

Registered In Jersey No. 88556

SECURITISATION OF CATALOGUE ASSETS LIMITED

Annual Report and Financial Statements

For the year ended 30 September 2018

SECURITISATION OF CATALOGUE ASSETS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS 2018

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SECURITISATION OF CATALOGUE ASSETS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2018

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

John Pendergast
Angelo Orosco (appointed 9 October 2018)
Stephanie Hopkins (resigned 9 October 2018)

SECRETARY

Sanne Secretaries Limited
IFC5
St Helier
Jersey
JE1 1ST
Channel Islands

REGISTERED OFFICE

IFC5
St Helier
Jersey
JE1 1ST
Channel Islands

ADVOCATES

Mourant Ozannes
22 Grenville Street
St Helier
Jersey
JE4 8PX
Channel Islands

BANKERS

The Royal Bank of Scotland plc
135 Bishopsgate
London
EC2M 3UR

AUDITOR

Ernst & Young LLP
25 Churchill Place
Canary wharf
London
E14 5EY

SECURITISATION OF CATALOGUE ASSETS LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of Securitisation of Catalogue Assets Limited ("the Company" or "SOCA Ltd.") for the year ended 30 September 2018.

CHANGE OF REGISTERED OFFICE

On 3 September 2018, the Registered Office of the Company changed from 13 Castle Street, St Helier, Jersey, JE4 5UT, Channel Islands to IFC5, St Helier, Jersey, JE1 1ST, Channel Islands.

ACTIVITIES

The Company was incorporated in Jersey on 17 September 2004.

The Company was established as a special purpose vehicle to enter into securitisation or repackaging transactions by acquiring, dealing with or providing finance in respect of receivables or other assets and entering into transactions having a similar effect, each such transaction to be funded by borrowings.

The Company provides finance to Securitisation of Catalogue Assets Receivables Trust Limited ("SOCA RT") and Securitisation of Catalogue Assets (UK) Limited ("SOCA UK"), which in turn provides finance to SOCA RT, in order to fund SOCA RT's purchase of catalogue receivables from Shop Direct Finance Company Limited ("SDFCL"). Until 20 November 2013 the Company financed these activities by issuing Discounted Loan Notes to various subscribers. On 20 November 2013 the Company fully redeemed the Discounted Loan Notes.

On 19 December 2017, the Funding Notes were restructured as follows: the termination date of the Variable Funding Notes was extended from 1 December 2019 to 1 December 2023; the existing Class B Variable Funding Notes with the counterparties Barclays Bank Plc, Regency and KFL2 were redeemed (including principal of £100m, accrued interest and breakup costs); new Class B and Class C Notes for £100m and £65m respectively were issued to investors/funds managed by CarVal and Insight.

The Company now finances its activities by issuing Class A Variable Funding Notes to the Royal Bank of Scotland Plc ("RBS"), Royal Bank of Canada ("RBC"), Deutsche Bank, Sheffield, Regency Assets and KFL2, Class B and C Variable Funding Notes to multiple investors under the CarVal group and Insight group (the Class A, Class B and Class C Variable Funding Notes together being referred to hereafter as the "Notes", the "Variable Funding Notes" or the "Funding Notes"). The aggregate nominal amount of the Variable Funding Notes in issue as at 30 September 2018 was: Class A – £1,125m; Class B – £100m; Class C – £65m.

The Notes are listed on The International Stock Exchange.

BUSINESS REVIEW

The key performance indicator for the Company is its finance income from interest and fees. Total finance income was £40m in 2018 compared with £34m in 2017. Total funding costs were £40m (2017: £34m).

As stated above, in December 2017, the erstwhile Class B notes were fully redeemed and new Class B and C Notes were issued. The Notes were completely drawn with fixed commitment and drawn value by each co-funder. The key terms of the Notes, other than the interest and margin charged, were substantially unchanged.

RESULTS AND DIVIDENDS

The results for the year and the state of the Company's affairs are set out in the accompanying financial statements.

The profit for the year was £nil (2017: £nil)

No dividends were declared or paid by the Company during the year (2017: £nil) and the Directors do not propose a final dividend (2017: £nil).

SECURITISATION OF CATALOGUE ASSETS LIMITED

DIRECTORS' REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks facing the Company are liquidity risk, interest rate risk and credit risk. These risks have been monitored on an ongoing basis during the year and the Company has policies in place to mitigate these risks. Refer to note 15 of the financial statements for details.

