

Motor 2017-1 Plc

Annual reports and financial statements

For the year ended 31 December 2019



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Motor 2017-1 Plc

Officers and professional advisers

Directors

Intertrust Directors 1 Limited
Intertrust Directors 2 Limited
Helena Whitaker

Company secretary and registered office

Intertrust Corporate Services Limited
1 Bartholomew Lane
London
EC2N 2AX

Company number

10862075
(England and Wales)

Independent auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Strategic report for the year ended 31 December 2019

The Directors present their strategic report of Motor 2017-1 Plc (the "Company") for the year ended 31 December 2019.

Principal activities, business review and future developments

The Company, a public limited company, was established as a special purpose company on 12 July 2017 in the United Kingdom and registered in England and Wales under the Companies Act 2006. On 20 September 2017 the Company raised funding by the issue of notes being \$400,000,000 Class A1 Notes, £245,000,000 Class A2 Notes (the "Class A Notes"), £15,000,000 Class B Notes and £36,000,000 Class C Notes (together with the Class A Notes, the "Notes") due in September 2024. The Company used the funds to acquire an interest in a portfolio of auto receivables of £598,802,049 (the "Receivables") originated by Santander Consumer (UK) Plc (the "Seller", "Originator" and the "Subordinated Loan Provider"). The Receivables comprise auto loan contract receivables originated by the Seller in the UK, together with ancillary rights, purchased by the Company. As at Closing Date, a portion of the Class A Notes (5%) and all of the Class B and Class C Notes were retained by the Seller. The Notes are limited recourse obligations of the Company.

The purchase of the Receivables by the Company from the Seller, has not been recognised on the balance sheet 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 balance sheet of Santander Consumer (UK) Plc. The cash paid by the Company for the purchase of the Receivables is therefore classified as a deemed loan to the Originator (the "Deemed Loan") on the balance sheet of the Company.

In accordance with the subordinated loan agreement an uncommitted sterling loan facility in the principal amount of £10,755,955 (the "Subordinated Loan Advance") has been made available to the Company to establish the reserve fund and provide liquidity support (the "Reserve Fund").

For a certain period of time (the revolving period that ended in October 2018), the Company used the principal collections received on the Receivables to purchase, subject to certain conditions, further eligible Receivables from the Seller, rather than to repay the principal on the outstanding Notes.

As at 31 December 2019 the Receivables balance was £208,005,371 (2018: £479,759,060), which included repayments and receivables repurchased by the Seller.

As at 31 December 2019 the balance of the Notes were:

| | |
|--------------------------|-------------|
| Class A1 (\$110,000,000) | £83,199,496 |
| Class A2 | £88,816,335 |
| Class B | £15,000,000 |
| Class C | £36,000,000 |

The Notes are listed on the Euronext Dublin.

The Company's functions and business activities are set out in the offering circular dated 19 September 2017 (the "Prospectus") which also documented the terms and conditions of the Notes.

The directors recognise the existence of material uncertainties affecting present level of activity and the nature of the Company's business in the near future as explained above.

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.

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.

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.

Strategic report for the year ended 31 December 2019 (continued)**Principal activities, business review and future developments (continued)**

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 1,751 out of 43,354 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 £9.4m whereas total outstanding receivables are £151,266,198. While arrears on the portfolio will increase due to Covid-19, over 94% 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

The Notes are to be fully amortised by end of 2020. Accordingly, the financial statements have been prepared on a basis other than going concern, with all assets and liabilities stated at their realisable value. All non-current assets and liabilities are also classified to current assets and liabilities respectively.

Results

In accordance with the transaction documents the Company is expected to retain an amount of £300 on each interest payment date ("IPD"). The Statement of comprehensive income of the Company is set out on page 15 and shows a loss for the financial year of £4,188,899 (2018: profit £1,218,673). 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 loss for the financial year was £4,188,899 (2018: Profit £1,218,673) as shown in the Statement of comprehensive income on page 15.

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 | 208,005,371 |
| Outstanding balances of Receivables more than 90 days in arrears | 2,771,111 |

As at 31 December 2019, 1.31% (2018: 0.10%) of the Receivables were over 90 days in arrears.

