the Company is largely exempt from the disclosure requirements of the Irish Corporate Governance Annex and the provisions of the UK Corporate Governance Code.

Going concern

The Company is obliged to redeem the Notes at their principal amount outstanding upon maturity. However, due to the non-recourse nature of the Notes, the Company's ability to pay amounts due on the Notes is, in substance, limited to the application of the receipts from the Receivables under the terms of the priority of payments as set out in the terms and conditions of the Notes.

For the January 2019 interest payment date the total available revenue funds of £1,263,291 (2017: £1,952,865) were over 6 times (January 2018: 7 times) as much as interest payable on the A and B Notes of £183,458 (2017: £272,688) for the month. Furthermore, the credit enhancement built within the transaction provides an extra buffer against any going concern issues in the near future. Even when stressed using reasonably possible market assumptions, the cash flow forecasts indicate that the Company will be able to meet its financial obligations for at least the next 12 months.

It is the intention of the directors for the Company to continue operations until such a time as the amounts due from the Receivables have been fully realised. Ultimately, due to the limited recourse nature of the Notes, any shortfall in the proceeds of the Receivables will be a risk to the holders of those Notes.

Therefore the directors consider that the Company is able to meet its liabilities as they fall due, and accordingly, the financial statements have been prepared on a going concern basis.

Disclosures included in the Strategic report

The Company has elected to include the information on future developments in the business of the company, exposure of the company to the risk on financial instruments and the management of such risk as per Schedule 7 of the "Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008" in the Strategic report, as the Directors consider those matters to be of strategic importance to the Company.

Issue of shares

The issued share capital consists of one fully paid and 49,999 quarter paid ordinary shares of £1 each.

Directors and their interests

The directors of the Company during the year, and subsequently, were:

Intertrust Directors 1 Limited

Intertrust Directors 2 Limited

Claudia Wallace

(resigned on 20 July 2018)

Daniel Jaffe

(appointed on 20 July 2018)

Directors' report for the year ended 31 December 2018 (continued)

Directors and their interests (continued)

None of the directors have any beneficial interest in the ordinary share capital of the Company.

None of the directors had any interest during the year in any material contract or arrangement with the Company.

The directors do not recommend the payment of a dividend for the year (2017: nil).

Third party indemnities

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

Company secretary

Intertrust Corporate Services Limited acted as company secretary during the year and subsequently.

Statement of disclosure of information to auditor

Each of the directors at the date of approval of this report confirms that:

- (a) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- (b) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Auditor

The auditor, Deloitte LLP, have indicated their willingness to continue in office until the next annual general meeting. Pursuant to Section 489 of the Companies Act 2006, a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting of the Company.

On behalf of the Board



Sue Abrahams
Per pro **Intertrust Directors 1 Limited**
Director
13 May 2019

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of E-Carat 8 plc (the 'company'):

- **give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;**
- **have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and**
- **have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of changes in equity;
- the statement of financial position;
- the statement of cash flows; and
- the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year is <i>Interest Income Recognition</i>
Materiality	The materiality that we used in the current year was £1,026,734 (2017: £1,859,000), which was determined on the basis of 0.5% of loan assets consistent with the previous period.
Scoping	Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	We have not identified any new key audit matters in the current period, nor were there any other significant changes in our approach.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Interest Income Recognition

Key audit matter description





E-Carat 8 plc holds a portfolio of automotive finance receivables from the Originator, Vauxhall Finance plc, which fail the de-recognition criteria of FRS 102 and as such a deemed Loan to Originator receivable is recognised by E-Carat 8 plc from Vauxhall Finance plc.

E-Carat 8 plc recognised £22.6 million of interest income during the year ended 31 December 2018 (2017: £21.3 million), being interest income on the Loan to Originator. The company's accounting policy for interest income is detailed in note 1, whereby interest income on financial assets that are classified as loans and receivables is determined using the effective interest rate method.

Interest is recognised on the deemed Loan to Originator in line with the effective interest rate per the underlying contract between Vauxhall Finance plc and the end customer, except when the interest rate is below the minimum discount rate of 5% specified in the E-Carat 8 plc prospectus. For loans where the interest rate to the end customer is below 5%, the purchase price paid by E-Carat 8 plc for the receivable at the start of the securitisation was reduced, such that the implicit interest rate of the underlying cash inflows from the end customer is increased to at least the 5% hurdle rate.

We identified a key audit matter relating to inaccurate interest income recognition from the contracts where the rate used by E-Carat 8 plc differs from the effective interest rate per the underlying contract with the end customer. Due to the individual terms of the contracts, and the manual nature of the adjustments required to record interest within E-Carat 8, we also considered that inaccurate recognition of interest this was an area for potential fraud due to manual adjustment to revenue recognition for E-Carat 8 plc.

