

## **Abraxas Insurance Administration Services Limited**

### **Report and Financial Statements**

For the year ended 31 December 2019



**Abraxas Insurance Administration Services Limited**  
**Registered No: 02928787**

**Company Information**

**Directors**

Javier San Basilio  
Irene Garcia Saez  
Selwyn Fernandes  
Monica Garcia Cristobal  
Alfonso Smith

**Auditor**

KPMG LLP  
66 Queen Square  
Bristol  
BS1 4BE

**Bank**

The Royal Bank of Scotland  
Bristol Clifton Branch  
50-52a Whiteladies Road  
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Bristol  
BS8 2NH

**Registered Office**

One Victoria Street  
Bristol Bridge  
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BS1 6AA

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## **Strategic report**

### **Principal activities and review of the business**

The principal activity of Abraxas Insurance Administration Services Limited (the "Company") during the year was that of the sale of motor insurance products. The Company acts as a Third Party Administrator of Insurance (TPA) for Mapfre Asistencia Compañía Internacional De Seguros y Reaseguros (Mapfre Asistencia S.A.).

During the year the Company provided claims handling services in respect of motor guarantee products sold by dealership networks.

The main products distributed are GAP insurance, vehicle warranty insurance and MOT insurance.

Acting as a TPA, the Company collects premiums from clients and customers, and handles claims on behalf of the insurance company under delegated authority.

The principal business indicator employed has been the volume of policies sold during the year by type. Policies sold during the year were 349k (2018:493k) representing a decrease of 29% on the prior year. 2019 has been a successful year following on from 2018, with growth seen across the Company's major partners. In total income has grown by 18.2% despite the reduction in volume.

Despite market conditions remaining very competitive with limited opportunities to raise prices, the Company retained and grew its position as one of the market leaders in the GAP insurance market within the UK.

### **Future developments**

Subsequent to the year end, the Company's Ultimate Parent elected to discontinue its Speciality Risk business line. As a result, the Company is no longer considered a going concern. Certain of the Company's assets relating to its commercial activities have therefore been impaired to their net realisable value. Details are disclosed in note 1 to the accounts.

### **Principal risks and uncertainties**

In the view of the Directors, the Company is subject to the following principal risks:

#### **1. Credit risk**

Credit risk is the risk of loss due to counterparties failing to meet all or part of their financial obligations in a timely fashion. The principal credit risk arises from exposure to counterparties through contracts and bank deposits. The Directors are satisfied there are adequate procedures in place to mitigate counterparty default. Any credit risk associated with debtor balances from group entities or other receivables are mitigated through support agreements from the ultimate parent undertaking to its subsidiaries.

#### **2. Regulatory risk**

The Company is subject to United Kingdom regulatory requirements. These requirements are subject to revision and any new regulatory requirements may have a material impact as failure to comply with regulatory requirements could materially affect the Company's reputation and financial position. The Company operates an effective compliance department to mitigate regulatory risks.

#### **3. Business risk**

As mentioned above, the Company's income is drawn from only one insurer, its parent company Mapfre Asistencia S.A. The risks associated with using one underwriter are limited by way of the relationship between Mapfre Asistencia S.A. and the Company being a 100% owned subsidiary. Underwriting agreements between the two parties further mitigate any risk. On this basis the Directors consider that the business risk is being managed such that income is likely to be maintained.

#### **4. Liquidity risk**

Cash for policy sales is received directly from the customer into the Company's bank account. The income element relating to the Company is retained and the balance is transferred to the insurer, Mapfre Asistencia S.A. This results in minimal liquidity risk to the Company.

Irene Garcia Saez  
Director



25 February 2021

## **Abraxas Insurance Administration Services Limited**

Registered No: 02928787

### **Directors' report**

The Directors present their report and financial statements for the year ended 31 December 2019.

#### **Results and dividends**

The Company reported a profit for the year after taxation of £1,462,54 (2018: £1,236,749).