The Directors confirm that there are no arrears of interest on current borrowings and the conditions on current borrowings are satisfied as at the balance sheet date. The Directors are not aware of any indicators that SOCA RT will be unable to meet its loan obligations to the Company or to SOCA UK and, in turn, SOCA UK to the Company. No impairment indicators have been noted on the customer loans and therefore a £nil provision has been recognised (2017: £nil). Based on these reasons and those as discussed in note 1, the financial statements have been prepared on the going concern basis.

DIRECTORS' DETAILS

The Directors of the Company who served throughout the year unless stated otherwise were as follows:

John Pendergast

Angelo Orosco (appointed 9 October 2018)

Stephanie Hopkins (resigned 9 October 2018)

EMPLOYEES

The Company had no employees during the current year or prior year. Sanne Fiduciary Services Limited performs the administration function. Sanne Secretaries Limited performs the Company's secretarial functions. NatWest Markets performed a transaction advisor role for SOCA Ltd.

AUDITOR

Ernst & Young have expressed their willingness to continue in office as auditor.



Approved by the Board of Directors
and signed on behalf of the Board

Director

9 January 2019

SECURITISATION OF CATALOGUE ASSETS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to 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.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that 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 (Jersey) Law 1991. 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.

SECURITISATION OF CATALOGUE ASSETS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SECURITISATION OF CATALOGUE ASSETS LIMITED

OPINION

We have audited the financial statements of Securitisation of Catalogue Assets Limited (the 'Company') for the year ended 30 September 2018 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 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2018 and of its comprehensive income for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. 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 FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the 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.

OVERVIEW OF OUR AUDIT APPROACH

Key audit matters	<ul style="list-style-type: none">• Estimation uncertainty with respect to impairment losses on loans advanced
Materiality	► Overall materiality of £6,502k which represents 0.5% of total assets.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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 our opinion thereon, and we do not provide a separate opinion on these matters.

SECURITISATION OF CATALOGUE ASSETS LIMITED

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Estimation uncertainty with respect to impairment losses on loans advanced (2018 - £1,290m, 2017 - £1,203m)</p> <p><i>Refer to the Accounting policies (page 12) and Note 9 of the Financial Statements (page 16)</i></p>		
<p>We consider the risk of management not identifying indicators of impairment in respect of the loan portfolio as a significant risk.</p> <p>Given the size of the loans in relation to materiality, any possible indicators of impairment (e.g. significant deterioration in counterparty credit score) would likely lead to a material provision. Upon the analysis performed, the management did not identify any impairment and have not recognised any impairment expense for the year ended 30 September 2018.</p> <p>Our assessment of the significant risk has not changed compared to the previous year as there have been no significant changes in the characteristics of the loan portfolio.</p>	<p>To test the completeness of the identification of loans with loss events we independently assessed whether any IAS 39 loss indicators were present for all loans in the portfolio. We performed the following procedures:</p> <ul style="list-style-type: none"> • We have obtained management's impairment assessment and identified the key judgements involved in relation to whether loss indicators were present, including an assessment of the credit risk of the loan counterparties and changes in the external credit rating of the notes issued by the Company. • We have independently verified management's assessment by performing the following audit procedures: <ul style="list-style-type: none"> - Inspected bank statements to identify any missed interest payments from loan counterparties, where no payment delinquency or defaults were identified; - Verified external credit ratings to the Fitch official site and assessed implications on the impairment assessment. 	<p>We are satisfied with the conclusion of management's assessment that there are no indicators of loan impairment, in accordance with IFRS.</p>

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

TAILORING THE SCOPE

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

SECURITISATION OF CATALOGUE ASSETS LIMITED

CHANGES FROM THE PRIOR YEAR

There were no changes to the scope of our audit compared to the prior year.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

MATERIALITY

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £6,502k (2017: £6,058k), which is 0.5% (2017: 0.5%) of total assets. We believe that the use of total assets is an appropriate basis for the audit materiality as (i) the primary users of the financial statements, i.e., the investors who hold the notes issued by the Company, are focused on the valuation of the underlying assets that form the main source for debt issued repayment and (ii) revenue/profit measures are less relevant given the nature of company's activities (i.e., securitisation vehicle).

During the course of our audit, we reassessed initial materiality and did not apply significant changes to the calculation.