Independent auditors' report to the member of E-Carat 8 plc (continued)

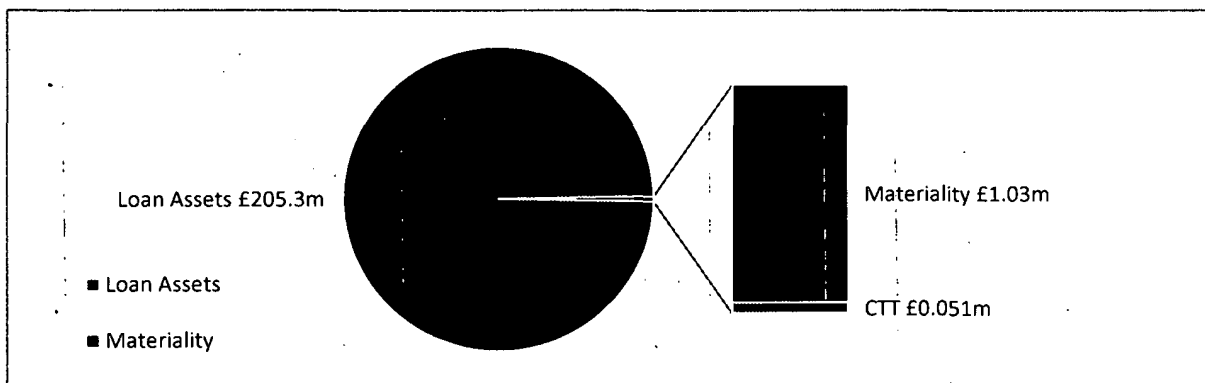
<p>How the scope of our audit responded to the key audit matter</p> 	<p>We evaluated the design and implementation of the relevant controls implemented by management to mitigate this risk of inappropriate revenue recognition.</p> <p>We obtained the breakdown of year-end customer receivable balances and interest income for the year at an individual contract level as recorded in the accounting systems of Vauxhall Finance plc. We identified the population of contracts where the customer's contractual interest rate was below the minimum rate of 5% indicated in the E-Carat 8 plc prospectus.</p> <p>We then tested these contracts on a sample basis, by recalculating the interest income recognised by E-Carat 8 plc, on an effective interest rate basis, using the minimum 5% rate or the rate set on inception of the securitisation transaction. The extent of sampling performed was responsive to the identified risk.</p>
<p>Key observations</p> 	<p>Based on the work performed no material uncorrected misstatements have been identified. We found that the discount rates have been consistently applied with the terms of the securitisation transaction.</p>

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	<p>£1,026,734 (2017: £1,859,000)</p> <p>The decrease in materiality is due to the amortising nature of the loan asset on which the materiality is calculated. This has reduced by £167m in the current period to 31 December 2018.</p>
Basis for determining materiality	<p>0.5% of the loan assets (2017: 0.5%)</p>
Rationale for the benchmark applied	<p>E-Carat 8 plc is funded by publically traded loan notes, which are matched to the loan assets (lending receivables) held with Vauxhall Finance plc. The value of the loan assets are therefore of significance to the scale of the entity and its operations.</p>



Independent auditors' report to the member of E-Carat 8 plc (continued)

with the Board of Directors that we would report all audit differences in excess of £51,337, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Board of Directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management, including obtaining and reviewing supporting documentation, concerning the company's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
- discussing among the engagement team and involving relevant internal specialists, including financial instruments specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in interest income; and
- obtaining an understanding of the legal and regulatory framework that the company operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the company. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

Audit response to risks identified

As a result of performing the above, we identified Interest Income Recognition as a key audit matter. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

Other matters

Auditor tenure

Following the recommendation of the Board of Directors, we were appointed by Intertrust Ltd on 7 September 2017 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 2 years, covering the years ending 31 December 2017 to 31 December 2018.

Consistency of the audit report with the additional report to the Board of Directors

Our audit opinion is consistent with the additional report to the Board of Directors we are required to provide in accordance with ISAs (UK).

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Simon Cleveland FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Bristol, UK

17 May 2019

E-Carat 8 plc**Statement of comprehensive income for the year ended 31 December 2018**

	Note	1 January 2018 to 31 December 2018 £	9 February 2017 to 31 December 2017 £
Interest receivable and similar income	2	21,248,973	21,445,681
Interest payable and similar charges	3	(16,672,837)	(18,880,774)
Net interest receivable		4,576,136	2,564,907
Movement in fair value of derivatives		(419,766)	1,292,166
Other operating expense	4	(3,182,877)	(3,531,713)
Principal loan losses	6	(972,293)	(324,560)
Profit on ordinary activities before taxation		1,200	800
Tax on profit on ordinary activities	7	(235)	(153)
Profit on ordinary activities after taxation	11	965	647
Other comprehensive income		-	-
Total comprehensive income for the year/period		965	647

All amounts relate to continuing activities.