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 (refer to Principle activities, business review and future developments section of the Strategic report).

Strategic report for the year ended 31 December 2019 (continued)

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

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 14.

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 the Seller at the end of the financing contracts when their market price would be less than the one currently forecasted and currently observed. The credit quality of the Receivables is set out in note 14.

Losses incurred on the securitised assets 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 £23,464,130 (2018: £16,534,106).

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 Receivables) are financed partially 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 receivables being funded.

The Company can also use the Reserve Fund to manage any remaining liquidity risk (note 14).

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.

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.

Strategic report for the year ended 31 December 2019 (*continued*)

Section 172(1) of the companies Act 2016 (*continued*)

- 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>.

Currency risk

Currency risk is the potential risk of loss from fluctuating foreign exchange rates.

The Company has a class of Notes ("Class A1") denominated in US dollars with interest and principal payable in US dollars and calculated by reference to USD London Inter-Bank Offered Rate (the "LIBOR"), however the interest and principal receipts in respect of the Receivables are received in sterling and calculated with respect to a fixed interest rate.

At the year end the Company was party to a currency swap in order to hedge against such currency risk exposure arising from the interest and principal payments on the Class A1 Notes.

Capital management

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

On behalf of the board



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

Directors' report for the year ended 31 December 2019

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

Going concern

At the reporting date the Company is showing a net liabilities position of £4,526,689 (2018: net liabilities position of £337,790) due to change in fair value of the derivatives. However the obligations of the Company to pay amounts due on the Notes are limited to the application of receipts from the Deemed 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 Note holders, there will be no further recourse to the Company (even in the event of default).

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 1,751 out of 43,354 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 £9.4m whereas total outstanding receivables are £151,266,198.42. While arrears on the portfolio will increase due to Covid-19, over 94% 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

The Notes are to be fully amortised by end of 2020. Accordingly, the financial statements have been prepared on a basis other than going concern, with all assets and liabilities stated at their realisable value. All non-current assets and liabilities are also classified to current assets and liabilities respectively.

Future developments

The directors recognise the existence of material uncertainties affecting present level of activity and the nature of the Company's business in the near future as explained above.

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.

Financial risk management

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

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.

Directors' report for the year ended 31 December 2019 (continued)

Corporate governance (continued)

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

Due to the nature of the securities which have been issued on the Irish Stock Exchange, the Directors are satisfied that there is no requirement to publish a corporate governance statement and that the Company is exempt from the disclosure requirements of The Irish Corporate Governance Annex and the provisions of the UK Code Corporate Governance Code.

Share capital

The issued share capital is £12,501 comprising 49,999 ordinary shares of £1 each which are a quarter paid and 1 fully paid ordinary share of £1.

Directors

The Directors of the Company during the year, and up to the date of signing the financial statements, were:

Intertrust Directors 1 Limited

Intertrust Directors 2 Limited

Helena Whitaker

The Directors do not recommend the payment of a dividend for the year ended 31 December 2019.

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.

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 reports and financial statements.

Company secretary

The Company secretary, Intertrust Corporate Services Limited, was appointed on 12 July 2017 and served during the year and up to the date of signing the financial statements.

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 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 section 418(2) of the Companies Act 2006.

Directors' report for the year ended 31 December 2019 (continued)

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

PricewaterhouseCoopers LLP were appointed by the Directors as the first auditors of the Company during the year under review. 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 of the Company.

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 The Notes are to be fully amortised by end of 2020. 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**
As Director
1 July 2020

Report on the audit of the financial statements

Opinion

In our opinion, Motor 2017-1 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 balance sheet as at 31 December 2019, the statement of comprehensive income as at 31 December 2019, the statement of changes in equity as at 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.

Emphasis of matter - financial statements prepared on a basis other than going concern

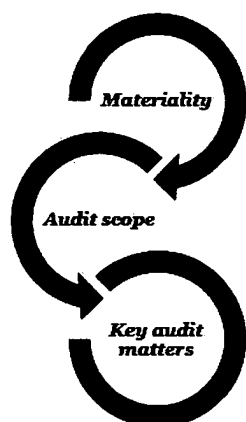
In forming our opinion on the financial statements, which is not modified, we draw attention to note 1 to the financial statements which describes the directors' reasons why the financial statements have been prepared on a basis other than going concern.

