Company Number 08237499

Auto ABS UK Loans plc

Annual report and financial statements

For the year ended 31 December 2019

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Auto ABS UK Loans plc

Officers and professional advisers

Directors

Intertrust Directors 1 Limited
Intertrust Directors 2 Limited
Daniel Jaffe

Company secretary and registered office

Intertrust Corporate Services Limited
1 Bartholomew Lane
London
EC2N 2AX

Company number

08237499
(England and Wales)

Independent auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

The directors present the strategic report for Auto ABS UK Loans plc (the "Company") for the year ended 31 December 2019.

Principal activities, business review and future developments

The Company was established as a special purpose company. On 21 December 2012 the Company raised funding by the issue of senior notes due 2021 being £275,000,000 Class A1 Notes, £275,000,000 Class A2 Notes and £184,000,000 Class A3 Notes (the "Senior Notes") and also £345,999,503 subordinated Notes (the "Subordinated Notes"). The subordinated notes are held by PSA Finance UK Limited (the "Seller" or the "Originator"). The Company used the funds to acquire an interest in a portfolio of receivables (the "Receivables") originated by Banque PSA Finance SA UK branch ("Banque PSA") (the "Former Seller" and the "Former Originator").

On 28 July 2014 the Company issued £189,500,000 of Class B Notes due 2022 (the "Junior Notes" or "B Notes"), the proceeds of which were used solely to repay in part the Subordinated Notes.

On 2 February 2015 the Receivables were transferred by way of the master amendment and restatement deed to the Originator.

The Receivables comprise auto loan contract receivables originated by the Seller, together with ancillary rights, purchased by the Company.

In February 2015 a further £142,750,000 of Class A2 Notes and a further £142,750,000 of Class A2 Notes were issued, the proceeds of which were used to redeem the remaining balance of the Class A1 Notes. Additionally on 2 February 2015 the balance of the Subordinated Notes were repaid from the proceeds of the issue of First and Second Subordinated Notes, being £58,100,000 and £126,229,000 respectively.

In May 2016 there was an element of refinancing and the issuance of £265,000,000 Class A1 Notes due 2024, £265,000,000 Class A4 Notes due 2024 (and together with the Class A2 Notes and Class A3 Notes, the "Senior Notes") and £125,000,000 Class B1 Notes due 2024 (and together with the Senior Notes, the "Notes"). The Class A1 Notes, the Class A4 Notes and the Class B1 Notes were admitted to listing on the International Stock Exchange (previously the Channel Islands Stock Exchange).

On 30 May 2017, the Class A2 notes and the First Subordinated Notes have been redeemed in full. The Class A1 Notes have been redeemed and re-issued.

On 30 May 2017, there was a change to the Receivables pool size of the underlying receivables and the Principal Amount Outstanding on the Class A3 and A4 notes was increased. These notes are now also listed on the International Stock Exchange.

On 18 December 2018, there was a change in the Receivables pool size of the underlying receivables. The Principal Amount Outstanding on the Class A has been increased whereas the Principal Amount Outstanding on the Class A3 and Class A4 notes have been decreased. On the same date, Class A4 Notes were redeemed in full and Class A4a Notes were issued. Furthermore Class A1 notes have been de-listed since January 2019.

The Senior Notes are variable funding notes, in respect of which the principal amount outstanding may be increased or decreased in accordance with the terms of the senior note purchase facility agreement.

The purchase of the Receivables by the Company from the Seller, has not been recognised in the statement of financial position of the Company since the sale by the Seller fails the de-recognition criteria of IAS39 in the Seller's financial statements and therefore these Receivables remain on the statement of financial position of PSA Finance UK Limited. The cash paid by the Company for the purchase of the Receivables is therefore classified as a loan to the Originator (the "Loan") on the statement of financial position of the Company.

On 2 February 2015 the reserve loan agreement the Company originally entered into with Banque PSA was transferred to PSA Finance UK Limited, whereby PSA Finance UK Limited will make funds available to the Company to enable the Company to fund the General Reserve, the Commingling Reserve and the Set-Off Reserve from time to time (the "Reserve Loan"). At year-end, the Reserve Loan was £15,600,000 (2018: £15,600,000).

For a certain period of time (the revolving period), the Company may use the principal collections received on the Receivables to purchase, subject to certain conditions, further eligible Receivables from PSA Finance UK Limited, rather than to repay the principal on the outstanding Notes. During the year the Company acquired additional Receivables funded by using principal redemption proceeds from the Receivables.

Principal activities, business review and future developments (continued)

The initial revolving period ceased 364 days after the closing date but it has been extended several times and is currently extended to November 2020. However it can be further extended upon the consent of all parties and confirmation of the AAA rating of the Senior Notes. The final maturity of the Notes has also been extended to March 2023.

The Senior Notes are listed on the International Stock Exchange the Subordinated Notes and A1 notes are not listed.

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

London Inter-Bank Offered Rate ("LIBOR") is the current benchmark upon which reliance is placed. However, by the end of 2021 it will no longer be in use, following its replacement by SONIA. There remains uncertainty around the financial impact this will have on the Company at this stage, as this will depend on the timing of the repayment of the Notes.

On 23 June 2016, the UK voted to exit the European Union ("EU"). The UK entered into a transition period with the EU on 31 January 2020, however with no trade 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 SPV, therefore payment of them is dependent upon redemptions on the Loan.

In early 2020 a new coronavirus ("COVID-19") outbreak was declared a pandemic by the World Health Organisation. COVID-19 has caused global disruption to businesses and economic activity which has been reflected in recent fluctuations in global equity and bond markets. The directors continue to monitor the recent COVID-19 outbreak, which has potential to impact portfolio performance in 2020 as some customers may not be able to meet contractual payments due to unemployment or other factors caused as a result of COVID-19.