No dividends were paid during either the current or prior year. Post year end, a dividend of £2,000,000 was paid.

#### **Directors**

The Directors of the Company during the year and to the date of signing these financial statements is as follows:

Javier San Basilio

Jair Marrugo Rojas (Resigned 4 October 2019)

Irene Garcia Saez (appointed 17 May 2019)

Selwyn Fernandes (appointed 22 May 2019)

Monica Garcia Cristobal (appointed 22 May 2019)

Richard Saunders (appointed 17 May 2019; Resigned 29 November 2019)

Alfonso Smith (appointed 22 May 2019)

No Directors have any interest in the shares of the Company.

#### **Employees**

Details of the number of employees and related costs can be found in note 6 to the financial statements.

#### **Equal Opportunities**

The Company is committed to encouraging and ensuring fairness and equality of opportunity to ensure that employees are recruited, remunerated, developed

The Company considers that any form of discrimination or less favourable treatment on the grounds of colour, culture, race, gender, sexual orientation, gender reassignment, physical disability, mental health difficulty (or history of), marital or parental status (therefore honouring civil partnership rights), nationality, age, economic class, political view and religion or belief, disability or ethnic origin is unacceptable in terms of good employment practice and legal obligations.

All promotions and appointments are based on achievement, and no candidate or employee will be treated unfairly or discriminated against for any of the above. Candidates seeking employment will be considered on their merits, skills and abilities to meet the specific needs of the position they are applying for.

The Company expects all employees to ensure that this Policy and its principles are applied in practice. To this end, the Company will seek to establish effective monitoring, reviewing and record keeping systems to ensure effective implementation and development of this policy.

In the case of disability, the Company will take steps to ensure that the spirit of equal opportunity is maintained in terms of taking reasonable and practicable steps to make adjustments to the working environment and/or to provide any relevant special equipment. The Company's procedures comply with the requirements of the Disability Discrimination Act 1995.

#### **Environment**

Mapfre Asistencia S.A., the Company's Parent undertaking, recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the group's activities. The Company operates in accordance with group policies, which are described in the group's Annual Report which does not form part of this report. Initiatives designed to minimise the Company's impact on the environment include the safe disposal of waste, recycling and energy consumption.

#### **Going concern**

Due to the discontinuation of the Speciality Risk business line initiated by the Company's Parent undertaking, these accounts have not been prepared on the Going Concern basis.

#### **Disclosure of information to the auditors**

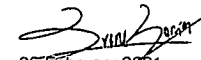
So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the Company's auditor is unaware. Having made enquiries of fellow Directors, each Director has taken all the steps that he might reasonably be expected to take as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

#### **Auditor**

Pursuant to Section 487 of the Company Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

Irene Garcia Saez

Director

  
25 February 2021

## **Statement of Director's responsibilities in respect of the Annual Report and the Financial Statements**

The directors are responsible for preparing the Strategic Report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with the UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable, relevant and reliable;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so (as explained in note 1, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis).

The directors are responsible for keeping adequate accounting records that are sufficient to show, and explain, the company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

**Independent Auditor's Report**  
**to the members of Abraxas Insurance Administration Services Limited**

**Opinion**

We have audited the financial statements of Abraxas Insurance Administration Services Limited ("the Company") for the year ended 31 December 2019 which comprise the profit and loss account and other comprehensive income, balance sheet, statement of changes in equity, and related notes including the accounting policies note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Emphasis of matter - non-going concern basis of preparation**

We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reasons set out in that note. Our opinion is not modified in respect of this matter.

**Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

**Matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

**Directors' responsibilities**

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**The purpose of our audit work and to whom we owe our responsibilities**

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



**Shaun Gealy (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

66 Queen Square

Bristol

BS1 4BE

25 February 2021

**Profit and Loss Account and Other Comprehensive Income**  
**For the year ended 31 December 2019**

		<i>Year ended</i> <i>31 December</i> <i>2019</i>	<i>As restated</i> <i>Year ended</i> <i>31 December</i> <i>2018</i>
	<i>Note</i>	<i>£</i>	<i>£</i>
<b>Turnover</b>	<b>2</b>	<b>6,158,418</b>	<b>5,208,480</b>
Cost of sales		(2,378,282)	(2,155,112)
<b>Gross profit</b>		<b>3,780,136</b>	<b>3,053,368</b>
Administrative expenses		(1,773,603)	(1,467,352)
<b>Operating profit</b>	<b>3</b>	<b>2,006,533</b>	<b>1,586,016</b>
Interest receivable	4	8,808	3,979
Interest Payable Note does not agree	5	(49,485)	(59,989)
<b>Profit on ordinary activities before taxation</b>		<b>1,965,856</b>	<b>1,530,006</b>
Tax on profit on ordinary activities	7	(503,002)	(293,257)
<b>Profit for the year</b>	<b>13</b>	<b>1,462,854</b>	<b>1,236,749</b>
Other comprehensive income for the year, net of income tax		-	-
<b>Total comprehensive profit for the year</b>		<b>1,462,854</b>	<b>1,236,749</b>

The notes on pages 11 to 22 form part of these financial statements.



**Balance Sheet**  
**As at 31 December 2019**

	Notes	2019 £	2018 £
<b>Fixed assets</b>			
Tangible assets	8	79,947	18,223
		<u>79,947</u>	<u>18,223</u>
<b>Current assets</b>			
Debtors	9	26,336,889	18,027,541
Cash at bank and in hand		1,628,816	1,412,393
		<u>27,965,705</u>	<u>19,439,934</u>
<b>Creditors: amounts falling due within one year</b>	10	(23,173,677)	(16,049,036)
<b>Net current assets</b>		<u>4,792,028</u>	<u>3,390,898</u>
<b>Total assets less current liabilities</b>		<u><u>4,871,975</u></u>	<u><u>3,409,121</u></u>
<b>Capital and reserves</b>			
Called up share capital	12	2	2
Profit and loss account	13	4,871,973	3,409,119
<b>Shareholder's funds</b>	13	<u><u>4,871,975</u></u>	<u><u>3,409,121</u></u>

The notes on pages 11 to 22 form part of these financial statements.

The financial statements were approved by the Directors on 24 February 2021 and are signed on their behalf by:

Irene Garcia Saez  
Director:



**Statement of Changes in Equity**  
**As at 31 December 2019**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
Balance at 1 January 2018	2	2,172,370	2,172,372
Total comprehensive income for the year	-	1,236,749	1,236,749
Balance at 31 December 2018	2	3,409,119	3,409,121
Total comprehensive profit for the year	-	1,462,854	1,462,854
Balance at 31 December 2019	2	4,871,973	4,871,975

The notes on pages 11 to 22 form part of these financial statements.

**Notes to the financial statements**  
**For the year ended 31 December 2019**

**1 Principal Accounting Policies**

Abraxas Insurance Administration Services Limited (the "Company") is a company incorporated and domiciled in England in the UK. The registered number is 02928787 and the registered address is One Victoria Street, Bristol Bridge, Bristol, BS1 6AA.

The Company is exempt by virtue of 402 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

**Basis of Preparation**

The Company's parent undertaking, Mapfre S.A, includes the Company in its consolidated financial statements. The consolidated financial statements of Mapfre S.A are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 23 Paseo de Recoletos, 28004, Madrid, Spain.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the reclassification of items in the financial statements;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the consolidated financial statements of Mapfre Asistencia S.A include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Disclosures required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

**Changes in accounting policy**

The company has adopted the following IFRSs in these financial statements for the first time:

IFRS 16 - Leases

In addition, the method for attributing costs between Cost of sales and Administrative expenses was revised in the year to make the financial statements more relevant and reliable, and this has been accounted for as a change in accounting policy, with the restatement of the comparative period.

**Measurement convention**

The financial statements are prepared on the historical cost basis.

**Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

Motor Vehicles	3 years
IT equipment	4 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

**Notes to the financial statements**  
**For the year ended 31 December 2019**

**1 Principal Accounting Policies (continued)**

**Leases (Policy applicable from 1 January 2019)**

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**As a Lessee**

The Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise,
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'tangible assets' and lease liabilities in 'other creditors' in the statement of financial position.

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**Financial Instruments**

Financial instruments cover a wide range of financial assets, including financial investments, trade receivables and cash and cash equivalents, and financial liabilities, trade payables, and borrowings.

Financial assets and financial liabilities are recognised in the company's statement of financial position when the Company becomes party to the contractual provisions of the instrument. The Company derecognises a financial asset when the contractual rights to receive cash flows have expired or been forfeited by the Company. A financial liability is derecognised when, and only when, the liability is extinguished.

**Business model assessment**

The Company assesses the objective of a business model in which an asset is held at a portfolio level because this best represents the way the business is managed, and information is reported to management. The assessment considers the stated portfolio policies and objectives. It is important to determine whether management's strategy in holding the financial asset is to earn contractual interest revenue, for example to match the duration of financial assets to the duration of liabilities that are funding those assets, or to realise cash flows through the sale of those assets. The frequency, volume, and timing of sales in prior periods may be reviewed, along with the reasons for such sales and expectations about future sales activity. This helps management determine whether financial assets should be measured at fair value.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets. Reclassifications are expected to occur infrequently.

**Notes to the financial statements**  
**For the year ended 31 December 2019**

**1 Principal Accounting Policies (continued)**

**Initial measurement**

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus (for an item not at fair value through the profit or loss ('FVTPL')) transaction costs that are directly attributable to its acquisition.

**Subsequent measurement**

Under IFRS 9 the classification of financial assets depends on (i) the purpose for which they were acquired, (ii) the business model in which a financial asset is managed, and (iii) its contractual cash flow characteristics. This classification determines the subsequent measurement basis. The following accounting policies apply to the subsequent measurement of financial assets.

Measurement basis	Accounting policies
<b>Amortised cost</b>	These financial assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
<b>Financial assets at FVTPL</b>	These assets are subsequently measured at Fair Value. Net gains and losses, including interest and dividend income, are recognised in profit or loss.

**Amortised cost**

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest ('SPPI') on the principal amount outstanding on specified dates.

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as a consideration of the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

**Financial assets at FVTPL**

All other financial assets that are not measured at amortised cost are classified as measured at FVTPL. In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost, at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**Loans and advances**

Loans with fixed maturities are recognised when cash is advanced to borrowers. Loans and advances are carried at amortised cost using the effective interest rate method. These assets are subject to the impairment requirements outlined below.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to a known amount of cash, and are classified as at amortised cost which means they are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method and are subject to the impairment requirements outlined below.

**Financial liabilities and equity**

Management also determines the classification of financial liabilities at initial recognition. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities are measured at amortised cost using the effective interest rate method.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

**Trade payables and receivables**

Trade payables and receivables are classified at amortised cost. Due to the short term nature of trade payables and receivables, their carrying amount is considered to be the same as their fair value.

**Impairment of financial assets**

IFRS 9 introduces an expected loss accounting model for expected credit losses ("ECL") that differs significantly from the incurred loss model under IAS 39 and results in earlier recognition of credit losses.

The new impairment model applies to financial assets measured at amortised cost, contract assets, but not to investments in equity instruments. Financial assets at amortised cost include trade receivables and cash and cash equivalents.

Under IFRS 9, credit loss allowances are measured on each reporting date according to a three stage ECL impairment model.