Our audit approach

Context

Motor 2017-1 Plc is a special purpose entity that raised debt on the Irish Stock Exchange (the "Notes") to acquire an interest in a portfolio of auto receivables (the "Receivables") originated by Santander Consumer UK Plc. 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: £2.5 million (2018: £5.3 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 Santander Consumer UK Plc
- 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 Santander Consumer UK Plc 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 Euronext Dublin (formerly the Irish Stock Exchange) under which the offering circular dated 19 September 2017 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 Euronext 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.

Independent auditors' report to the members of Motor 2017-1 Plc (continued)

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 Deemed Loan to Originator.

We discussed with management and assessed the Deemed Loan to the Originator for impairment in the context of implied over-collateralisation therein.

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.

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 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.

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.

Related disclosures in the financial statements:

- Note 1 Accounting policies
- Note 8 Deemed Loan
- Note 11 Creditors
- Note 12 Financial Instruments

Impact of Covid-19

The outbreak of Covid-19 was declared a global pandemic by the World Health Organisation (WHO) in March 2020. The spread of the virus and its identification as a new coronavirus does not provide additional evidence about the situation that existed at 31 December 2019, and it is therefore a non-adjusting event.

We confirmed that given the timing of the occurrence of Covid-19 and the associated impact relative to the financial year end, this was a non-adjusting post balance sheet event.

We reviewed the underlying transaction documentation and noted that the significant liability on the company's balance sheet is limited recourse in nature.

The Covid-19 pandemic, and measures taken by governments in order to contain Covid-19 as well as to provide support to businesses, are likely to have a significant impact on the operations, liquidity and/or solvency of the company. The Covid-19 outbreak creates uncertainty about the long term outlook of most companies as measures taken by governments might change, the disease might spread

We confirmed that the Directors do not believe it is appropriate to prepare these financial statements on a going concern basis as the intention is to wind up the company by the end of 2020.

Independent auditors' report to the members of Motor 2017-1 Plc (continued)

| Key audit matter | How our audit addressed the key audit matter |
|-------------------------|---|
|-------------------------|---|

further, and the economic crisis may deepen, all of which could have an impact on the company.

We noted no issues arising from Covid-19 that impact management's going concern existing assessment.

As discussed above, the impact of Covid-19 is considered a non-adjusting post-balance sheet event. As such impairment and valuation work that takes into account trigger events, economic conditions and expectations and more generally the prevailing facts and circumstances as at 31 Dec 2019, is not deemed to have yet included the direct and indirect effects of Covid-19

We therefore focused on assessing the going concern risk to identify new or revised events and conditions that may cast significant doubt on the company's ability to continue as a going concern.

Related disclosures in the financial statements:

- Directors' Report
- Strategic Report
- Note 17 – Events occurring after the reporting date

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 | £2.5 million (2018: £5.3 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 £0.12 million (2018: £0.3 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

Independent auditors' report to the members of Motor 2017-1 Plc (continued)

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 31 December 2017 to 31 December 2019.

Iain Wright

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

Statement of comprehensive income for the year ended 31 December 2019

| | Note | 2019 £ | 2018 £ |
|---|-----------|--------------------|-------------------|
| Interest receivable and similar income | 2 | 7,404,759 | 16,390,705 |
| Interest payable and similar expenses | 3 | (4,367,460) | (6,364,189) |
| Net interest income | | 3,037,299 | 10,026,516 |
| Change in fair value of derivatives | 5 | (11,231,758) | 16,887,874 |
| Operating expenses | 4 | (5,306,610) | (9,499,122) |
| Net foreign exchange gain/(loss) | | 9,312,854 | (16,195,962) |
| (Loss)/Profit before taxation | 7 | (4,188,215) | 1,219,306 |
| Tax on (loss)/profit | 8 | (684) | (633) |
| (Loss)/Profit for the financial year | 13 | (4,188,899) | 1,218,673 |
| Total other comprehensive income | | - | - |
| Total comprehensive (loss)/income | | (4,188,899) | 1,218,673 |

All amounts relate to continuing activities.