Due to the non-recourse nature of the Notes, the Company's ability to pay amounts due on the Notes are, 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 Prospectus.

The operating expenses of the Company are immaterial compared to the cash received on the Receivables on a monthly basis. Operating expenses are first in the order of priority of payment and the directors are comfortable that these will be covered by the cash collected on the performing loans within the portfolio. Potential interest shortfalls on the Notes can be mitigated by drawing from the liquidity reserve fund, which can also be used to pay expenses classed as senior expenses by the Transaction Documentation. The Company is also able to use principal receipts to mitigate interest shortfalls on the Notes and senior expenses

As at the date of signing, approximately 138 out of 139,718 loans in the portfolio have been impacted by Covid-19 and the payment breaks were implemented for these loans. The value of these loans is approximately £1.47m whereas total outstanding receivables are £1,145,999,923. While arrears on the portfolio will increase due to Covid-19, over 99% of the portfolio is still performing. A large proportion of customers are continuing to repay their loans as usual and this cash will continue to be collected by the structure for distribution to the appropriate parties.

Results

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, to the extent sufficient cash is available for such retention. This is reflected in the statement of comprehensive income before any movements on fair value gains and losses on derivatives. Available revenue receipts are defined by the programme documentation and include interest on the Receivables and interest received on the bank accounts. Profits in excess of this accrue to PSA Finance UK Limited, the portfolio seller of the Receivables. The payments of deferred consideration are strictly governed by the priority of payments that sets out how cash can be utilised. The loss for the financial year was £6,550,161 (2018: loss of £6,111,264) as shown in the statement of comprehensive income on page 14. The loss for the year arose mainly due the change in the fair value of interest rate swaps taken out as economic hedges against interest rate movements. These fair value movements are non-cash items.

Key performance indicators, principal risks and uncertainties

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

	31 December 2019
	£
Outstanding balance of Receivables	**1,103,238,617**
Outstanding balances of Receivables more than 90 days in arrears	**559,919**

As at 31 December 2019, 0.05% (2018: 0.08%) of the Receivables were over 90 days in arrears.

As at 31 December 2019 the Receivables balance was £1,103,238,617 (2018: £1,102,701,725). As at 31 December 2019 the balance of the Senior Notes were £915,000,000 (2018: £915,000,000) and Second Subordinated Notes £231,000,000 (2018: £231,000,000).

Impacts of COVID-19 and Brexit are also considered as uncertainties. For details please refer to section "Principal activities, business review and future developments".

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 the Notes. The Company issued such financial instruments to finance the Loan as explained in the business review above.

The Company uses derivative financial instruments (interest rate 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 primary risks arising from the Company's financial instruments are credit risk, liquidity risk and interest rate risk. The principal nature of such risks is summarised below and in note 12.

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 Deemed 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 PSA Finance UK Limited at the end of the financing contracts when their market price would be less than the one currently forecasted and currently observed.

However, delinquencies and defaults on the Receivables will not result in an impairment loss if the cash flows from the asset pool are still expected to be sufficient to meet the Company's obligations. Losses incurred on the Receivables will not trigger an impairment charge as long as they do not exceed the credit enhancement granted by the Originator. The headroom for 31 December 2019 is £26,433,595 (2018: £24,776,581)

The credit quality of the Receivables is set out in note 12.

Liquidity risk

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

The Company's assets (primarily 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 reserve loan amounting to £15,600,000 (2018: £15,600,000) to manage any remaining liquidity risk (note 12).

Interest Rate Risk

Interest rate risk exists where interest rates on assets and liabilities are set on 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.

London Inter-Bank Offered Rate ("LIBOR") is the current benchmark upon which reliance is placed. However, by the end of 2021 it will no longer be in use, following its replacement by SONIA. There remains uncertainty around the financial impact this will have on the Company at this stage, as this will depend on the timing of the repayment of the Notes.

Section 172(1) of the companies Act 2016

As a special purpose vehicle the governance structure of the Company is such that the key policies have been predetermined at the time of issuance. The Directors have had regards to the matters set out in section 172(1) of the Companies Act 2006 as follows:

a) the transaction documents have been formulated to achieve the Company's purpose and business objectives, safeguard the assets and promote the success of the Company with a long term view and as disclosed in Note 1 in accordance with relevant securitisation legislation the Company is only permitted to retain minimal profit;

b) the company has no employees;

c) the Company is a securitisation vehicle and fosters its relationships with suppliers and others via professional third parties who have been assigned operational roles with their roles strictly governed by the transaction documents and fee arrangements agreed in advance. The Company has no customers.

d) as a securitisation vehicle the Company has no physical presence or operations and accordingly has minimal impact on the community and the environment;

e) the Company maintains a reputation for high standards of business conduct via professional third parties who have been assigned operational roles. Fee arrangements have been agreed in advance and supplier invoices paid strictly in accordance with the transaction documents including a priority of payments, if applicable; and

f) the Company has a sole member with the issued shares all held on a discretionary trust basis for the benefit of charities to be determined.

In accordance with s. 426B Companies Act 2006 a copy of this statement is available at https://www.intertrustgroup.com/our-services/capital-markets-services/public-transactions.

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 this minimum requirement.

On behalf of the board

Sue Abrahams
per pro **Intertrust Directors 1 Limited**
Director
2 July 2020

The directors present their report together with the audited financial statements for the year ended 31 December 2019.

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.

Going concern

At the reporting date the Company is showing a net liabilities position of £4,841,268 (2018: net assets position of £1,708,893) due to change in fair value of the derivatives. During the year company made a loss of £6,550,161 (2018: loss of £6,111,264) as shown in the statement of comprehensive income. The loss for the year arose mainly due the change in the fair value of interest rate swaps taken out as economic hedges against interest rate movements. These fair value movements are non-cash items. However the obligations of the Company to pay amounts due on the Notes are limited to the application of receipts from the Receivables under the terms of the priority of payments as set out in the terms and conditions of the Notes. If on full realisation of the security, insufficient funds exist to settle the liabilities owed to the noteholders, there will be no further recourse to the Company (even in the event of default).