The notes on pages 18 to 28 form part of these financial statements.

Statement of changes in equity for the year ended 31 December 2018

	Called up share capital	Profit and loss account	Total shareholders' funds
	£	£	£
Balance as at 9 February 2017 (date of incorporation)	-	-	-
Issue of shares	12,501	-	12,501
Total comprehensive income for the period	-	647	647
Balance as at 31 December 2017	12,501	647	13,148
Total comprehensive income for the year	-	965	965
Balance as at 31 December 2018	12,501	1,612	14,113

The notes on pages 18 to 28 form part of these financial statements.

E-Carat 8 plc
Company Registration Number 10611809

Balance sheet as at 31 December 2018

	Note	31 Dec 2018 £	31 Dec 2017 £
Fixed assets			
Loan	6	125,455,420	252,623,385
Current assets			
Cash at bank and in hand		11,165,976	15,040,045
Debtors	8	81,305,776	121,624,063
		92,471,752	136,664,108
Creditors: amount falling due within one year	9	(82,872,775)	(125,443,726)
Net current assets		9,598,977	11,220,382
Total assets less current liabilities		135,054,397	263,843,767
Creditors: amounts falling due after more than one year	9	(135,040,284)	(263,830,619)
Net assets		14,113	13,148
Capital and reserves			
Called up share capital	10	12,501	12,501
Profit and loss account	11	1,612	647
Total shareholder's funds		14,113	13,148

The notes on pages 18 to 28 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 13 May 2019 and signed on their behalf by:



Sue Abrahams
Per pro **Intertrust Directors 1 Limited**
Director

E-Carat 8 plc

Cash flow statement for the year ended 31 December 2018

	Note	1 January 2018 to 31 December 2018 £	9 February 2017 to 31 December 2017 £
Cash flows from operating activities			
Net cash outflow from operating activities	13	(17,613,389)	(13,578,877)
Tax paid		(160)	-
Net cash used in operating activities		(17,613,549)	(13,578,877)
Cash flows from investing activities			
Purchase of Loan		-	(486,145,616)
Receipts from the repayment of Loan		165,549,828	113,960,362
Interest received on Loan		21,248,939	21,445,681
Interest received on Loan		34	-
Net cash from/(used in) investing activities		186,798,801	(350,739,573)
Cash inflow/(outflow) before financing activities		169,185,252	(364,318,450)
Cash flows from financing activities			
Issue of ordinary share capital		-	12,501
Proceeds from issuance of Notes		-	486,145,000
Proceeds of Sub Loan		-	4,840,805
Repayment of Notes		(168,144,491)	(103,077,072)
Repayment of Sub loan		-	(4,840,805)
Interest paid on Notes		(4,914,830)	(3,396,285)
Interest paid on Sub Loan		-	(43,566)
Interest paid on interest rate swap		-	(282,083)
Net cash (used in)/from financing activities		(173,059,321)	379,358,495
(Decrease)/increase in cash in the year/period		(3,874,069)	15,040,045
Cash at the beginning of the year/period		15,040,045	-
Cash at the end of the year/period		11,165,976	15,040,045

The notes on pages 18 to 28 form part of these financial statements.

1) Accounting policies

General information

E-Carat 8 Plc is a public limited company limited by shares, incorporated and domiciled in the United Kingdom and registered in England and Wales. The address of its registered office is 35 Great St. Helen's, London, EC3A 6AP.

Basis of preparation

The financial statements of E-Carat 8 plc (the "Company") are prepared on a going concern basis, under the historical cost convention as modified by revaluation of certain financial instruments in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The Company has adopted and is in compliance with Financial Reporting Standard 102.

The accounting policies which have been applied consistently throughout the year to the Company's financial statements are set out below. The directors have adjusted the format of the statement of comprehensive income and balance sheet as allowed under Companies Act 2006. In the opinion of the directors, net interest income is a more appropriate measurement of the Company's performance than turnover and cost of sales.

Going concern

The Company is obliged to redeem the Notes at their principal amount outstanding upon maturity. However, due to the non-recourse nature of the Notes, the Company's ability to pay amounts due on the Notes is, in substance, limited to the application of the receipts from the Receivables under the terms of the priority of payments as set out in the terms and conditions of the Notes.

It is the intention of the directors for the Company to continue operations until such a time as the amounts due from the Receivables have been fully realised. Ultimately, due to the limited recourse nature of the Notes, any shortfall in the proceeds of the Receivables will be a risk to the holders of those Notes.