PERFORMANCE MATERIALITY

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2017: 50%) of our planning materiality, namely £4,876k (2017: £3,029k). We have increased the percentage used when determining performance materiality due to no material misstatement identified during our prior year audit.

REPORTING THRESHOLD

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with those charged with governance that we would report to them all uncorrected audit differences in excess of £325k (2017: £303k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

OTHER INFORMATION

The other information comprises the information included in the annual report set out on pages 2-4, including Directors' report and Directors' responsibilities statement, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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

SECURITISATION OF CATALOGUE ASSETS LIMITED

we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us 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 financial statements are not in agreement with the company's accounting records and returns; or
- we have not received all the information and explanations we require for our audit

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement set out on page 4, 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.

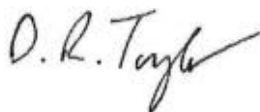
AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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.

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

USE OF OUR REPORT

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.



Rhys Taylor
for and on behalf of Ernst & Young LLP
London
10 January 2019

SECURITISATION OF CATALOGUE ASSETS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2018

	Notes	2018 £'000	2017 £'000
REVENUE			
Net Interest income	3	36,121	32,215
Net Interest expense	4	(36,121)	(32,215)
		<hr/>	<hr/>
GROSS PROFIT		-	-
Fee income	5	3,437	1,529
Other expenses	6	(3,437)	(1,529)
		<hr/>	<hr/>
PROFIT/(LOSS) BEFORE TAX		-	-
Tax	8	-	-
		<hr/>	<hr/>
PROFIT/(LOSS) AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	-
		<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2018

	Share capital £'000	Retained earnings £'000	Total £'000
Balance as at 1 October 2016	-	3	3
Profit for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Balance as at 1 October 2017	-	3	3
Profit for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Balance as at 30 September 2018	-	3	3
	<hr/>	<hr/>	<hr/>

SECURITISATION OF CATALOGUE ASSETS LIMITED

STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	2018 £'000	2017 £'000
CURRENT ASSETS			
Cash and cash equivalents	11	7,447	6,171
Net loans receivable	9	1,289,954	1,203,278
Trade and other receivables	10	2,935	2,135
TOTAL CURRENT ASSETS		<u>1,300,336</u>	<u>1,211,584</u>
TOTAL ASSETS		<u>1,300,336</u>	<u>1,211,584</u>
CURRENT LIABILITIES			
Trade and other payables	12	(10,379)	(8,303)
Loan notes	13	<u>(1,289,954)</u>	<u>(1,203,278)</u>
TOTAL CURRENT LIABILITIES		<u>(1,300,333)</u>	<u>(1,211,581)</u>
NET CURRENT ASSETS		<u>3</u>	<u>3</u>
NET ASSETS		<u>3</u>	<u>3</u>
EQUITY			
Share capital	14	-	-
Retained earnings		<u>3</u>	<u>3</u>
TOTAL EQUITY		<u>3</u>	<u>3</u>

The accompanying notes are an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 9 January 2019

Signed on behalf of the Board of Directors



Director

SECURITISATION OF CATALOGUE ASSETS LIMITED

STATEMENT OF CASH FLOWS For the year ended 30 September 2018

	Notes	2018 £'000	2017 £'000
Operating activities			
Profit before tax		-	-
Decrease in debtors	10	(800)	(10)
Increase/(decrease) in creditors	12	2,076	(247)
Net cash inflow/(outflow) from operating activities		<u>1,276</u>	<u>(257)</u>
Investing activities			
Net loans advanced during the year	9	<u>(86,676)</u>	<u>(45,944)</u>
Net cash outflow from investing activities		<u>(86,676)</u>	<u>(45,944)</u>
Financing activities			
Net proceeds from loan notes issued	13	<u>86,676</u>	<u>45,944</u>
Net cash inflow from financing activities		<u>86,676</u>	<u>45,944</u>
Net decrease in cash		<u>1,276</u>	<u>(257)</u>
Cash and cash equivalents at beginning of year		<u>6,171</u>	<u>6,428</u>
Cash and cash equivalents at end of year		<u><u>7,447</u></u>	<u><u>6,171</u></u>
Net Interest paid during the year		(32,381)	(32,177)
Net Interest received during the year		32,381	32,177

The accompanying notes are an integral part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

1. ACCOUNTING POLICIES

General information

Securitisation of Catalogue Assets Limited is a company incorporated and registered in Jersey. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Directors' Report.

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union. The financial statements have been prepared on a going concern basis as explained in the Strategic Report.