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.

The initial revolving period ceased 364 days after the closing date but it has been extended several times and is currently extended to November 2020. However it can be further extended upon the consent of all parties and confirmation of the AAA rating of the Senior Notes. The final maturity of the Notes has been extended to March 2023.

Taking the above into account, the directors consider that it is appropriate to use the going concern basis in preparing the financial statements (refer to key performance indicators, principal risks and uncertainties section of the Strategic report).

In early 2020 a new coronavirus ("COVID-19") outbreak was declared a pandemic by the World Health Organisation. COVID-19 has caused global disruption to businesses and economic activity which has been reflected in recent fluctuations in global equity and bond markets. The directors continue to monitor the recent COVID-19 outbreak, which has potential to impact portfolio performance in 2020 as some customers may not be able to meet contractual payments due to unemployment or other factors caused as a result of COVID-19. The government announced that there is car loans holidays and government support.

Due to the non-recourse nature of the Notes, the Company's ability to pay amounts due on the Notes are, 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 Prospectus.

The operating expenses of the Company are immaterial compared to the cash received on the Receivables on a monthly basis. Operating expenses are first in the order of priority of payment and the directors are comfortable that these will be covered by the cash collected on the performing loans within the portfolio. Potential interest shortfalls on the Notes can be mitigated by drawing from the liquidity reserve fund, which can also be used to pay expenses classed as senior expenses by the Transaction Documentation. The Company is also able to use principal receipts to mitigate interest shortfalls on the Notes and senior expenses.

Going concern (continued)

As at the date of signing, approximately 138 out of 139,718 loans in the portfolio have been impacted by Covid-19 and the payment breaks were implemented for these loans. The value of these loans is approximately £1.47m whereas total outstanding receivables are £1,145,999,923. While arrears on the portfolio will increase due to Covid-19, over 99% of the portfolio is still performing. A large proportion of customers are continuing to repay their loans as usual and this cash will continue to be collected by the structure for distribution to the appropriate parties.

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.

Future developments

Information on future developments is included in the Incorporation, principal activities, business review and future developments section of the Strategic report.

Financial risk management

Information on financial risk management is included in the financial instruments section of the Strategic report.

Share capital

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

Directors and their interests

The directors of the Company who were in office during the year and up to the date of signing the financial statements, were:

Intertrust Directors 1 Limited
Intertrust Directors 2 Limited
Daniel Jaffe

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 (2018: none).

The directors do not recommend the payment of a dividend (2018: £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 the company secretary during the year and subsequently.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Statement of disclosure of information to the auditors

The directors confirm that:

a) so far as the directors are aware, there is no relevant information of which the Company's auditors are unaware; and

b) each director has taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Statement of directors' responsibilities in respect of the financial statements

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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 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.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office until the next annual general meeting. Pursuant to section 489 of the Companies Act 2006, a resolution for the re-appointment of PricewaterhouseCoopers LLP will be proposed at the forthcoming annual general meeting.

Events occurring after the reporting date

In early 2020 a new coronavirus ("COVID-19") outbreak was declared a pandemic by the World Health Organisation. COVID-19 has caused global disruption to businesses and economic activity which has been reflected in recent fluctuations in global markets. The members consider the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event and do not consider there to be a material change in the going concern assessment. Given the inherent uncertainties, it is not practicable at this time to determine what the overall impact of COVID-19 will be.

On behalf of the board

Sue Abrahams
per pro **Intertrust Directors 1 limited**
Director
2 July 2020

Independent auditors' report to the members of Auto ABS UK Loans plc

Report on the audit of the financial statements

Opinion

In our opinion, Auto ABS UK Loans Plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019, the statement of comprehensive income for the year ended 31 December 2019, the statement of changes in equity for the year ended 31 December 2019; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

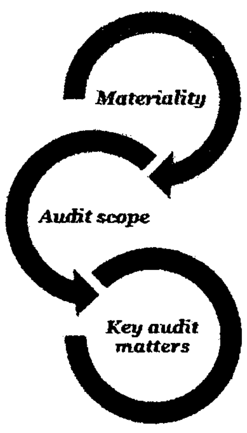
We have provided no non-audit services to the company in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Context

Auto ABS UK Loans Plc is a special purpose entity that raised debt on the International Stock Exchange (the "Notes") to acquire an interest in a portfolio of auto receivables (the "Receivables") originated by PSA Finance UK Limited. As such, the activities of the company are limited to the application of cash received in respect of the Receivables, in accordance with the applicable priority of payments as per the underlying legal documentation of this securitisation.

Overview



- Overall materiality: £11.7 million (2018: £11.7 million), based on 1% of total assets.

- The Company is a special purpose vehicle that forms part of a securitisation structure, established primarily as a means of raising wholesale funding for PSA Finance UK Limited.
- We tailored the scope of our audit to ensure that we performed sufficient work to enable us to opine on the annual report and financial statements, ensuring audit procedures were performed in respect of every material financial statement line item.
- In establishing the overall approach to the audit, we determined the type of work that needed to be performed by us taking into account the accounting processes and controls in place at PSA Finance UK Limited as the originator and servicer.