The accompanying notes on pages 18 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 losses)/Retaine d earnings | Total shareholders' (deficit)/fund s |
|---|----------------------------|---|---|
| | £ | £ | £ |
| Balance as at 1 January 2018 | 12,501 | (1,568,964) | (1,556,463) |
| Profit and total comprehensive income for the financial year | - | 1,218,673 | 1,218,673 |
| Balance as at 31 December 2018 | 12,501 | (350,291) | (337,790) |
| Loss and total comprehensive loss for the financial year | - | (4,188,899) | (4,188,899) |
| Balance as at 31 December 2019 | 12,501 | (4,539,190) | (4,526,689) |

The accompanying notes on pages 18 to 29 are an integral part of these financial statements.

Balance sheet as at 31 December 2019

| | No te | 2019 £ | Restated* 2018 £ |
|--|-----------|----------------------|------------------------|
| Non-current Assets | | | |
| Deemed Loan | 9 | - | 163,628,707 |
| Current Assets | | | |
| Debtors: amounts falling due within one year | 10 | 208,026,749 | 327,383,489 |
| Cash at bank and in hand | | 38,474,590 | 48,795,805 |
| Total current assets | | 246,501,339 | 376,179,294 |
| Creditors: amounts falling due within one year | 11 | (251,028,028) | (344,255,385) |
| Net current assets | | (4,526,689) | 31,923,909 |
| Total assets less current liabilities | | (4,526,689) | 195,552,616 |
| Creditors: amounts falling due after more than one year | 11 | - | (195,890,406) |
| Net liabilities | | (4,526,689) | (337,790) |
| Capital and reserves | | | |
| Called up share capital | 12 | 12,501 | 12,501 |
| Accumulated losses | 13 | (4,539,190) | (350,291) |
| Total shareholders' deficit | | (4,526,689) | (337,790) |

The accompanying notes on pages 18 to 29 are an integral part of these financial statements.
*Notes 10 and 11 have been restated. Refer note 18 for details.

The financial statements on pages 15 to 29 were approved and authorised for issue by the Board of Directors on 1 July 2020, and were signed on its behalf by;



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

1 Accounting policies

General information

Motor 2017-1 plc (the "Company") is a public company with limited liability, was incorporated as a special purpose company on 12 July 2017 in the United Kingdom and registered in England and Wales under the Companies Act 2006. The registered office of the Company is 1 Bartholomew, London, EC2N 2AX.

Basis of preparation

The financial statements of the Company are prepared on a basis other than going concern with all assets and are stated at their realisable value. All non-current assets and liabilities are also classified to current assets and liabilities respectively. The Company has adopted Financial Reporting Standard 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 balance sheet as allowed under Companies Act 2006 as in the opinion of the Directors net interest income is a more appropriate measurement of the Company's performance than turnover and cost of sales.

Going concern

At the reporting date the Company is showing a net liabilities position of £4,526,689 (2018: net liabilities position of £337,790) due to change in fair value of the derivatives. However the obligations of the Company to pay amounts due on the Notes are limited to the application of receipts from the Deemed 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 Note holders, there will be no further recourse to the Company (even in the event of default).

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 1,751 out of 43,354 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 £9.4m whereas total outstanding receivables are £151,266,198. While arrears on the portfolio will increase due to Covid-19, over 94% 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

The Notes are to be fully amortised by end of 2020. Accordingly, the financial statements have been prepared on a basis other than going concern, with all assets and liabilities stated at their realisable value. All non-current assets and liabilities are also classified to current assets and liabilities respectively.

1 Accounting policies (continued)

Segmental analysis

The principal asset of the Company are the Receivables which are originated in the UK and funded by the Notes issued in the UK plus the credit support in the form of overcollateralisation. All cash and cash equivalents are held in the UK.

Financial instruments

In accordance with Section 11 of Financial Reporting Standard 102, the provisions of IAS 39 have been adopted in full with respect to the recognition and measurement of financial instruments.

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 originator's (Santander Consumer (UK) Plc) 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 price to be paid out, of that financial asset.

The Company's financial statements are therefore prepared on the basis that its acquisition of beneficial interests in the Receivables is recognised as a collateralised non-recourse deemed loan to the originator.