The financial statements have been prepared on the historical cost basis.

The adoption of Standards and Interpretations issued by the International Accounting Standards Board (IASB), as adopted for use in the European Union, that were effective in the current year has not had a material impact on the financial statements of the Company. At the date of authorisation of these financial statements, the Company had not early adopted IFRS 9. In the Directors' opinion, adoption of this standard would have had no material impact on the recognition, measurement or disclosures relating to its financial instruments. All other new accounting requirements in issue are either not yet permitted to be adopted or, in the Directors' opinion, would have no material effect on the reported performance, financial position, or disclosures of the Company and consequently have neither been adopted, nor listed.

Going concern

The Company's business activities, performance and position, as well as principal risks and uncertainties are set out in the Business Review on page 2.

On 19th December 2017, the Funding Notes were restructured. The erstwhile class B variable funding notes with the counterparties Barclays Bank Plc, Regency and KFL2 were redeemed. This included principal of £100m, accrued interest and breakup costs. In lieu of this funding, new Class B and Class C Notes for £100m and £65m respectively were issued to parties under the groups – CarVal and Insight. The restructuring transaction between SOCA Ltd., SOCA RT and the investors was settled on a net basis as per company policy and transaction agreement.

The Company's debt obligations are limited-recourse, as a result of which the maturity profile of the Company's funding is effectively matched to the maturity profile of the funded assets. Each funder that primarily finances itself through issuance of commercial paper is required under the securitisation programme to ensure sufficient liquidity facilities exist to enable them to continue to fund the Company in the event that they are unable to obtain finance in the commercial paper market. Management are not aware of any issues relating to the availability of liquidity facilities to the funders and the funders have continued to be able to provide funding to the Company despite the uncertainties set out on page 2.

Furthermore, the Company is entitled to reimbursement from loan borrowers of amounts paid relating to operating expenses incurred by the Company.

After making enquiries, and considering the principal risks and uncertainties set out on page 2, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

SECURITISATION OF CATALOGUE ASSETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

1. ACCOUNTING POLICIES (CONTINUED)

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of loan assets, in particular over recoverability of assets as discussed in note 15. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements on carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates used in the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

Interest income

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount.

Interest expense

Interest expense is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash outflows through the expected life of the financial liability to that liability's carrying amount.

Fee income and expense

Fee income comprises loan facility, other fees and recharge of operational expenses. Fee expense includes loan facility, legal, administration, advisory and audit fees.

Fee income and expenses are accounted for on an accruals basis.

Financial instruments

Financial assets and financial liabilities are recognised on the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value and are classified as loans and receivables. Interest income receivable on cash and cash equivalents is accounted for on an accrual basis.

Loans receivable

The Company is an Investor Beneficiary of a trust which owns a portfolio of home shopping receivables. This beneficial interest is economically equivalent to a loan and so has been classified as loans and receivables under IAS 39 Financial Instruments: Recognition and Measurement. The loans are measured on 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 profit or loss 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 of the fair value of the loan, which can be objectively related to an event occurring after previous impairment losses have been recognised, are recorded in profit or loss to the extent previous impairment losses have been taken through profit or loss. The reversal shall not result in a carrying amount of the loan that exceeds the amortised cost had no impairment been recognised.

SECURITISATION OF CATALOGUE ASSETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

1. ACCOUNTING POLICIES (CONTINUED)

Loan notes issued

The loan notes issued are classified as other financial liabilities under IAS 39 Financial Instruments: Recognition and Measurement are initially recognised at fair value at the date of issuance of the liability, and are subsequently measured at amortised cost using the effective interest method.

De-recognition Assessment

De-recognition assessment performed in line with the guidance under IAS39.19.

The Company does not meet the condition (c) of IAS39.19 *“The entity has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the entity is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents (as defined in IAS 7 Statement of Cash Flows) during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients”* due to the below conditions:

- The cash flows from transferred financial assets are passed to the eventual recipients with material delay, before the original collection of cash is remitted.
- The cash flows from transferred financial assets are reinvested to purchase new receivables from Shop Direct which are not categorised as “cash or cash equivalents”, as defined in IAS 7.

Also, the Company has also received funds from Shop Direct towards a liquidity reserve. As per the liquidity facility agreement, the liquidity reserve funds are to be used if the available amounts received from the pool collection on an interest payment date are not sufficient to pay the VFN investors.