- Accounting treatment and measurement of the Deemed Loan to the Originator and the Notes
- Impact of Covid-19

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the underlying legal documents and agreements governing this securitisation transaction as well as the listing requirements of the International Stock Exchange under which the offering circular dated 28 December 2018 was issued, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. Audit procedures performed by the engagement team included:

- Recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion;
- Reviewed the requirements of applicable laws and regulations, including the Companies Act 2006 and The International Stock Exchange listing rules and tailored the scope of work to highlight non-compliance with such laws and regulations that could give rise to a material misstatement in the company's financial statements;
- Review of the financial statement disclosures to underlying supporting documentation; and
- Review of minutes of director meetings occurring during the year and enquiries of management

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

Key audit matter	***How our audit addressed the key audit matter***
Accounting treatment and measurement of the Deemed Loan to the Originator and the Notes	
Both the Deemed Loan to the Originator and the Notes are accounted for at amortised cost using the effective interest rate method.	We discussed the appropriateness of the recognition and measurement of the Deemed Loan to the Originator and the Notes with management.
The Deemed Loan to the Originator represents the net consideration paid to the Originator, in respect of the receivables purchased by the Company, where the terms of the purchase mean that the receivables do not qualify for on-balance sheet recognition by the Company.	We tested movements in the underlying receivables that secure the Deemed Loan to the Originator throughout the year relating to interest earned, borrower payments, redemptions and written off amounts.
The Deemed Loan to the Originator will potentially include an impairment balance, modelled on an incurred loss basis, to the extent any potential impairment is greater than the implied over-collateralisation within the	We discussed with management and assessed the Deemed Loan to the Originator for impairment in the context of implied over-collateralisation therein.

Independent auditors' report to the members of Auto ABS UK Loans plc (continued)

Key audit matter	*How our audit addressed the key audit matter*
Deemed Loan to Originator. Cash receipts in respect of the underlying receivables are required by the underlying transaction documents to be paid out in line with the prevailing priority of payments (or "Waterfall"). As such, payments (including those pertaining to the Notes) are made subject to cash being available, via application of the Waterfall. We therefore focused a substantial part of our testing on the measurement of the Deemed Loan to the Originator (along with associated interest receivable and any impairment deemed to be present) and the Notes (and associated interest payable) and with respect to the latter, we also considered the appropriateness of the payment priority adhered to in the context of the underlying legal securitisation arrangements. Related disclosures in the financial statements: - Note 1 Accounting policies - Note 8 Deemed Loan - Note 10 Creditors - Note 12 Financial Instruments	In respect of the Notes, we agreed interest and principal payments to bank statements and also third-party investor reporting. We agreed the closing balance as being equal to the opening balance less principal redemptions during the year. Additionally, we confirmed the Notes balances outstanding at the year end. We compared the prevailing priority of payments to that stated within the legal transaction documentation and agreed the amounts distributed via this priority of payments to cash receipts arising from the underlying receivables where applicable. We found no material exceptions in performing these tests.
Impact of Covid-19 The Covid-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken to contain the virus have affected economic activity, which in turn has implications for financial reporting. Management's disclosures in the financial statements identify that Covid-19 and the immediate economic environment will likely increase the future level of impairment on Mortgage Loans due to customers not being able to meet their contractual payments. This in turn may affect the company's use of the going concern basis preparation due to either the company not being able to meet its liabilities as they fall due, or the trigger of a predefined event of default (per the legal transaction documentation of the securitisation) that may accelerate an orderly wind-down of the company. Related disclosures in the financial statements: • Directors' Report • Strategic Report • Note 15 – Events occurring after the reporting date	As part of the audit we have reviewed management's assessment of going concern, which concluded that a significant increase in defaults and write offs would not impact the going concern basis of preparation, by performing the following: • Reviewed the transaction documents to confirm that the notes are limited recourse and that certain expenses can be deferred if there are insufficient funds. We also reviewed the events of default outlined in the transaction documents; • Reviewed historic levels of non-deferrable expenses and payments and compared this to the reserve fund amount held within the year end cash at bank balance with a view to its sufficiency to cover such expenses and assessed sensitivity to potential reductions in future cash receipts from the underlying Receivables; • Confirmed the closing cash position; • Considered historic and expected write offs on the Deemed Loan to the Originator when assessing the future potential impact on receipts (noting that for the current year the impact is considered a non-adjusting post balance sheet event with respect to impairment); and • Reviewed post year end investor reporting for pertinent changes in the cash flows of the company. No exceptions were noted in performing the above testing.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

Overall materiality	£11.7 million (2018: £11.7 million).
How we determined it	1% of total assets.
Rationale for benchmark applied	As the company was established as a thinly capitalised not-for-profit entity whose main priority is to remit cash flows received in respect of the Deemed Loan to Originator, it follows that users may focus their attention on the company's total assets.

We agreed with the directors that we would report to them misstatements identified during our audit above £0.6 million (2018: £0.6 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the directors, we were appointed by the directors on 31 March 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ended 31 December 2016 to 31 December 2019.

Iain Wright

Iain Wright (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
2 July 2020

Statement of comprehensive income for the year ended 31 December 2019

	Note	2019 £	2018 £
Interest receivable and similar income	2	20,103,236	17,904,992
Interest payable and similar expenses	3	(19,298,817)	(17,448,400)
Net interest income		804,419	456,592
Change in fair value of derivatives		(6,285,920)	(5,568,871)
Operating expenses	4	(1,068,432)	(998,757)
Loss before taxation	5	(6,549,933)	(6,111,036)
Tax on loss	7	(228)	(228)
Loss for the financial year		(6,550,161)	(6,111,264)
Other comprehensive income		-	-
Total comprehensive loss for the year		**(6,550,161)**	**(6,111,264)**

All amounts relate to continuing activities.

The accompanying notes on pages 17 to 29 are an integral part of these financial statements.

Statement of changes in equity for the year ended 31 December 2019

	Called up share capital	Accumulated Profit/(losses)	Total shareholders' funds/(deficit)
	£	£	£
Balance as at 1 January 2018	12,501	7,807,656	7,820,157
Total comprehensive loss for the year	-	(6,111,264)	(6,111,264)
Balance as at 31 December 2018	12,501	1,696,392	1,708,893
Total comprehensive loss for the year	-	(6,550,161)	(6,550,161)
Balance as at 31 December 2019	**12,501**	**(4,853,769)**	**(4,841,268)**

The accompanying notes on pages 17 to 29 are an integral part of these financial statements.