Therefore the directors consider that the Company is able to meet its liabilities as they fall due, and accordingly, the financial statements have been prepared on a going concern basis.

Segmental analysis

The principal asset of the Company is the Loan which is originated in the UK and funded by Notes issued in the UK. All cash and cash equivalents are held in the UK.

Deferred purchase price

Deferred purchase price represents further amounts payable on the acquisition of the initial Receivables from Vauxhall Finance plc ("Vauxhall Finance"). The payment of these amounts is conditional on the performance of the Receivables, and therefore constitutes a liability in the books of the Company to the extent such reserves have been generated, and are expected to be paid as deferred consideration in the future. Deferred consideration constitutes a financial liability in the books of the Company. If the Company were to make losses in the future as a result of future impairments, the deferred consideration liability would reduce, but as at the year-end the directors believe that the accrued liability will be payable based on the information available at the balance sheet date.

Under the terms of the securitisation the Company earns a monthly profit in an amount equal to £100 each IPD which is credited to the retained profit ledger as described in the transaction documentation. This is reflected in the statement of comprehensive income before any movements on effective interest rate adjustments.

Profits in excess of £100 per month accrue to the seller of the initial lease portfolio as deferred consideration. Accordingly, amounts owing to the seller are recognised as creditors in the balance sheet.

Critical accounting estimates

Certain estimates in the financial statements are based wholly or in part on estimates or assumptions made by the directors. There is, therefore, a potential risk that they may be subject to change in future years. The most significant of these are as follows:

1) Accounting policies (*continued*)

Critical accounting estimates (continued)

Effective interest rates

The effective interest rate method calculates the amortised cost of a financial asset or financial liability (or a group of financial assets or liabilities) and allocates the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the relevant instrument's initial carrying amount. Calculation of the effective interest rate takes into account transaction fees and costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

In order to determine the effective interest rate applicable to loans an estimate must be made of the expected life of the loans and hence the cash flows relating to them. The accuracy of the effective interest rate would therefore be affected by any differences between the actual borrower behaviour and that predicted. In addition the transaction fees and costs are immaterial at present and have therefore been reflected in the statement of comprehensive income as they occur.

Consideration of credit risk and liquidity risk is presented in note 12. The particular areas of estimation and judgement are described within the financial instruments section below and mainly apply to fair value calculation where valuations are determined using various pricing models.

Changes to interest rates are factors which affect fair values and lead to fair value gains and losses.

Repayment of Notes

Expectations of the future behaviour of the Loan and in turn the Notes is subject to estimation uncertainty. The repayment profile is reviewed periodically and disclosed in Note 12.

Impairment losses on loan to originator

The recoverability of the deemed loan to the originator (the "Loan") is dependent on the collections from the underlying Receivables. Receivables are considered impaired when it is probable that the Company will be unable to collect all amounts due according to the probability of any account going into default, cash flows from borrowers' accounts, their timing and expected proceeds from the sale of repossessed collateral. These key assumptions are based on observed data from historical patterns and are updated by the servicer as new data becomes available. Given the excess spread and cash reserve, it is the directors' view that any impairment is immaterial.

In addition, the directors consider how appropriate past trends and patterns could impact the current economic climate and may make any adjustments they believe are necessary to reflect the current economic and market conditions.

The accuracy of impairment calculations would therefore be affected by unexpected changes to the economic situation, variances between the models used and the actual results, or assumptions which differ from the actual outcomes.

Credit enhancement is provided to the securitisation structure in a number of ways. The income on the Receivables is expected to exceed the interest payable on the Notes. This excess spread is available to make good any reductions in the principal balance of the Receivables as a result of defaults by customers. In addition the originator provides the subordinated Loan to create a reserve fund which can be utilised by the Company in certain circumstances.

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

If there is objective evidence that an impairment loss on a financial asset classified as loans has been incurred, the Company measures the amount of the loss as the difference between the carrying amount of the asset and the present value of estimated future cash flows from the asset discounted at the effective interest rate of the asset at initial recognition.

1) Accounting policies (*continued*)

Impairment losses on loan to originator (continued)

Impairment losses are recognised in the statement of comprehensive income and the carrying amount of the financial asset reduced by establishing an allowance for impairment losses. If in a subsequent year the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance. Once an impairment loss has been recognised on a financial asset, interest income is recognised on the carrying amount using the rate of interest at which estimated future cash flows were discounted on measuring impairment.

Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Company becomes a party to the contractual provisions of the instrument and are de-recognised on the date it ceases to be a party, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction such that substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company's financial instruments comprise a Loan, cash and liquid resources, Notes derivative contracts and various receivables and payables that arise from its operations. These financial instruments are classified as described below.