Therefore, considering all the above information the Company does not meet the de-recognition criteria.

Netting / Offsetting Assessment

Netting/Offsetting assessment performed according to IAS32 paragraph 42. A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when and only when, an entity:

- currently has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Company meets both the criteria mentioned above. Paragraph 42(a) is adhered to, in the receivables securitisation agreement paragraph 14.4 which states that all amounts due will be satisfied and discharged in a way of set off such that only net payments will be made.

Based on the fulfilment of the above criteria, the financial statements have been presented on a net basis. Relevant disclosures notes to accounts have been made according to IFRS 7 in note 15.

2. DIRECTORS AND EMPLOYEES

None of the Directors received any emoluments for their services to the Company during the year (2017: none).

None of the Directors had any material interest in any contract of significance in relation to the business of the Company (2017: none).

The Company does not have any employees (2017: none).

SECURITISATION OF CATALOGUE ASSETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

3. NET INTEREST INCOME

	2018 £'000	2017 £'000
Net Interest income on loans	36,121	32,215

All income is derived from SOCA RT and SOCA UK. The interest rate on the loan to SOCA UK is fixed at 5% per annum while SOCA's investor beneficiary interest yields a return based on SOCA's cost of funding plus a margin.

4. NET INTEREST EXPENSE

	2018 £'000	2017 £'000
Net Interest on loan notes	36,121	32,215

5. FEE INCOME

	2018 £'000	2017 £'000
Administration fees reclaim	2,762	1,370
Management fees reclaim	653	138
Audit fees reclaim	20	17
Other reclaim	2	4
	3,437	1,529

6. OTHER EXPENSES

	2018 £'000	2017 £'000
Administration fees	2,762	1,370
Management fees	653	138
Audit fees	20	17
Other fees	2	4
	3,437	1,529

SECURITISATION OF CATALOGUE ASSETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

7. REMUNERATION OF THE AUDITOR

	2018 £'000	2017 £'000
Audit services for the audit of the Company's statutory accounts	20	17

8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

Profits arising in the Company are subject to Jersey Income Tax, currently at the rate of 0%.

9. NET LOANS RECEIVABLE

	2018 £'000	2017 £'000
Opening balance	1,203,278	1,157,334
Add: Net loans advanced during the year	86,676	45,944
Closing balance	1,289,954	1,203,278

At 30 September 2018, funds from the issuance of variable and fixed Funding Notes amounting to £1,253,831,817 had been advanced to SOCA RT. £36,122,569 was advanced to SOCA UK which in turn issued a variable funding note to SOCA Ltd. During the year, the Directors are not aware of any indicators that SOCA RT will be unable to meet its loan obligations to the Company or to SOCA UK and, in turn, SOCA UK to the Company.

The interest rate on the purchase of the interest in the non-finance charge receivables from SOCA RT was set as per cost of funds plus margin. The interest rate on the note issued by SOCA UK is fixed at 5% per annum. The proceeds to SOCA UK have been used to buy interest in the finance charge receivables from SOCA RT.

As at year end, the Company had agreed, subject to the terms and conditions of the Declaration of Trust and the Receivables Securitisation Agreement dated 1 December 2004 (as amended and restated on 20 November 2013, 26 November 2014 and 19 November 2015), to provide funds to SOCA RT and SOCA UK until 1 December 2023.

SECURITISATION OF CATALOGUE ASSETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

10. TRADE AND OTHER RECEIVABLES

	2018 £'000	2017 £'000
Other debtors	316	155
Interest receivable on the loans	2,619	1,980
	<u>2,935</u>	<u>2,135</u>

11. CASH AND CASH EQUIVALENTS

	2018 £'000	2017 £'000
Cash at bank	<u>7,447</u>	<u>6,171</u>

In November 2013, the Company established a Liquidity reserve fund. The amount standing to the credit of the liquidity reserve account will be utilised only in case of a liquidity shortfall.

Cash at bank represents £7,444k (2017: £6,170k) of required liquidity reserve fund and £3k (2017: £1k) held in the transaction account.

12. TRADE AND OTHER PAYABLES

	2018 £'000	2017 £'000
Interest payable on notes issued	2,619	1,980
Other creditors*	7,760	6,323
	<u>10,379</u>	<u>8,303</u>

*Other creditors include fee payable of £316k (2017: £153k) and liquidity reserve payable to SDFCL of £7,444k (2017: £6,170k).