Statement of financial position as at 31 December 2019

	Note	2019 £	Restated* 2018 £
Non-Current assets			
Deemed Loan	8	1,096,685,309	1,095,451,301
Current assets			
Debtors	9	56,385	1,587,433
Cash at bank and in hand		69,194,977	68,074,855
		69,251,362	69,662,288
Creditors: amounts falling due within one year	10	(4,423,066)	(1,804,696)
Net current assets		64,828,296	67,857,592
Total assets less current liabilities		1,161,513,605	1,163,308,893
Creditors: amounts falling due after more than one year	10	(1,166,354,873)	(1,161,600,000)
Net (liabilities)/assets		**(4,841,268)**	**1,708,893**
Capital and reserves			
Called up share capital	11	12,501	12,501
Accumulated (losses)/profit		(4,853,769)	1,696,392
Total shareholders' (deficit)/funds		**(4,841,268)**	**1,708,893**

The accompanying notes on pages 17 to 29 are an integral part of these financial statements.

*Notes 8,9,10 and 12 have been restated. Refer note 16 for details.

The financial statements on pages 14 to 29 were approved by the Board of Directors on 2 July 2020 and signed on its behalf by:

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

1 Accounting policies

Basis of preparation

Auto ABS UK Loans plc (the "Company") is a public limited company, limited by shares and incorporated in the United Kingdom with the registered office at 1 Bartholomew Lane, London, EC2N 2AX.

The financial statements of 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 Financial Reporting Standard 102 ("FRS 102").

The Company has adopted in full IAS 39 with respect to the recognition and measurement of financial instruments. 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 statement of financial position 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.

The company's functional and presentation currency is the pound sterling.

Basis of preparation: Going concern

At the reporting date the Company is showing a net liabilities position of £4,841,268 (2018: net assets position of £1,708,893), due to change in fair value of the derivatives. During the year company made a loss of £6,550,161 (2018: loss of £6,111,264) as shown in the statement of comprehensive income. The loss for the year arose mainly due the change in the fair value of interest rate swaps taken out as economic hedges against interest rate movements. These fair value movements are non-cash items. However the obligations of the Company to pay amounts due on the Notes are limited to the application of receipts from the Loan under the terms of the priority of payments as set out in the terms and conditions of the Notes. If on full realisation of the security, insufficient funds exist to settle the liabilities owed to the noteholders, there will be no further recourse to the Company (even in the event of default). As such, the directors consider that it is appropriate to use the going concern basis in preparing the financial statements.

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.

In early 2020 a new coronavirus ("COVID-19") outbreak was declared a pandemic by the World Health Organisation. COVID-19 has caused global disruption to businesses and economic activity which has been reflected in recent fluctuations in global equity and bond markets. The directors continue to monitor the recent COVID-19 outbreak, which has potential to impact portfolio performance in 2020 as some customers may not be able to meet contractual payments due to unemployment or other factors caused as a result of COVID-19. The government announced that there is car loans holidays and government support.

Due to the non-recourse nature of the Notes, the Company's ability to pay amounts due on the Notes are, 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 Prospectus.

The operating expenses of the Company are immaterial compared to the cash received on the Receivables on a monthly basis. Operating expenses are first in the order of priority of payment and the directors are comfortable that these will be covered by the cash collected on the performing loans within the portfolio. Potential interest shortfalls on the Notes can be mitigated by drawing from the liquidity reserve fund, which can also be used to pay expenses classed as senior expenses by the Transaction Documentation. The Company is also able to use principal receipts to mitigate interest shortfalls on the Notes and senior expenses.

1 Accounting policies *(continued)*

Basis of preparation: Going concern (continued)

As at the date of signing, approximately 138 out of 139,718 loans in the portfolio have been impacted by Covid-19 and the payment breaks were implemented for these loans. The value of these loans is approximately £1.47m whereas total outstanding receivables are £1,145,999,923. While arrears on the portfolio will increase due to Covid-19, over 99% of the portfolio is still performing. A large proportion of customers are continuing to repay their loans as usual and this cash will continue to be collected by the structure for distribution to the appropriate parties.

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.

Deemed 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 derecognises 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 (PSA Finance UK Limited) 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 to the originator.

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 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 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.

However, delinquencies and defaults on the Receivables will not result in an impairment loss if the cash flows from the asset pool are still expected to be sufficient to meet the Company's obligations. Losses incurred on the Receivables will not trigger an impairment charge as long as they do not exceed the credit enhancement granted by the originator.

Notes and the Reserve Loan

The Notes and the Reserve Loan 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 using the effective interest rate method.

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 reporting date, and is calculated by discounting future cash flows using observable market data at that date.

1 Accounting policies *(continued)*

Interest income and interest expense and similar charges

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 liabilities 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.

Deferred consideration

Deferred consideration represents further amounts payable on the acquisition of the Receivables from PSA Finance UK Limited. The payment of these amounts is conditional on the performance of the Receivables.

Under the terms of the securitisation the Company earns a monthly profit in an amount equal to £100 each interest payment date ("IPD") which is credited to the retained profit ledger (as described in the securitisation documentation), to the extent sufficient cash is available. This is reflected in the statement of comprehensive income before any movements on fair value gains and losses on derivatives and effective interest rate adjustments.

Realised profits in excess of £100 per month accrue to the Originator as deferred consideration. Accordingly, such amounts owing or paid to the Originator are netted off the Deemed Loan in the statement of financial position or the interest income on the Deemed Loan in the profit and loss account respectively.