Loan to originator

Where a transfer of a financial asset does not qualify for de-recognition, the transferee does not recognise the transferred asset as its asset. The transferee de-recognises the cash or other consideration paid and recognises a receivable from the transferor. In relation to the Receivables transferred to the Company, de-recognition is considered to be inappropriate for the portfolio Seller's or originator's (Vauxhall Finance) own financial statements as the originator has retained significant risks, in the form of credit enhancement paid in, and rewards, in the form of deferred purchase consideration to be paid out, of that financial asset. The Company's financial statements are therefore prepared on the basis that its acquisitions of beneficial interests in the Receivables are recognised as a collateralised non-recourse Loan.

Under the terms of the securitisation, the Company retains the right to £100 each month of available revenue receipts from the beneficial interest in the Receivables. This is reflected in the statement of comprehensive income. Available revenue receipts are defined by the transaction documentation and include interest on the Receivables and interest received on the bank accounts. Profits in excess of this accrue to Vauxhall Finance, the portfolio seller of the Receivables. Accordingly a creditor ("deferred purchase price") for amounts payable to Vauxhall Finance for this residual interest has been recognised at the year-end. The payments of deferred consideration are strictly governed by the priority of payments that sets out how cash can be utilised.

Loans are non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market. They are classified as loans and receivables. Loans are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Subsequent increases in fair values of the Loans, which can be objectively related to an event occurring after previous impairment losses have been recognised, are recorded in the statement of comprehensive income to the extent that previous impairment losses have been taken through the statement of comprehensive income. The reversal shall not result in a carrying amount of the Loans that exceeds the amortised cost had no impairment been recognised.

Notes

The Notes are classified as other financial liabilities and are initially recognised at fair value at the date of issuance of the liability, and are subsequently measured at amortised cost, with any difference between cost and redemption value being recognised in the statement of comprehensive income on an effective interest basis. Receipts from the issuance of the Notes were used to purchase the Receivables.

1) Accounting policies (continued)**Derivative financial instruments**

The derivative instruments utilised by the Company are interest rate swaps. Such instruments are used for hedging purposes to alter the risk profile of an existing underlying exposure of the Company in line with the Company's risk management policy. Derivative financial instruments are classified as held for trading and recorded at fair value, with any gain or loss on re-measurement being recognised in the statement of comprehensive income. The Company does not enter into speculative derivative contracts. The Company does not apply hedge accounting. The fair value of the derivative instruments swaps is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date, and is calculated by discounting future cash flows using observable market data at that date.

Cash at bank and in hand

Cash at bank and in hand comprise cash at bank and short-term money market deposits. Cash at bank and in hand represents cash held in accounts at US Bank.

Interest income and expense

The Company accounts for interest income and expense on an accruals basis. Interest income on financial assets that are classified as loans and receivables and interest expense on financial liabilities other than those at fair value through profit and loss is determined using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount.

Taxation

For UK corporation tax purposes, the Company is a securitisation company under the 'Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296). Therefore, the Company is not required to pay corporation tax on its accounting profit or loss. Instead, the Company is required to pay tax on its retained profits as specified in the documentation governing the transaction. The Company's liability for current tax is calculated using tax rates that have been enacted at the date of the balance sheet.

2) Interest receivable and similar income

	1 January 2018 to 31 December 2018	9 February 2017 to 31 December 2017
	£	£
Interest income on Loan	21,248,939	21,445,681
Interest income on bank balances	34	-
	21,248,973	21,445,681

3) Interest payable and similar charges

	1 January 2018 to 31 December 2018	9 February 2017 to 31 December 2017
	£	£
Interest expense on Notes	4,877,411	3,589,973
Interest expense on Sub Loan	-	43,566
Interest expense on interest rate swap	-	282,083
Deferred purchase price	11,795,426	14,965,152
	16,672,837	18,880,774

4) Profit on ordinary activities before taxation

Other operating expense comprises fees charged by the Servicer. For the financial year the auditor's remuneration for the auditing of the Company's financial statements is £11,250 (2017: £10,000) and is payable by Vauxhall Finance on behalf of the Company.

E-Carat 8 plc

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

5) Directors and employees

The Company has no employees and services required are contracted from third parties.

The directors received no remuneration from the Company or any third party in respect of qualifying services rendered during the year (2017: nil).