Under the terms of the securitisation, the Company retains the right to £300 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 Santander Consumer (UK) Plc, the portfolio seller of the Receivables.

Loans are non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market. They are classified as loans and receivables. Loans are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Subsequent increases in fair values of the Loans, which can be objectively related to an event occurring after previous impairment losses have been recognised, are recorded in the statement of comprehensive income to the extent 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.

Deferred purchase price

Deferred consideration represents further amounts payable on the acquisition of the Receivables from Santander Consumer UK. 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 £300 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 effective interest rate adjustments.

1 Accounting policies (continued)

Deferred purchase price (continued)

Realised profits in excess of £300 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.

Delinquencies and defaults on the underlying Receivables will not result in an impairment loss if the cash flows from the Receivables are still expected to be sufficient to meet obligations under the Deemed Loan as a result of the credit enhancement granted by the Seller, including excess spread in the form of the deferred purchase consideration.

Impairment

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

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

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

Interest receivable and similar income and interest payable 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 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.

Cash at bank and in hand

Cash at bank and in hand comprise cash on hand and demand deposits. The Company does not hold restricted cash.

Cash flow statement

As detailed in note 14, Santander UK Plc 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. Santander UK Plc, 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>.

Foreign currency translation

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"), which is Sterling.

1. Accounting policies (continued)

Taxation

The Directors are satisfied that this Company meets the definition of a 'securitisation company' as defined by both The Finance Act 2005 and the subsequent secondary legislation and that no incremental unfunded tax liabilities will arise. As a result, no deferred tax amounts are recognised.

Under the powers conferred by the Act, secondary legislation was enacted in 2006 which ensures that, subject to certain conditions being met and an election being made, for years commencing on or after 1 January 2007, corporation tax for a 'securitisation company' will be calculated by reference to the profit of the securitisation company required to be retained in accordance with the relevant capital market arrangement.

Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, 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. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

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.

Notes forming part of the financial statements for the year ended 31 December 2019
(continued)

1. Accounting policies (continued)

Impairment losses on the Deemed Loan to Originator (continued)

However, delinquencies and defaults on the underlying securitised assets 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 securitised assets 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 underlying Loans are not expected to exceed the amount of credit enhancement, being the excess spread on the Loans and the Liquidity Reserve Fund, supplied by the Seller. Hence the deemed Loans are not impaired.

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.

Derivative financial instruments

Derivative financial instruments are designated as FVTPL and recorded at fair value, with any gain or loss on re-measurement being recognised in the profit and loss account. The Company does not enter into speculative derivative contracts. The fair value of the derivative instruments swaps is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date, and is calculated by discounting future cash flows using observable market data at that date.

2 Interest receivable and similar income

| | 2019 | 2018 |
|---|------------------|-------------------|
| | £ | £ |
| Deemed Loan interest | 39,079,653 | 60,425,396 |
| Interest receivable in respect of interest rate and currency swap contracts | 718,673 | (23,035) |
| Bank interest | 27,543 | 40,300 |
| Deferred purchase price | (32,421,110) | (44,051,956) |
| | 7,404,759 | 16,390,705 |

3 Interest payable and similar expenses

| | 2019 | 2018 |
|---|------------------|------------------|
| | £ | £ |
| Interest expense on the Notes | 7,640,596 | 10,888,541 |
| Interest income in respect of interest rate and currency swap contracts | (3,273,136) | (4,524,352) |
| | 4,367,460 | 6,364,189 |

Notes forming part of the financial statements for the year ended 31 December 2019
(continued)

4 Operating expenses

| | 2019 | 2018 |
|--------------------------------------|-------------------------|-------------------------|
| | £ | £ |
| Amortisation of issue costs | - | 1,441,987 |
| Administration and professional fees | 5,306,610 | 8,057,135 |
| | <u>5,306,610</u> | <u>9,499,122</u> |

5 Change in fair value of derivatives

| | 2019 | 2018 |
|--------------------------------|----------------------------|--------------------------|
| | £ | £ |
| Interest rate swap (loss)/gain | (1,571,489) | 173,657 |
| Currency swap gain/(loss) | (9,660,269) | 16,714,217 |
| | <u>(11,231,758)</u> | <u>16,887,874</u> |

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 current year (2018: nil). During the year, fees of £nil (2018: £nil) accrued and £31,106 (2018: £43,533) were paid to Intertrust Corporate Services Limited in respect of corporate services provided to the Company; this included the provision of Directors to the Company.