Cash at bank and in hand

Cash at bank and in hand comprise cash balances. These accounts are held in the Company's name and meet the definition of cash, but their use is restricted by a detailed priority of payments as set out in the Transaction Documentation. As the cash can only be used to meet certain specific liabilities and is not available to be used with discretion, it is viewed as restricted cash.

Cash flow statement

As detailed in note 13, PSA Finance UK Limited has effective control over the Company's operations. Therefore, as per the requirements of sections 1.11 of FRS 102, the Company meets the definition of a qualifying entity and has taken advantage of the exemption from preparing cash flow statement as specified in section 1.12. PSA Finance UK Limited, a company registered in England & Wales, prepares consolidated financial statements including a cash flow statement incorporating this company. These financial statements are publicly available on https://beta.companieshouse.gov.uk.

Accruals and deferred income

Accruals and deferred income are not interest bearing and are stated at their nominal value.

Segmental analysis

The principal asset of the Company is the Deemed 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.

Taxation

For UK corporation tax purposes, the Company has been considered as 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 securitisation transaction into which the Company has entered.

1 Accounting policies *(continued)*

Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision 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 current and future periods.

Critical accounting estimates and judgements (continued)

The judgments and estimates involved in the Company's accounting policies that are considered by the directors to be the most important to the portrayal of the Company's financial condition and that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Deemed loan to Originator

Decision to recognise a deemed loan in respect of the receivables is also considered as a significant judgement. Details have been described above in the accounting policies section "Deemed loan to originator".

Impairment losses on the Deemed Loan to Originator

The recoverability of the deemed loan to the Originator 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 contractual terms of the agreement. The key assumptions for recoverability relate to estimates of 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.

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.

However, delinquencies and defaults on the Receivables will not result in an impairment loss if the cash flows from the asset pool are still expected to be sufficient to meet the Company's obligations. Losses incurred on the Receivables will not trigger an impairment charge as long as they do not exceed the credit enhancement granted by the originator.

The credit risk is minimal because the credit losses on the Receivables are not expected to exceed the amount of credit enhancement, being the excess spread on the Deemed Loan and the Liquidity Reserve Fund, supplied by the Seller. Hence the Deemed Loans are not impaired.

1 Accounting policies *(continued)*

Fair value of financial instruments

Where the fair value of financial assets and liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined by using valuation techniques including counterparty valuations or discounted cash flows models. The inputs to such models are taken from observable markets where possible but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The fair value of the derivative financial instruments is derived from counterparty valuations.

2 Interest receivable and similar income

	2019	2018
	£	£
Deemed Loan interest	89,910,636	92,775,599
Deferred purchase price	(66,765,593)	(76,013,361)
Other operating income	249,404	552,517
Net amounts receivable in respect of interest rate swap contracts	(3,291,211)	590,237
	20,103,236	**17,904,992**

Included in Deemed Loan interest are recovery amounts on the Receivables that have been previously written off for £1,798,541 (2018: 1,391,013).

3 Interest payable and similar expenses

	2019	2018
	£	£
Interest expense on the Notes	19,204,825	17,119,811
Interest expense on Reserve Loan	37,063	181,367
Other interest paid	56,929	147,222
	19,298,817	**17,448,400**

4 Operating expenses

	2019	2018
	£	£
Servicing fees	859,392	850,967
Corporate services fees	58,262	49,343
Cash management fees	60,000	57,600
Audit and accounting fees	16,500	16,380
Bank account charges	-	5,500
Trustee fees	14,400	15,743
Other fees	59,878	3,224
	1,068,432	**998,757**

5 Loss before taxation

	2019 £	2018 £
This has been arrived at after charging:		
Auditors' remuneration - audit services	16,500	16,380
	16,500	**16,380**

6 Directors and employees

The Company has no employees (2018: none) and services required are contracted from third parties. The directors received no remuneration from the Company in respect of qualifying services rendered during the year (2018: £nil).

7 Tax on loss

a) Analysis of the company charge in the year	2019 £	2018 £
UK corporation tax on the loss for the year	228	228
	228	**228**

The total tax charge for the year is the same as (2018: higher) the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%).

The difference is explained below:

	2019 £	2018 £
b) Factors affecting the Company total tax charge for the year		
Loss before taxation	**(6,549,933)**	**(6,111,036)**
Tax credit at 19.00% (2018: 19.00%)	(1,244,487)	(1,161,097)
Effects of:		
Accounting loss not taxed in accordance with SI 2006/3296	1,244,487	1,161,097
Cash retained profit taxed in accordance with SI 2006/3296	228	228
Total tax charge	**228**	**228**

For UK corporation tax purposes, the Company has been considered as 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 Finance Act 2013 was substantively enacted on 2 July 2013. The Act further reduced the main rate of corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. The Finance Act 2015 which was substantively enacted on 26 October 2015 included legislation to reduce the corporation tax rate from 1 April 2017 to 19%.

8 Deemed Loan

	2019 £	Restated* 2018 £
Opening balance	1,095,451,301	1,097,712,855
Purchase of receivables	607,637,845	634,256,130
Repayments of receivables	(599,850,529)	(629,267,260)
Closing balance	**1,103,238,617**	**1,102,701,725**
Deferred purchase price	(6,553,308)	(7,250,424)
Closing balance	**1,096,685,309**	**1,095,451,301**

	2019 £	Restated* 2018 £
The maturity profile of the Deemed Loan was as follows:		
In more than one year	1,096,685,309	1,095,451,301
	1,096,685,309	**1,095,451,301**

9 Debtors

	2019 £	Restated* 2018 £
Derivatives	-	1,531,047
Other debtors	56,385	56,386
	56,385	**1,587,433**

10 Creditors

	2019 £	Restated* 2018 £
Amounts falling due within one year:		
Accrued interest payable on Notes	155,313	157,114
Corporation tax	228	228
Accruals and deferred income	4,267,525	1,647,354
	4,423,066	**1,804,696**
Amounts falling due after more than one year:		
Senior Notes	915,000,000	915,000,000
Second Subordinated Notes	231,000,000	231,000,000
Reserve Loan	15,600,000	15,600,000
Derivatives	4,754,873	-
	1,166,354,873	**1,161,600,000**

The Notes are secured over the underlying Receivables and the security related thereto.