6) Loan

	31 Dec 2018 £	31 Dec 2017 £
Opening balance	371,863,859	-
Purchase of Receivables	-	486,145,616
Redemptions	(165,549,828)	(113,960,362)
Effective interest rate adjustment	5,059	3,165
Principal loss on Loans	(972,293)	(324,560)
	205,346,797	371,863,859

The maturity profile of the Loan was as follows:

In one year or less	79,891,377	119,240,474
In more than one year	125,455,420	252,623,385
	205,346,797	371,863,859

7) Taxation on profit on ordinary activities

	1 January 2018 to 31 December 2018 £	9 February 2017 to 31 December 2017 £
a) The Company tax charge in the year/period		
Profit on ordinary activities before taxation	1,200	800
UK corporation tax on the profit for the year/period at 19.00% (2017: 19.18%)	228	153
Prior year tax adjustment	7	-
	235	153

b) Factors affecting tax charge for the year

The standard rate of corporation tax in the UK has remained the same at 19% (2017: 19%) effective from 1 April 2018 (substantively enacted on 3 July 2013).

A rate reduction of 1% was announced in September 2016 which has reduced the tax rate to 19% from 1 April 2017 and 17% from 1 April 2020 respectively. These reductions of corporation tax to 19% and 17% were included in the Summer Finance Bill 2016. This will further reduce the Company's future current tax charge.

8) Debtors

	31 Dec 2018 £	31 Dec 2017 £
Loan due within one year (see note 6)	79,891,377	119,240,474
Prepayments and accrued income	1,476	1,479
Other debtors	540,523	1,089,944
Fair value of interest rate swap	872,400	1,292,166
	81,305,776	121,624,063

E-Carat 8 plc

Notes forming part of the financial statements for the year ended 31 December 2018 (*continued*)

9) Creditors: amounts falling due within one year

	31 Dec 2018 £	31 Dec 2017 £
Notes	79,891,377	119,240,474
Accrued interest due on Notes	157,745	195,167
Accruals and deferred income	169,677	142,472
Corporation tax creditor	228	153
Other creditors	2,653,748	5,865,460
	82,872,775	125,443,726

Creditors: Amounts falling due after more than one year

Notes	135,040,284	263,830,619
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Included within other creditors is £2,653,748 (2017: £5,344,492) of deferred purchase price consideration, which will be released over the life of the securitisation agreement in line with the priority of payments.

The maturity profile of the Notes (undiscounted) is detailed below under note 12 – 'Liquidity Risk'.

The total principal balance of the Notes due is £214,923,437 (2017: £383,071,093).

All creditor balances are due in less than 5 years.

10) Share capital

	31 Dec 2018 £	31 Dec 2017 £
<i>Authorised</i>		
50,000 ordinary shares of £1 each	50,000	50,000
<i>Called up and issued</i>		
Ordinary shares of £1 each: 1 fully paid		
Ordinary shares of £1 each: 49,999 - 25 pence paid	12,501	12,501

E-Carat 8 Holdings Limited is the sole member of the Company. All shares were issued at par.

11) Profit and loss account

	1 January 2018 to 31 December 2018 £	9 February 2017 to 31 December 2017 £
Opening balance	647	-
Profit for the year/period	965	647
Balance at 31 December	1,612	647

12) Financial instruments

The narrative disclosure required by Financial Reporting Standard 102 in relation to the nature of the financial instruments used during the year to manage credit risk, interest rate risk and liquidity exposure and its capital risk management policies is shown in the Strategic Report under the heading 'Financial risk management'.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

12) Financial instruments (continued)

The Company's exposure to risk on its financial instruments and the management of such risk is largely determined at the inception of the securitisation transaction. The Company's activities and the role of each party to the transaction is clearly defined and documented.

In addition, derivative contracts are entered into as part of the securitisation transaction to hedge all interest rate risk arising in the transaction. The derivative counterparties selected are regulated financial institutions. Credit protection is afforded by the requirement for the derivative counterparties to post collateral in the event of a downgrade to a counterparties credit rating.

Following initial set-up, the directors monitor the Company's performance, reviewing quarterly reports on the performance of the Receivables. Such review is designed to ensure that the terms of the transaction documentation have been complied with, that no unforeseen risks have arisen and that the Lender has been paid on a timely basis.

Credit risk

Credit risk reflects the risk that the underlying borrowers will not be able to meet their obligations on the Receivables as they fall due and will cause a financial loss by failing to discharge an obligation.

The Company's business objective rests on the purchase of an auto hire purchase receivables portfolio. The Company considers the evaluation of the underlying borrower's ability to service their loan according to its terms to be the principal factor in assessing credit risk and the decision to acquire the Loan.

The maximum exposure to credit risk arising on the Company's financial assets at the reporting date is disclosed in the table below.