**Performing financial assets**

**Stage 1**

From initial recognition of a financial assets to the date on which an asset has experienced a significant increase in credit risk relative to its initial recognition, a stage 1 loss allowance is recognised equal to the credit losses expected to result from its default occurring over the earlier of the next 12 months or its maturity date ('12-month ECL')

**Notes to the financial statements**  
**For the year ended 31 December 2019**

**1 Principal accounting policies (continued)**

**Stage 2**

Following a significant increase in credit risk relative to the initial recognition of the financial asset, a stage 2 loss allowance is recognised equal to the credit losses expected from all possible default events over the remaining lifetime of the asset ('Lifetime ECL')

The assessment of whether there has been a significant increase in credit risk requires considerable judgement, based on the lifetime possibility of default ('PD'). Stage 1 and 2 allowances are held against performing loans' the main difference between stage 1 and 2 allowances is the time horizon. Stage 1 allowances are estimated using the PD with a maximum period of 12 months, while stage 2 allowances are estimated using the PD over the remaining lifetime of the asset.

*Impaired financial assets*

**Stage 3**

When a financial asset is considered to be credit-impaired, the allowance for credit losses ('ACL') continues to represent lifetime expected credit losses, however, interest income is calculated based on the amortised cost of the asset, net of the loss allowance, rather than its gross carrying amount.

*Application of the new impairment model*

The Company applies IFRS 9's new ECL model primarily to trade receivables, being the main type of financial asset held by the company recognised at amortised cost, and to which the simplified approach prescribed by IFRS 9 is applied. This approach requires the recognition of a lifetime ECL allowance on day one and thereafter.

ECLs are probability weighted estimate of credit losses. ECLs for financial assets that are not credit impaired at the reporting date are measured as the present value of all cash shortfalls, i.e. the difference between the cash flows due in accordance with the contract and the cash flows that the company expects to receive. ECLs for financial assets that are credit impaired at the reporting date are measured as the difference between the gross carrying amount and the present value of estimated future cash flows. ECLs are discounted at the effective interest rate of the financial asset. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

The measurement of ECLs considers information about past events and current conditions, as well as supportable information about future events and economic conditions. The Company has implemented its impairment methodology for estimating the ACL, taking into account forward-looking information in determining the appropriate level of allowance. In addition it has identified indicators and set up procedures for monitoring significant increases in credit risk.

*Credit impaired financial assets*

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired includes events such as a breach of contract such as a default or past due event, or significant financial difficulties of the counterparty.

*Presentation of impairment*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Assets are written off when there is no realistic prospect of the amount being recovered.

**Employee benefits**

**Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

**Turnover**

Turnover represents net commission income on insurance policies sold during the year and administration fees for guarantee products. Part of the turnover relating to insurance policies is deferred in line with the length of the insurance. Where the Company is contracted to perform further services in respect of these policies an appropriate proportion of income is deferred and included in creditors.

**Notes to the financial statements**  
**For the year ended 31 December 2019**

**1. Principal accounting policies (continued)**

**Deferred income**

An element of income is deferred to future periods in order to match expected claims and associated expenses with the income earned from those policies. The basis of this deferral was reviewed during the year resulting in an increase in the value of income deferred.

**Expenses**

**Operating lease payments (Policy applicable for comparative period)**

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

**Interest receivables and interest payable**

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

**Foreign currencies**

Foreign currency transactions are translated to sterling at rates of exchange ruling at the date of transaction. All exchange gains and losses ((see foreign currency accounting policy) are dealt with in the Profit and Loss Account.

**Impairment excluding deferred tax assets**

**Financial assets (including trade and other debtors)**

The financial assets, are reviewed at the reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**Going Concern**

Subsequent to the year end, the Company's Ultimate Parent elected to discontinue it's Speciality Risk business line. As a result, the Company is no longer considered a going concern. Certain of the Company's assets relating to its commercial activities have therefore been impaired to their net realisable value and these accounts have been prepared on the break-up basis.

**Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

**Notes to the financial statements**  
**For the year ended 31 December 2019**

**2 Turnover**

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Motor Insurance Products	6,158,418	5,208,480
<b>Total turnover</b>	<b>6,158,418</b>	<b>5,208,480</b>
	Year ended 31 December 2019 £	Year ended 31 December 2018 £
By activity:		
Net commission income	5,989,878	5,045,137
Administration fee income	168,540	163,343
	<b>6,158,418</b>	<b>5,208,480</b>
	Year ended 31 December 2019 £	Year ended 31 December 2018 £
By geographical market:		
UK	6,158,418	5,208,480
	<b>6,158,418</b>	<b>5,208,480</b>

**3 Operating profit**

This is stated after charging:

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Depreciation of fixed assets	113,770	6,190
Audit fees	63,388	65,851
Audit of financial statements of the parent of the company	7,199	-

**4 Interest receivable**

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Bank interest receivable	8,808	3,979

**5 Interest payable and other charges**

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Interest payable and similar charges	49,485	59,989



**Notes to the financial statements**  
**For the year ended 31 December 2019**

**6 Staff costs and numbers**

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Wages and salaries	2,189,221	1,894,613
Social security costs	259,409	219,124
Pension costs	136,268	101,099
Other staff costs	1,498	9,634
	<u>2,586,396</u>	<u>2,224,470</u>

No remuneration was paid to UK based directors from the company in the year. Directors are remunerated through other Group companies and no allocation is made as this is not practicable.

The Directors based in Spain are also Directors of the holding company. They are remunerated directly by the holding company and no allocation is made to the UK subsidiaries, as their contribution to those subsidiaries is not significant in the context of their overall services to the group.

There is 1 non-executive Director with remuneration for the year of £10,000 (2018: £10,000). This relates to services provided to the Company.

The average number of staff employed by the Company during the financial year was:

	Year ended 31 December 2019 No.	Year ended 31 December 2018 No.
Managerial	4	4
Administration	51	59
Total	<u>55</u>	<u>63</u>

**7 Taxation**

**(a) Recognised in the profit and loss account**

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
<b>UK Corporation Tax</b>		
Current tax on income for the period	434,178	275,110
Adjustment in respect of prior years	13,406	3,625
<b>Total Current Tax</b>	<u>447,584</u>	<u>278,735</u>
<b>Deferred tax (see note 11)</b>		
Current year	75,344	12,651
Adjustment in respect of previous periods	(11,995)	3,202
Effect of changes in tax rates	(7,931)	(1,331)
<b>Total deferred tax</b>	<u>55,418</u>	<u>14,522</u>
<b>Tax charge for the year</b>	<u>503,002</u>	<u>293,257</u>

**(b) Reconciliation of effective tax rate**

The tax charge for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below.

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Profit/(loss) for the period - continuing activities	<u>1,965,856</u>	<u>1,530,006</u>

**Notes to the financial statements**  
**For the year ended 31 December 2019**

Tax on loss at standard UK tax rate of 19% (2018: 19%)	373,513	290,701
Effect of:		
Expenses not deductible for tax purposes	75,400	661
Rate change adjustment	(7,931)	(1,331)
Amounts not recognised	60,831	-
Adjustments in respect of prior years	1,411	6,827
Income not taxable	(222)	(3,601)
<b>Total tax charge</b>	<b>503,002</b>	<b>293,257</b>

**(c) Factors affecting the tax charge in the future**

The Company profits are taxable in the UK under the standard rate of corporation tax being 19% (2018: 19%) for the year ended 31 December 2019. A reduction in the corporation tax to 20% from 1 April 2015 was enacted during 2013 with further reductions to 19% (from 1 April 2017) and 17% from (1 April 2020) enacted by 31 December 2017. The closing recognised deferred tax liability and recognised deferred tax assets reflect the enacted future changes in the corporation tax rate.