*Balances have been restated. Refer note 16 for details.

11 Called up share capital

	2019 £	2018 £
Allotted, called up, fully paid and issued 49,999 ordinary shares (2018: 49,999 ordinary shares) of £1 each quarter paid and 1 (2018: 1) ordinary share of £1 fully paid	**12,501**	**12,501**

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 mitigate credit risk, liquidity risk and interest rate and inflation rate risk is shown in the Strategic report under the heading 'Financial Instruments'.

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

The Company's exposure to risk on its financial instruments and the management of such risk is largely determined from inception of the securitisation transaction. The Company's activities and the role of each party to the transaction is clearly defined and documented. PSA Finance UK Limited manages the Receivables under the service agreement with the Company. In managing the Receivables PSA Finance UK Limited applies its formal structure for managing risk and other control procedures.

In addition, derivative contracts are entered into as part of the securitisation transaction to economically hedge all interest rate risk arising in the transaction including the obligations under the Notes. The derivative counterparties are selected as regulated financial institutions and this reduces the risk of default and loss for the Company. Additional credit protection is afforded by the requirement for the derivative counterparties to post collateral in the event of a downgrade to a counterparty's credit rating.

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

The table below shows the classification of the financial instruments of the Company at the year end.

2019	Fair value through profit and loss £	Loans and receivables £	Financial liabilities at amortised cost £	Total carrying value £
Assets:				
Deemed Loan	-	1,096,685,309	-	1,096,685,309
Cash at bank and in hand	-	69,194,977	-	69,194,977
Other debtors	-	56,385	-	56,385
	-	**1,165,936,671**	**-**	**1,165,936,671**
Liabilities:				
Notes	-	-	1,146,000,000	1,146,000,000
Accruals	-	-	4,422,838	4,422,838
Derivatives	4,754,873	-	-	4,754,873
Reserve Loan	-	-	15,600,000	15,600,000
	4,754,873	**-**	**1,166,022,838**	**1,170,777,711**

12 Financial instruments (continued)

2018	Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Total carrying value
	£	£	£	£
Assets:				
Deemed Loan	-	1,095,451,301	-	1,095,451,301
Cash at bank and in hand	-	68,074,855	-	68,074,855
Other debtors	-	56,386	-	56,386
Derivatives	1,531,047	-	-	1,531,047
	1,531,047	**1,163,582,542**	**-**	**1,165,113,589**
Liabilities:				
Notes	-	-	1,146,000,000	1,146,000,000
Accruals	-	-	1,804,468	1,804,468
Reserve Loan	-	-	15,600,000	15,600,000
	-	**-**	**1,163,404,468**	**1,163,404,468**

Credit risk

The ability of the Company to meet its obligations to make principal and interest payments on the Notes and to meet its operating and administrative expenses is dependent on the extent that it has such amounts available to it.

Credit risk exists on the Deemed Loan and also on the derivatives that the Company holds to manage the interest rate risk arising on the Notes. The swap counterparties are regulated financial institutions.

The directors have assessed the latest information provided by the servicer and concluded that no impairment (2018: no impairment) should be recognised at the year end.

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

	Carrying value 2019	Maximum exposure 2019	Carrying value 2018	Maximum exposure 2018
	£	£	£	£
Assets:				
Deemed Loan	1,096,685,309	1,096,685,309	1,095,451,301	1,095,451,301
Cash at bank and in hand	69,194,977	69,194,977	68,074,855	68,074,855
Other receivables	56,385	56,385	56,386	56,386
	1,165,936,671	**1,165,936,671**	**1,163,582,542**	**1,163,582,542**
Derivative assets				
Interest rate swaps	**-**	**-**	**1,531,047**	**1,531,047**

The credit risk is minimal because the credit losses on the Receivables are not expected to exceed the amount of credit enhancement, being the excess spread on the Deemed Loan and the Liquidity Reserve Fund, supplied by the Seller. Hence the Deemed Loans are not impaired.

12 Financial instruments (continued)

Credit risk (continued)

The table below shows the arrears analysis of the Receivables as to interest and/or principal

	2019 £	2018 £
Current	1,088,260,832	1,094,604,126
Past due but not impaired	8,424,478	847,175
	1,096,685,309	**1,095,451,301**

The Deemed Loan may become impaired in case of deterioration in the performance of the Receivables as a result of economic conditions. The Receivables are secured on vehicles. If a borrower continues to default on a loan, the Company will receive asset realisation proceeds equivalent to the value of the secured vehicle at the time of sale. If it is difficult to find a purchaser for the vehicle, this may affect the value.

However, delinquencies and defaults on the Receivables will not result in an impairment loss if the cash flows from the asset pool are still expected to be sufficient to meet the Company's obligations. Losses incurred on the Receivables will not trigger an impairment charge as long as they do not exceed the credit enhancement granted by the originator.

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 which may be delayed due to slow repayment on the Receivables underlying the Deemed Loan.

In the event that the Company has insufficient funds available to pay interest and / or principal on the Notes, the Company, under certain conditions and to the extent funds are available, is obliged to draw on the reserve fund to meet its obligations to the noteholders.

The table below reflects the undiscounted contractual cash flows of financial liabilities at the reporting date of both derivative and non-derivative financial instruments. The Reserve Loan can be drawn and repaid as and when in accordance with the reserve loan agreement.