7 (Loss)/Profit before taxation

| | 2019 | 2018 |
|--|----------------------|----------------------|
| | £ | £ |
| This has been arrived at after charging: | | |
| Auditors' remuneration - audit services | | |
| - audit of the Company's annual financial statements | 16,500 | 16,380 |
| | <u>16,500</u> | <u>16,380</u> |

8 Tax on (loss)/Profit

| | 2019 | 2018 |
|--|-------------------|-------------------|
| | £ | £ |
| a) Analysis of the company tax charge in the year | | |
| UK corporation tax charge on the loss for the year | 684 | 633 |
| | <u>684</u> | <u>633</u> |

Notes forming part of the financial statements for the year ended 31 December 2019
(continued)

b) Factors affecting the Company tax charge for the year

The tax assessed for the year is same (2018: lower) than the standard rate of corporation tax in the UK. A reconciliation of factors affecting the Company tax charge is presented below:

| | 2019 £ | 2018 £ |
|--|---------------------|---------------------|
| Profit before taxation | <u>(4,188,215)</u> | <u>1,219,306</u> |
| Current tax charge at 19.00% (2018: 19.00%) | 795,761 | (231,668) |
| Effects of: | | |
| Accounting profits not considered for tax purposes in accordance with SI 2006/3296 | (795,761) | 231,668 |
| Cash retained profit taxed in accordance with SI 2006/3296 | (684) | (684) |
| Adjustment in respect of prior year | - | 51 |
| Total tax charge | <u>(684)</u> | <u>(633)</u> |

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%.

9 Deemed Loan

| | 2019 £ | 2018 £ |
|--|---------------------------|---------------------------|
| Opening balance | 479,759,060 | 576,237,841 |
| Amortisation and repayments of Receivables | (271,753,689) | (371,172,782) |
| Further Receivables purchased | - | 274,694,001 |
| Closing balance | <u>208,005,371</u> | <u>479,759,060</u> |

The Maturity profile of the Loan is as follows:

| | | |
|-----------------------------------|---------------------------|---------------------------|
| In one year or less (see note 10) | 208,005,371 | 316,130,353 |
| In more than one year | - | 163,628,707 |
| | <u>208,005,371</u> | <u>479,759,060</u> |

10 Debtors: amounts falling due within one year

| | 2019 £ | Restated* 2018 £ |
|--|---------------------------|---------------------------|
| Amounts falling due within one year: | | |
| Deemed Loan due within one year (see note 9) | 208,005,371 | 316,130,353 |
| Currency and interest rate swaps | 8,877 | 11,240,635 |
| Other debtors | 12,501 | 12,501 |
| | <u>208,026,749</u> | <u>327,383,489</u> |

* Balances have been restated. Refer note 18 for details.

11 Creditors

| | 2019 | Restated* |
|--|--------------------|--------------------|
| | £ | 2018 |
| | | £ |
| Amounts falling due within one year: | | |
| Notes | 223,015,831 | 316,130,353 |
| Accrued interest payable on Notes | 20,068 | 85,352 |
| Accrued expenses | 25,580 | 35,105 |
| Other creditors | 27,965,865 | 28,003,891 |
| Corporation tax liability | 684 | 684 |
| | 251,028,028 | 344,255,385 |
| Amounts falling due after more than one year: | | |
| Notes | - | 195,890,406 |
| | - | 195,890,406 |

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

12 Called up share capital

| | 2019 | 2018 |
|--|---------------|---------------|
| | £ | £ |
| <i>Called up, issued and allotted</i> | | |
| Ordinary shares of £1 each: 49,999 (2018: 49,999 (quarter paid)) | 12,500 | 12,500 |
| Ordinary shares of £1: 1 (2018: 1) fully paid | 1 | 1 |
| | 12,501 | 12,501 |

All shares were allotted and consideration has been received. The Company is not subject to any externally proposed capital requirements except for the minimum requirement under the Companies Act 2006. The Company has not breached the minimum requirement.