SECURITISATION OF CATALOGUE ASSETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

13. LOAN NOTES

	2018 £'000	2017 £'000
Opening Balance	1,203,278	1,157,334
Add: Variable Funding Notes issued during the year	86,676	45,944
Closing Balance	<u>1,289,954</u>	<u>1,203,278</u>

There are three types of Funding Notes issued and outstanding:

	2018 £'000	2017 £'000
Class A Variable Funding Note at Cost of funds + 2%*	1,124,954	1,110,718
Class B Fixed Funding Note at Cost of funds + 2.50%*	100,000	92,560
Class C Fixed Funding Note at Cost of funds + 6%*	65,000	-
	<u>1,289,954</u>	<u>1,203,278</u>

*Cost of funds - the aggregate cost of funds incurred by each Class A VFN Note Purchaser funding the relevant Class A Variable Funding Note. The margin on Class A Variable Funding Notes was revised from 2.25% to 2.00% effective 19 Dec 2017.

At year-end, the loan notes payable consisted of the net proceeds from issuing Variable Funding Notes to seven co-funders (described below). The borrowing was secured on the Company's loans receivable. Interest on loan notes payable was set as per cost of funds plus margin.

The Company finances its activities by issuing Class A Variable Funding Notes to the Royal Bank of Scotland Plc ("RBS"), Royal Bank of Canada ("RBC"), Deutsche Bank, Sheffield, Regency Assets and KFL2, Class B and C Funding Notes to multiple investors under the CarVal group and Insight group..

At year-end, the maximum amount available under these facilities from A note purchasers was £1,125m and from Class B Note purchasers was £100m and from Class C Note purchasers was £65m.

Pursuant to the Class A Note Issuance Facility Agreement and the Class B Note Issuance Facility Agreement entered into between the Company and the Note Purchasers on 20 November 2013, during the availability period and subject to the conditions, the Company obtained funding from the co-funders by issuing Variable Funding Notes from time to time to fund the purchase of certain interests in the finance charge receivables or to repay maturing Variable Funding Notes, rolling on a monthly basis up to the limits above, until 1 December 2023.

14. SHARE CAPITAL

	2018 £	2017 £
Authorised		
10,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid-up		
10 ordinary shares of £1 each	<u>10</u>	<u>10</u>

The Ordinary shares of £1 each were issued on 17 September 2004 to Lively Limited and Juris Limited (five shares each) ("the shares"). The shares were transferred on 1 June 2013 to Sanne Nominees Limited and Sanne Nominees 2 Limited. The shares are held on trust for the Securitisation of Catalogue Assets Charitable Trust under the terms of declarations of trust dated 22 September 2004 with the ultimate beneficiaries being charities chosen by the Sanne Trustee Services Limited as Trustee of the Securitisation of Catalogue Assets Charitable Trust.

SECURITISATION OF CATALOGUE ASSETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

15. FINANCIAL INSTRUMENTS

The Company's financial instruments comprise funding notes issued to various co-funders. The proceeds of these notes is passed on to SOCA RT in exchange for a beneficial interest in the non – finance charge receivables, and loaned to SOCA UK to fund its purchase of interest in the finance charge receivables from SOCA RT. At year-end, interest on the SOCA UK loan is at 5% fixed, while SOCA is entitled to receive its cost of funds plus a margin from the trust assets.

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

The main risks arising from the Company's financial instruments are interest rate, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and these are summarised below. These policies have remained unchanged since the Company commenced operations on 17 September 2004. All transactions and financial instruments are denominated in the Company's functional currency (Sterling) and consequently no currency exposure arises.

Interest rate risk

During the year, interest on loans payable was set at cost of funds plus margin. The effective interest rate on the Company's interest in the trust is set at cost of funds plus margin, while the loan to SOCA UK is at a fixed interest rate. The interest receipts and payments in respect of financial assets and liabilities are matched. Therefore, no interest rate sensitivity analysis has been presented.

At year end, 100% (2017: 100%) of the Company's financial liabilities were at floating rates plus margin ranging from 2.00% to 6.00% (2017: 2.25% to 4.00%). 3% (2017: 3%) of the Company's financial assets were at a fixed rate of 5% (2017: 5%) while 97% (2017: 97%) were at floating rates plus margin ranging from 2.00% to 6.00%

The weighted average effective interest rate applicable to each class of financial asset and financial liability are set out below.