As at 31 December 2019	Carrying value £	Gross cash flows £	In less than 1 month £	After 1 month but within 3 months £	After 3 months but within one year £	After 1 year but within 5 years £
Notes	1,146,000,000	1,146,000,000	-	-	-	1,146,000,000
Interest payable on Notes	31,895	70,592,905	1,495,433	3,051,595	10,767,900	55,277,978
Reserve Loan	15,600,000	15,600,000	-	-	-	15,600,000
Derivatives	4,754,873	4,754,873				4,754,873
Total as 31 December 2019	**1,166,386,768**	**1,236,947,778**	**1,495,433**	**3,051,595**	**10,767,900**	**1,221,632,851**

Restated*

As at 31 December 2018	Carrying value £	Gross cash flows £	In less than 1 month £	After 1 month but within 3 months £	After 3 months but within one year £	After 1 year but within 5 years £
Notes	1,146,000,000	1,146,000,000	-	-	-	1,146,000,000
Interest payable on Notes	157,114	40,919,635	1,623,509	3,216,891	12,432,802	23,646,433
Reserve Loan	15,600,000	15,600,000	-	-	-	15,600,000
Total as 31 December 2018	**1,161,757,114**	**1,202,519,635**	**1,623,509**	**3,216,891**	**12,432,802**	**1,185,246,433**

* Refer note 16 for details.

12 Financial instruments (continued)

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 in the form of interest rate risk.

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under a different bases 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. The underlying Receivables and the Subordinated Notes are at a fixed rate, so the derivatives are in place to hedge the mismatch on the floating Senior Notes. As such, the Company does not have a material net exposure to interest rate risk and therefore no sensitivity analysis is presented.

Interest on the Notes is determined and payable monthly in arrears. As at 31 December 2019 the following rates were applicable:

Notes	**2019 £**	**2018 £**	**Interest rate as at 31 December 2019**
Class A1	305,000,000	305,000,000	**LIBOR + 0.6%**
Class A3	305,000,000	305,000,000	**LIBOR + 0.6%**
Class A4	305,000,000	305,000,000	**LIBOR + 0.6%**
Subordinated Notes	231,000,000	231,000,000	**3% fixed rate**
Reserve Loan	15,600,000	15,600,000	**London Inter Bank Bid Rate**
	1,161,600,000	**1,161,600,000**	

Fair value of financial assets and liabilities

The only financial instruments included in the Company's statement of financial position that are measured at fair value are derivative transactions. As the fair value of such derivatives is calculated by discounting future cash flows using appropriate and observable market data where available, these fall within level 3 of the 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); and

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

There are no financial instruments included in the Company's statement of financial position that are measured at fair value.

13 Controlling party

The Company's immediate parent company is Auto ABS UK Loans Holdings Limited, a company incorporated in the United Kingdom. The entire share capital of Auto ABS UK Loans Holdings Limited is held by the legal parent company, Intertrust Corporate Services Limited, which holds the shares on a discretionary trust basis for the benefit of certain charities.

Copies of the financial statements of Intertrust Corporate Services Limited, a company incorporated in Great Britain and registered in England and Wales, may be obtained from 1 Bartholomew Lane, London EC2N 2AX.

The smallest group in which the Company is consolidated is PSA Finance UK Limited.

The shares in PSA Finance UK Limited are held jointly by Banque PSA (50%) and Santander Consumer Finance UK Limited (50%). Santander Consumer Finance UK Limited is in turn owned by Santander UK plc.

Santander UK plc has effective control over PSA Finance UK Limited as it provides funding that is not procured through securitisation therefore the Company's ultimate parent undertaking, controlling party and largest group of which the Company is a member is Banco Santander SA a company incorporated in Spain. Copies of the group financial statements are available from Paseo de Pereda 9.12, Santander, Spain.

14 Related party

During the year fees of £58,262 (2018: £49,343) were paid to Intertrust Management Limited in respect of corporate services fees provided to the Company.

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

The table below details related party transactions the Company has with PSA Finance UK Limited:

	2019 £	2018 £
Assets:		
Net Receivables purchased outstanding at year-end	1,096,685,309	1,095,451,301
Other debtors	56,385	56,386
Liabilities:		
Second Subordinated Notes	231,000,000	231,000,000
Reserve Loan	15,600,000	15,600,000
Accruals and deferred income	4,277,283	1,544,260
Statement of comprehensive income:		
Interest receivable	89,935,449	96,248,646
Deferred Consideration	66,765,593	76,013,362
Interest payable	6,967,063	6,711,959
Servicing fees	859,392	850,967

For Servicing fees and Interest payable, £69,232 and £56,959 is unpaid during the current year respectively. These unpaid amounts have been included in Accruals and deferred Income

15 Events occurring after the reporting date

In early 2020 a new coronavirus ("COVID-19") outbreak was declared a pandemic by the World Health Organisation. COVID-19 has caused global disruption to businesses and economic activity which has been reflected in recent fluctuations in global markets. The members consider the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event and do not consider there to be a material change in the going concern assessment. Given the inherent uncertainties, it is not practicable at this time to determine what the overall impact of COVID-19 will be.

16 Restatement of prior period error

There were errors in the prior period financial statements related to the classification of current and non-current portion of Deemed Loans and Notes. These errors were corrected in the current year financial statements. Accordingly note 12 (liquidity analysis) has also been restated. The impact of such reclassifications is summarised below:

Financial statement line items (FSLI)	Sub FSLIs	Note reference	Original Balance	Restated Balance
Deemed Loan	Deemed Loan	8	717,497,750	1,095,451,301
Debtors: amounts falling due within one year	Deemed Loan due within one year	9	377,953,551	-
Total			1,095,451,301	1,095,451,301

Creditors: amounts falling due within one year	Notes	10	385,203,975	-
Creditors: amounts falling due after more than one year	Notes	10	529,796,025	915,000,000
Total			915,000,000	915,000,000