**8 Tangible fixed assets**

	Motor Vehicles £	IT Equipment £	Total £
<b>Cost:</b>			
At 1 January 2019	-	40,466	40,466
Recognition of right-of-use assets on initial application of IFRS 16 (see note 16)	240,826	-	240,826
Additions	-	45,668	45,668
Disposals	-	-	-
Impairment	(111,000)	-	(111,000)
<b>At 31 December 2019</b>	<b>129,826</b>	<b>86,134</b>	<b>215,960</b>
<b>Accumulated Depreciation</b>			
At 1 January 2019	-	22,243	22,243
Charge for the year	105,350	8,420	113,770
Disposals	-	-	-
<b>At 31 December 2019</b>	<b>105,350</b>	<b>30,663</b>	<b>136,013</b>
<b>Net Book Value</b>			
<b>At 31 December 2019</b>			<b>79,947</b>
<i>At 31 December 2018</i>			<i>18,223</i>

Due to the closure of the Company's Group's specialty risk business line, the Directors have performed an impairment assessment and as a consequence impaired certain of the Company's assets supporting commercial activities to their net realisable value.

**Notes to the financial statements**  
**For the year ended 31 December 2019**

**9 Debtors**

	31 December 2019	31 December 2018
	£	£
Trade debtors	19,498,926	13,827,919
Amounts owed by group undertakings	6,803,902	4,094,048
Prepayments and accrued income	32,162	34,007
Other debtors	1,899	16,151
Deferred tax asset (note 11)	-	55,416
	<u>26,336,889</u>	<u>18,027,541</u>

Trade receivables, which generally have 30 days terms, are recognised and carried at the lower of their original invoices value and recoverable amount.

Advances to group and parent undertakings are unsecured, interest free and have no defined repayment date.

**10 Creditors: amounts falling due within one year**

	31 December 2019	31 December 2018
	£	£
Trade creditors	10,093,277	7,113,693
Accruals and deferred income	2,300,216	2,476,219
Amounts owed to group undertakings	800,588	73,280
PAYE & National Insurance	36,292	37,656
Other creditors	9,943,304	6,348,188
	<u>23,173,677</u>	<u>16,049,036</u>

Trade payables, which generally have 30 days terms, are recognised and carried at the lower of their original invoices value and recoverable amount.

**11 Deferred tax assets**

	31 December 2019	31 December 2018
	£	£
The deferred tax included in the balance sheet is as follows:		
Included in debtors (note 9)	-	55,416
Accelerated capital allowances	-	-
Unpaid pension contribution	-	-
Provision at start of period	55,416	69,938
Adjustment in respect of prior years	11,995	(3,202)
Deferred tax charge to income statement for the period	(67,411)	(11,320)
Provision for deferred tax	<u>-</u>	<u>55,416</u>

**Notes to the financial statements**  
**For the year ended 31 December 2019**

**12 Share capital**

	31 December 2019		31 December 2018	
	No	£	No	£
<i>Allotted, called up and fully paid:</i>				
Ordinary shares of £1 each	2	2	2	2

**13 Reconciliation of shareholder's funds and movements on reserves**

	Called up share capital	Profit and loss account	Shareholder's funds
	£	£	£
Balance at 1 January 2018	2	2,172,370	2,172,372
Profit for the year	-	1,236,749	1,236,749
Balance at 1 January 2019	2	3,409,119	3,409,121
Profit for the year	-	1,462,854	1,462,854
Balance at 31 December 2019	2	4,871,973	4,871,975

**14 Related party transactions**

The Company has taken advantage of the exemption given by FRS 101.8 in respect of the following disclosures:

- Disclosures in respect of transactions with wholly owned subsidiaries ;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

**15 Parent undertaking and controlling party**

Abraxas Insurance Administration Services Limited is a wholly owned subsidiary of Mapfre Abraxas Software Limited, a company incorporated in England and Wales. Mapfre Abraxas Software Limited is a wholly owned subsidiary of Mapfre Asistencia S.A., a company incorporated in Spain. Mapfre Asistencia S.A. is a wholly owned subsidiary of Mapfre S.A., a company incorporated in Spain. The ultimate controlling party as at 31 December 2018 was Fundación Mapfre. The financial statements of Fundación Mapfre are available from 23 Paseo de Recoletos, 28004, Madrid, Spain.