	2018 Effective interest rate % p.a.	2018 Carrying amount £'000	2017 Effective interest rate % p.a.	2017 Carrying amount £'000
Financial assets				
Net Loans receivable	2.75	1,289,954	2.62	1,203,278
Financial liabilities				
Loan notes	2.75	(1,289,954)	2.62	(1,203,278)
Net financial assets		<u>-</u>		<u>-</u>

The weighted average effective interest rate in 2018 was 2.75% (2017: 2.62%).

Capital risk management

The Company manages its capital to ensure it will be able to continue as a going concern.

At year-end, the capital structure of the Company primarily comprised variable and fixed Funding Notes issued by the Company and purchased by third party funders which were, in certain cases, funded via the commercial paper market.

Other sources of funding consist of equity attributable to equity holders of the parent, comprising issued share capital and retained earnings. Please refer to Note 14 for more information on capital.

SECURITISATION OF CATALOGUE ASSETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

15. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due.

The Company now finances its activities by issuing Class A Variable Funding Notes to the Royal Bank of Scotland Plc ("RBS"), Royal Bank of Canada ("RBC"), Deutsche Bank, Sheffield, Regency Assets and KFL2, Class B and Class C Funding Notes to multiple investors under the CarVal group and Insight group. The Class A Variable Funding Notes issued as at 30th September 2018 was £1,125m. The Class B Funding Notes stand at £100m fully drawn as at 30th September 2018. The Class C Funding Notes stand at £65m fully drawn as at 30th September 2018.

On 19th December 2017, restructuring of the Funding Notes was enacted. The erstwhile Class B Variable Funding Notes with the counterparties Barclays Bank Plc, Regency and KFL2 were paid off. This included principal of £100m, accrued interest and breakup costs. In lieu of this funding, new Class B and Class C Notes for £100m and £65m were issued to entities under the groups – CarVal and Insight. The restructuring transaction between SOCA Ltd., SOCA RT and the investors was settled on a net basis as per Company policy and the transaction agreements.

The nature of the Company's debt obligations are limited-recourse. The Company reduces its liquidity risk by matching the maturity profile of the Company's funding to the maturity profile of the assets being funded. At year-end, each funder was required under the securitisation programme to ensure sufficient liquidity facilities exist to enable them to continue to fund the Company in the event that they were unable to obtain finance in the commercial paper market.

The table below reflects the discounted contractual cash flows of financial liabilities at the end of the reporting period. The variable funding notes include the liquidity reserve facility from SDFCL and the discounted cash flows for interest fees and commitment fees. The maturities reflect the maturity of the facility provided by the co-funders and SDFCL. Although, the variable funding notes have the nature of a short-term revolving facility renewing on a monthly basis, the co-funders have agreed to provide the funding to the structure until 1 December 2023. Hence, the maturity of the facility and by extension the liquidity reserve is set for 1 – 5 years maturity.

As at 30 September 2018	Carrying amount £'000	Contractual cash flows	<1 mth £'000	1-3 mths £'000	3mths- 1year £'000	1-5 years £'000
Funding notes issued (including Liquidity Reserve)	1,300,018	1,383,895	10,938	6,848	30,227	1,335,882

As at 30 September 2017	Carrying amount £'000	Contractual cash flows	<1 mth £'000	1-3 mths £'000	3mths 1year £'000	1-5 years £'000
Variable funding notes issued (including Liquidity Reserve)	1,211,428	1,280,119	9,016	5,581	24,682	1,240,839

The Company will, from time to time, issue variable funding notes to various co-funders to fund the purchase of certain interests in the non-finance charge receivables or to repay maturing variable funding notes. At year-end, the facility was due to expire on 1 December 2023 on which date the Receivables Securitisation Agreement terminates.

Fair values

The Directors consider the carrying amount of assets and liabilities as at 30 September 2018 approximated fair value due to the short term contractual cash flows. The facility will mature in 2023 and is revolving in nature hence renewed every month. Therefore, book value is considered equivalent to the fair value.

SECURITISATION OF CATALOGUE ASSETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

15. FINANCIAL INSTRUMENTS (Continued)

Credit risk

The maximum exposure to credit risk arising on the Company's financial assets as the reporting date and prior year end is the amount on the statement of financial position.