	Carrying value 31 Dec 2018 £	Maximum exposure 31 Dec 2018 £	Carrying value 31 Dec 2017 £	Maximum exposure 31 Dec 2017 £
Assets				
Loan	205,346,797	205,346,797	371,863,859	371,863,859
Cash at bank and in hand	11,165,976	11,165,976	15,040,045	15,040,045
Other debtors	540,523	540,523	1,292,166	1,292,166
Fair value of interest rate swap	872,400	872,400	1,089,944	1,089,944
	217,925,696	217,925,696	389,286,014	389,286,014

The Company has a concentration of risk to the Originator. The Receivables of the securitisation are all in the UK market. The nature of the Receivables means there is no significant counterparty credit risk in relation to this portfolio.

The credit quality of the undiscounted Receivables is summarised as follows:

Total book	31 Dec 2018 £	31 Dec 2017 £
Assets		
Not overdue	211,908,687	368,294,658
up to 1 month overdue	1,916,566	2,662,420
1 to 2 months overdue	497,642	561,498
2 to 3 months overdue	212,789	120,553
3 to 4 months overdue	387,753	221,565
	214,923,437	371,860,694

12) Financial instruments (*continued*)**Credit risk (*continued*)**

The Loan may become impaired in case of a significant deterioration in the performance of the Receivables as a result of economic conditions. If a Lessee defaults on the lease agreement, the Company will receive asset realisation proceeds equivalent to the value of the asset at the time of sale. If it is difficult to find a purchaser for the assets, this may affect the value. The directors have assessed the latest information provided by the servicer and concluded that no impairment provisions are required as at 31 December 2018 (2017: nil).

Market risk

Market risk is defined as the potential loss in value or earnings of an organisation arising from changes in external market factors.

The Company is exposed to market risk which comprises interest rate risk.

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at different times. The Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of the Receivables and the Notes (its principal assets and liabilities) are similar. Where this is not possible the Company uses derivative financial instruments to mitigate any residual interest rate risk. As such, no sensitivity analysis has been presented as any interest rate movement will be reflected in both the assets and liabilities.

Interest on the book value of the undiscounted liabilities is determined and payable monthly in arrears at the following rates for one-month deposits:

	Gross carrying value 31 Dec 2018 £	Gross carrying value 31 Dec 2017 £	
Class A Notes	128,778,437	296,922,928	LIBOR + 0.85%
Class B Notes	46,200,000	46,200,000	LIBOR + 1.30%
Subordinated Notes	39,953,224	39,948,165	Fixed at 5.50%
	214,931,661	383,071,093	

The fair value of the Subordinated Notes materially approximates their gross carrying value. These financial instruments are not readily tradeable and therefore their fair value is not susceptible to the effects of market trading.

In July 2017 the Sub Loan from Vauxhall Finance with an original carrying value of £4,840,805 was fully repaid.

Under the terms of the transaction documentation governing the transaction, interest at 5.50% is due on the Subordinated Notes, however payments of this interest are limited to the extent that sufficient revenue receipts are available following the payment of interest and principal due on the non-subordinated Notes.

The probability that sufficient funds become available and interest payments are made will continue to be assessed by the directors in the future to determine whether such interest should be recognised.

At 31 December 2018, if LIBOR moved, with all other variables held constant, the net effect on the Company's net margin would be £nil due to the financial impact of the swaps being in place and the deferred purchase price arrangement. The Company considers that it has no net interest rate risk exposure and therefore has not presented a sensitivity analysis (2017: none).

12) Financial instruments (*continued*)**Market risk (*continued*)***Interest rate risk (continued)*

At 31 December 2018 there would, however, have been some movement in the net fair value gains and losses on the derivatives. As the Company does not trade in financial instruments and all the derivatives are expected to be held to maturity, any movement in the net fair value gains and losses on the derivatives arising due to movements in interest rates will unwind over the life of the transaction.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at an unacceptably high cost. The Company's ability to meet payments on the Notes as they fall due is dependent on timely receipt of funds on the Loan.

In the event that the Company has insufficient funds available to pay interest and/or principal on the Notes then the ultimate Note holders will incur a loss of interest and/or principal which would otherwise be due.

The table below reflects the undiscounted cash flows of derivative and non-derivative financial liabilities at the balance sheet date. These cash flows are based on expected repayments. The amounts shown below will differ from the Notes balance as disclosed in the balance sheet since the amounts in the balance sheet are discounted amounts.

	Carrying value	Gross cash flows	In less than 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years
	£	£	£	£	£	£
As at 31 December 2018						
Notes	214,923,437	214,923,437	6,325,692	12,784,752	60,780,933	135,032,060
Interest payable on Notes	157,745	7,651,267	366,539	698,548	2,865,878	3,720,302
Total financial liabilities	215,081,182	222,574,704	6,692,231	13,483,300	63,646,811	138,752,362
	Carrying value	Gross cash flows	In less than 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years
	£	£	£	£	£	£
As at 31 December 2017						
Notes	383,067,928	383,067,928	11,207,233	17,168,413	90,864,828	263,827,454
Interest payable on Notes	195,167	12,682,297	455,769	863,542	3,581,734	7,781,252
Total financial liabilities	383,263,095	395,750,225	11,663,002	18,031,955	94,446,562	271,608,706

The Notes are subject to mandatory redemption in part on each interest payment date in an amount equal to the principal received or recovered in respect of the Loan.