13 Accumulated losses

| | 2019 | 2018 |
|--------------------------------------|--------------------|------------------|
| | £ | £ |
| Opening balance | (350,291) | (1,568,964) |
| (Loss)/Profit for the financial year | (4,188,899) | 1,218,673 |
| Balance as at 31 December | (4,539,190) | (350,291) |

14 Financial instruments

The nature of the financial instruments used during the year to mitigate credit risk, liquidity risk and interest 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 risks on its financial instruments and the management of such risks are largely determined from the inception of the securitisation transaction. The Company's activities and the role of each party to the transaction are clearly defined and documented.

*Balances have been restated. Refer note 18 for details.

Notes forming part of the financial statements for the year ended 31 December 2019
(continued)**14 Financial instruments (continued)**

Following initial set-up, the Directors monitor the Company's performance, reviewing reports on the performance of the Deemed Loan. Such review is designed to ensure that the terms of the documentation have been met, that no unforeseen risks have arisen and that the Note holders 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 at amortised cost | Financial liabilities at amortised cost | Total carrying value |
|----------------------------------|---|--|--|---------------------------------|
| | £ | £ | £ | £ |
| Assets: | | | | |
| Deemed Loan | - | 208,005,371 | - | 208,005,371 |
| Cash at bank and in hand | - | 38,474,590 | - | 38,474,590 |
| Other debtors | - | 12,501 | - | 12,501 |
| Currency and interest rate swaps | 8,877 | - | - | 8,877 |
| | 8,877 | 246,492,462 | - | 246,501,339 |
| Liabilities: | | | | |
| Notes | - | - | 223,015,831 | 223,015,831 |
| | - | - | 223,015,831 | 223,015,831 |
| 2018 | | | | |
| | £ | £ | £ | £ |
| Assets: | | | | |
| Deemed Loan | - | 479,759,060 | - | 479,759,060 |
| Cash at bank and in hand | - | 48,795,805 | - | 48,795,805 |
| Other debtors | - | 12,501 | - | 12,501 |
| Currency and interest rate swaps | 11,240,635 | - | - | 11,240,635 |
| | 11,240,635 | 528,567,366 | - | 539,808,001 |
| Liabilities: | | | | |
| Notes | - | - | 512,020,759 | 512,020,759 |
| | - | - | 512,020,759 | 512,020,759 |

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.

The maximum exposure to credit risk as stated above 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 | 208,005,371 | 208,005,371 | 479,759,060 | 479,759,060 |
| Cash at bank and in hand | 38,474,590 | 38,474,590 | 48,795,805 | 48,795,805 |
| Other debtors | 12,501 | 12,501 | 12,501 | 12,501 |
| Currency and interest rate swaps | 8,877 | 8,877 | 11,240,635 | 11,240,635 |
| | 246,501,339 | 246,501,339 | 539,808,001 | 539,808,001 |

Notes forming part of the financial statements for the year ended 31 December 2019
(continued)

14 Financial instruments (continued)

Credit risk (continued)

The table below sets out the carrying value and performance of the Deemed Loan.

| | Carrying value 2019 £ | Carrying value 2018 £ |
|---------------------------|-----------------------------|-----------------------------|
| Current Loan | 205,234,260 | 477,628,350 |
| Past due but not impaired | 2,771,111 | 2,130,710 |
| | <u>208,005,371</u> | <u>479,759,060</u> |

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 it 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 Note, 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 Note holders.

The table below reflects the undiscounted contractual cash flows of financial liabilities at the balance sheet date of both derivative and non-derivative financial instruments.

| 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 | 223,015,831 | 223,015,831 | 17,852,326 | 29,652,758 | 175,510,747 | - |
| Interest payable on Notes | 20,068 | 2,556,576 | 221,257 | 391,469 | 1,943,850 | - |
| Total financial instruments | <u>223,035,899</u> | <u>225,572,407</u> | <u>18,807,583</u> | <u>30,044,227</u> | <u>177,454,597</u> | <u>-</u> |

| 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 | 512,020,759 | 532,219,002 | 29,440,343 | 83,553,768 | 203,136,242 | 216,088,649 |
| Interest payable on Notes | 85,352 | 11,976,889 | 983,266 | 2,497,774 | 5,277,680 | 3,218,167 |
| Total financial instruments | <u>512,106,111</u> | <u>544,195,891</u> | <u>30,423,609</u> | <u>86,051,542</u> | <u>208,413,922</u> | <u>219,306,816</u> |

Market risk

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

The Company is exposed to market risk in the form of interest rate risk.