The Company faces the credit risk that the borrower might not be able to meet their obligations as they fall due. The Company is exposed to credit risk on its loans to SOCA RT and to SOCA UK. However the credit risk is mitigated by the limited recourse nature of the Company's funding. The performance of these loans is determined by the performance of the receivables portfolio held by SOCA RT and administered by SDFCL. The Company monitors its credit exposure on a monthly basis. The majority of principal balances and interest payments due on the receivables portfolio were made on time during the financial year. The incidence of delinquency and default on the underlying receivables portfolio were and remain comfortably inside the levels assumed in the modelling and structuring of the transaction and presents a low risk of loss to the funding providers. As such, no impairment was booked as at the year end (2017: nil).

There are no impaired or past due assets held at year-end (2017: nil).

Fitch Ratings has affirmed SECURITISATION OF CATALOGUE ASSETS LIMITED's notes, as follows:

Class A notes, affirmed at 'Asf'; Outlook Stable

Class B notes, affirmed at 'BBBsf'; Outlook Stable

Netting / Offsetting Assessment

The financial statements have been presented on a net basis. Relevant disclosures in the policy and notes to accounts have been made according to IFRS 7.

The Company is currently party to arrangement with SOCA RT under the Receivables Securitisation Agreement, which give it the right to offset financial assets and financial liabilities. Further, it is the intention of the Company to settle the amounts net and simultaneously. Hence the assets or liabilities concerned with SOCA RT are presented in "Net".

Description	Gross amounts of recognised financial assets £'000	Gross amounts of recognised financial liabilities set - off in the statement of financial position £'000	Net amounts of Financial Assets presented in the statement of financial position £'000	Related amounts not set off in the statement of financial position £'000	Net loan receivable (Note 9) £'000
2018					
SOCA RT	1,289,954	(36,122)	1,253,832	-	1,253,832
SOCA UK	(36,122)	36,122	-	-	-
Total Loans	1,253,832	-	1,253,832	-	1,253,832
2017					
SOCA RT	1,203,278	(39,950)	1,163,328	-	1,163,328
SOCA UK	(39,950)	39,950	-	-	-
Total Loans	1,163,328	-	1,163,328	-	1,163,328

SECURITISATION OF CATALOGUE ASSETS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

16. RELATED PARTY DISCLOSURES

During the year, Sanne Fiduciary Services Limited (“SFSL”) and Sanne Secretaries Limited (“SSL”) provided administration and/or secretarial services respectively to the Company at commercial rates. Each of SFSL and SSL is a member of the “Sanne Group” (where the “Sanne Group” means Sanne Group PLC and all its subsidiaries and affiliates of the same).

Each of S.J. Hopkins, J. Pendergast and Angelo Orosco is a Director and/or employee of SFSL and should be regarded as interested in any transaction with any member of Sanne Group.

During the year, fees incurred for management services, legal services and setup services to the affiliates were £16,151 (2017: £18,800) and the amount payable as at 30 September 2018 was £13,195 (2017: £5,761).

17. ULTIMATE AND IMMEDIATE PARENT UNDERTAKING

The management determined that the Company has no ultimate controlling party. As described in Note 14 the shares of the Company are held by the Securitisation of Catalogue Assets Charitable Trust, which is a charitable trust constituted under the laws of Jersey, Channel Islands, and whose Trustee is Sanne Trustee Services Limited.

18. SUBSEQUENT EVENTS

In December 2018, the following restructuring transactions took place:

- The existing Class A Notes were redeemed and were immediately re-issued in revised form as new Class AS (Senior Notes) and Class AJ (Junior Notes – junior only to the Class AS Notes);
- The existing Class B Notes and Class C Notes were redeemed and were immediately re-issued in revised form as new Class B Notes and Class C Notes;
- The new Class B Notes and Class C Notes provide for settlement through the clearing systems (requiring the issue of Global Notes and the appointment of a Paying Agent);
- The Account Bank was moved from The Royal Bank of Scotland PLC (“RBS”) to HSBC Bank PLC;
- The existing Transaction Manager and Registrar was changed from Deutsche Bank International Limited to Vistra (Jersey) Limited;
- HSBC Bank PLC was appointed as Paying Agent;
- The existing role of Transaction Adviser that was performed by The Royal Bank of Scotland PLC (trading as NatWest Markets) was eliminated;
- It might also be noted that the existing Security Trustee remained unchanged as Deutsche Trustee Company Limited and that Deutsche Bank Luxembourg S.A. was appointed as Data Trustee;

In the Directors’ opinion, there were no other material events subsequent to the reporting date that require disclosure in these financial statements.