If not otherwise repaid the Notes will follow the profile of the Loan and will therefore be repaid at their principal amount outstanding on the interest payment date falling in March 2024.

Currency profile

All of the Company's financial assets and liabilities are denominated in Sterling.

12) Financial instruments (*continued*)**Fair value of financial assets and liabilities (*continued*)**

Financial Reporting Standard 102 in relation to the nature of the financial instruments that are measured in the balance sheet at fair value requires them to be put into a fair value measurement hierarchy based on fair value measurement as detailed below:

- (Level 1) Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (Level 2) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- (Level 3) Valuation techniques that include inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The only financial instruments included in the Company's balance sheet that are measured at fair value are the derivative contracts. As the fair value of such derivatives is calculated by discounting future cash flows using appropriate data, these fall within level 3 of the hierarchy as not all the appropriate data is observable.

The directors consider that the carrying amounts of all other financial assets and liabilities approximate to their fair values.

At the end the Company has an interest rate swap contract with total notional principal value of £174,978,438 (2017: £343,122,928) and a fair value of 872,400 (2017: £1,292,166) to hedge the risk of fixed interest rates on the Receivables. The fair values of such interest rate swap contracts are calculated by discounting future cash flows using appropriate data, including unobservable inputs.

12) Reconciliation of profit on ordinary activities before taxation to net cash outflow from operating activities

	1 January 2018 to 31 December 2018 £	9 February 2017 to 31 December 2017 £
Profit on ordinary activities before taxation	1,200	800
Interest receivable on Loan	(21,248,939)	(21,445,681)
Interest received on cash at bank	(34)	-
Interest expense on Notes	4,877,411	3,589,973
Interest expense on Sub Loan from Vauxhall Finance	-	43,566
Principal Loan losses	972,293	324,560
Interest expense on swap	-	282,083
Fair value movement of interest rate swap	419,766	(1,292,166)
(Decrease)/increase in creditors	(3,184,507)	6,007,932
Decrease/(increase) in debtors	549,421	(1,089,944)
Net cash outflow from operating activities	(17,613,389)	(13,578,877)

E-Carat 8 plc

Notes forming part of the financial statements for the year ended 31 December 2018 (continued)

14) Ultimate parent undertaking and controlling party

The Company's immediate parent company is E-Carat 8 Holdings Limited, a company incorporated in the United Kingdom and registered in England and Wales. The entire share capital of E-Carat 8 Holdings Limited is held on a discretionary trust basis under a share trust deed by the legal parent company, Intertrust Corporate Services Limited, a company incorporated in the United Kingdom and registered in England and Wales.

Intertrust Corporate Services Limited is a wholly-owned subsidiary of Intertrust Management Limited.

The ultimate parent and controlling party and the largest group in which the results of E-Carat 8 plc are included in is BNP Paribas SA, which is incorporated in Paris, France. The consolidated financial statements of BNP Paribas SA may be obtained from 16 Boulevard des Italiens, 75009 Paris, France or from the company's website at www.bnpparibas.com.

The smallest undertaking of which the Company is a member, for which group financial statements are prepared is BNP Paribas Personal Finance SA, a company incorporated in France. Group financial statements for this company are prepared and are available to the public from 1 Boulevard Haussmann, 75318 Paris, France.

15) Related party transactions

During the year fees of £33,253 (2017: £37,182) were paid to Intertrust Management Limited in respect of corporate services fees provided to the Company.

All the proceeds of the Company's borrowing were used to acquire an auto hire purchase portfolio.

At the year-end the total amount of the undiscounted Sub Loan from Vauxhall Finance outstanding is £nil since it has been repaid in full during the prior year.

The table below details related party transactions the Company has with Vauxhall Finance.

	31 Dec 2018	31 Dec 2017
	£	£
Assets		
Loan	205,346,797	371,863,859
Prepayments and accrued income	1,476	1,479
Other debtors	540,523	1,089,944
Liabilities		
Subordinated Notes	39,953,224	39,948,165
Other creditors	2,653,748	5,865,460
Profit and loss		
Interest receivable	21,248,939	21,445,681
Interest payable on Subordinated Notes	2,196,975	1,543,985
Interest payable on Sub Loan	-	43,566
Deferred purchase price	11,795,426	14,965,152
Servicing fees	2,978,155	3,083,321