**16 Leases**

*Right-of-use assets*

	Motor Vehicles £'000	Total £'000
Balance at 1 January 2019	-	-
Additions to right-of-use assets	240,826	240,826
Impairment of right-of-use assets	(111,000)	(111,000)
Depreciation charge for the year	(105,350)	(105,350)
Derecognition of right-of-use assets	-	-
Balance at 31 December 2019	24,476	24,476

Due to the closure of the Company's Group's specialty risk business line, the Directors have performed an impairment assessment and as a consequence impaired certain of the Company's assets supporting commercial activities to their net realisable value.

*Amounts recognised in profit or loss*

The following amounts have been recognised in profit or loss for which the Company is a lessee:

	£'000
2019 - Leases under IFRS 16:	
Interest expense on lease liabilities	15,313
2018 - Operating leases under IAS 17:	
Lease expense	91,905

**Notes to the financial statements**  
**For the year ended 31 December 2019**

**17 Financial commitments**

The Company was committed to making the following payments for leases under IFRS 16 which expire in the next five years.

	2019	2019
	Motor Vehicles	Total
	£	£
Leases under IFRS 16 which expire:		
Within one year	88,712	88,712
In the second to fifth years	62,780	62,780
At 31 <sup>st</sup> December 2019	<u>151,492</u>	<u>151,492</u>
	2018	2018
	Motor Vehicles	Total
	£	£
Operating leases which expire		
Within one year	100,590	100,590
In the second to fifth years	279,891	279,891
At 31 <sup>st</sup> December 2018	<u>380,481</u>	<u>380,481</u>

**18 Change in significant accounting policies**

*IFRS 16*

The Company has applied IFRS 16 using the modified retrospective with cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at 1 January 2019. Therefore, the comparative information has not been restated and continues to be reported under IAS 17. The disclosure requirements in IFRS 16 have not been applied to comparative information. The details of the changes and quantitative impact are set out below.

*Definition of a lease*

Previously the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4: Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 1. On transition, the Company has reassessed all contracts to assess whether they contain a lease based upon this definition.

The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Only finance leases were then recognised on the balance sheet. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

*Leases classified as operating leases under IAS 17*

All of the leases held by the Company as at 1 January 2019 were classified as operating leases under IAS 17. On transition, for operating leases under IAS 17, lease liabilities were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

Right-of-use assets were measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

As a practical expedient, the Company did not recognise right-of-use assets and liabilities for leases of low value assets.

**Notes to the financial statements**  
**For the year ended 31 December 2019**

The following table summarises the quantitative impact of adopting IFRS 16 on the Company's financial statements for the year ending 31 December 2019:

	As reported	Adjustments	Balances without adoption of IFRS 16
	£'000	£'000	£'000
Motor Vehicles	135,476	(135,476)	-

When measuring the lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 7.74%.

The following table summarises the difference between the operating lease commitments disclosed under IAS 17 at 31 December 2018 in the Company's financial statements and the lease liabilities recognised at 1 January 2019:

	£
Operating lease commitments at 31 December 18 as disclosed under IAS 17	380,481
Discounted using the incremental borrowing rate at 1 January 2018	139,655
Lease liabilities recognised as at 1 January 2019	<u>240,826</u>

**Cost of Sales**

In addition, the method for attributing costs between Cost of sales and Administrative expenses was revised in the year to make the financial statements more relevant and reliable, and this has been accounted for as a change in accounting policy, with the restatement of the comparative period. Where costs are related to the performance of revenue earning activities they are allocated to Cost of sales, with other costs being allocated to Administrative expenses. The impact of this change in accounting policy on the comparative period is set out below.

	Year ended 31 December 2018 As previously reported £	Change in accounting policy £	Year ended 31 December 2018 As restated £
Cost of Sales	157,725	1,997,387	2,155,112
Administrative expenses	3,464,739	(1,997,387)	1,467,352

There is no impact on the prior period result or brought forward reserves as a result of this restatement.