14 Financial instruments (continued)

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 the interest rates of assets and liabilities on different bases.

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

| Notes | Carrying value 31 December 2019 £ | Carrying value 31 December 2018 £ | Interest rate as at 31 December 2018 |
|--------------------------|--|--|---|
| Class A1 (\$110,000,000) | 83,199,496 | 262,837,861 | USD LIBOR 1M+ 0.53% |
| Class A2 | 88,816,335 | 198,182,898 | GBP LIBOR 1M+ 0.45% |
| Class B | 15,000,000 | 15,000,000 | Fixed 1.50% |
| Class C | 36,000,000 | 36,000,000 | Fixed 2.00% |
| | 223,015,831 | 512,020,759 | |

Currency risk

Currency risk is the potential risk of loss from fluctuating foreign exchange rates.

The Company has Class A1 Notes denominated in US dollars with interest and principal payable in US dollars and calculated by reference to USD LIBOR, however the interest and principal receipts in respect of the Receivables are received in sterling calculated with respect to a fixed interest rate.

At the year end the Company was party to a currency swap in order to hedge against such currency risk exposure arising from the interest and principal payments on the Class A1 Notes.

Fair value of financial assets and liabilities

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

level 1 - prices (unadjusted) in active markets for identical assets or liabilities.

level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

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

Interest rate risk

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, these fall within level 3 of the hierarchy.

15 Controlling party

The Company's immediate parent company is Motor 2017-1 Holdings Limited, a company incorporated in the United Kingdom. The entire share capital of Motor 2017-1 Holdings Limited is held by the legal parent company, Intertrust Corporate Services Limited, which holds the share in trust for the benefit of certain discretionary objects as detailed in the Share Trust Deed of the Motor 2017-1 Trust.

The smallest group in which the Company is consolidated is Santander UK Plc which is a subsidiary of Santander UK Group Holdings Plc. The largest group in which the Company is consolidated is Banco Santander SA.

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.

16 Related party transactions

During the year fees of £31,106 (2018: £43,533) 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 Santander Consumer (UK) Plc:

| | 2019 £ | 2018 £ |
|---|-------------|-------------|
| Assets: | | |
| Net Receivables purchased outstanding at year-end | 208,005,371 | 479,759,060 |
| Other debtors | 21,378 | 11,253,136 |
| Liabilities: | | |
| Notes | 59,600,792 | 74,051,038 |
| Accruals | 12,543 | 30,371 |
| Other creditors | 27,965,865 | 28,003,891 |
| Statement of comprehensive income: | | |
| Interest receivable | 39,079,653 | 60,425,396 |
| Deferred purchase price | 32,421,110 | 44,051,956 |
| Interest payable | 1,279,780 | 1,442,177 |
| Servicing fees | 5,174,288 | 7,811,898 |

For Servicing fees and Interest payable, £9,080 and £3,463 is unpaid during the current year respectively. These unpaid amounts have been included in Accruals.

17 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 The Notes are to be fully amortised by end of 2020. Given the inherent uncertainties, it is not practicable at this time to determine what the overall impact of COVID-19 will be.

18. Restatement of prior period error

There was error in the prior period financial statements related to the classification of derivative financial assets. This error was corrected in the current year financial statements. The impact of such reclassifications is summarised below:

| Financial statement line items (FSLI) | Sub FSLIs | Note reference | Original Balance | Restated Balance |
|--|---------------------------------|----------------|------------------|------------------|
| Debtors: amounts falling due within one year | Currency and Interest Rate swap | 10 | Nil | 11,240,635 |
| Creditors: amounts falling due within one year | Currency and Interest Rate swap | 11 | 11,240,635 | Nil |