

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

## **Abraxas Insurance Administration Services Limited**

### **Report and Financial Statements**

For the year ended 31 December 2018



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

**Company Information**

**Directors**

Javier San Basilio  
Jair Marrugo Rojas  
Irene Garcia Saez  
Selwyn Fernandes  
Monica Garcia Cristobal  
Richard Saunders  
Alfonso Smith

**Auditors**

KPMG LLP  
66 Queen Square  
Bristol  
BS1 4BE

**Bank**

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

**Registered Office**

One Victoria Street  
Bristol Bridge  
Bristol  
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, tyre and wheel insurance, and cosmetic repair 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 492,544 (2017:285,581) representing an increase of 72.4% on the prior year. 2018 has been a successful year with the on-boarding of BMW as a partner, and retention and growth seen across the Company's other major partners. In total Income has grown by 57.7%.

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

The Company seeks to maintain and grow its existing market share. In order to achieve this goal the Company will diversify its product range by enlarging the current product portfolio within the current business lines, whilst increasing customer satisfaction.

### 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. Competitive risk

The Company is reliant on certain major contracts, which are subject to periodic competitive tender. Renewal of these contracts is uncertain and based on financial and performance criteria as well as market conditions. To mitigate this the Company develops close partnerships with clients which includes employing staff exclusively dedicated to those clients, as well as providing systems, training and support which give the Company competitive advantages.

#### 3. 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.

#### 4. Business risk

As mentioned above, the Company's income is drawn from only one insurer, its ultimate 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.

#### 5. 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.

#### 6. Brexit

Brexit bears a significant and unpredictable risk to the Company and to the wider economy. The Company and its wider group continue to work to reduce the risks arising from Brexit insofar as this is possible. The Company is well positioned to adapt to market changes and fully expects to be able to continue operating once the UK exits the European Union.

  
Irene García Sáez  
Director

27 September 2019

## **Directors' report**

The Directors present their report and financial statements for the year ended 31 December 2018.

### **Results and dividends**

The Company reported a profit for the year after taxation of £1,236,749 (2017: loss of £57,737).

No dividends were paid during either the current or prior year.

### **Directors**

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

Nigel Howard-Jones (resigned 5 December 2018)

Javier San Basilio

Jair Marrugo Rojas

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)

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 and promoted on the basis of skills and suitability for the work performed.

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, 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 ultimate 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**

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future (being 12 months from the date of this report). Accordingly, they adopt the going concern basis in preparing the annual report and financial statements.

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

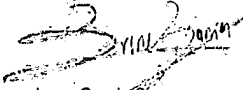
So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the Company's auditor is unaware. Having made enquiries of fellow Directors, each Director 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.

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## **Directors' report**

### **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

**27** September 2019

## **Statement of Directors' 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.

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 2018 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 2018 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.

**The impact of uncertainties due to the UK exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

**Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

**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.



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

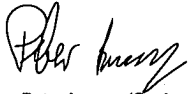
**Auditor's responsibilities**

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.



**Peter Lomax (Senior Statutory Auditor)**

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

*Chartered Accountants*

66 Queen Square

Bristol

BS1 4BE

30 September 2019

**Abraxas Insurance Administration Services Limited**  
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**Profit and Loss Account and Other Comprehensive Income**  
For the year ended 31 December 2018

	Note	2018 £	2017 £
<b>Turnover</b>	2	5,208,480	3,500,244
Cost of sales		(157,726)	(128,560)
<b>Gross profit</b>		<u>5,050,754</u>	<u>3,371,684</u>
Administrative expenses		(3,464,738)	(3,374,945)
<b>Operating profit/(loss)</b>	3	<u>1,586,016</u>	<u>(3,261)</u>
Interest receivable	4	3,979	587
Interest payable	5	(59,989)	(50,859)
<b>Profit/(loss) on ordinary activities before taxation</b>		<u>1,530,006</u>	<u>(53,533)</u>
Tax on profit/(loss) on ordinary activities	7	(293,257)	(4,204)
<b>Profit/(loss) for the year</b>	13	<u>1,236,749</u>	<u>(57,737)</u>
Other comprehensive income for the year, net of income tax			
<b>Total comprehensive profit/(loss) for the year</b>		<u>1,236,749</u>	<u>(57,737)</u>

The notes on pages 13 to 20 form part of these financial statements.

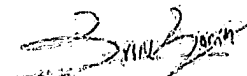
**Abraxas Insurance Administration Services Limited**  
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**Balance Sheet**  
As at 31 December 2018

	Notes	2018 £	2017 £
<b>Fixed assets</b>			
Tangible assets	8	18,223	5,584
		<u>18,223</u>	<u>5,584</u>
<b>Current assets</b>			
Debtors	9	18,027,541	8,103,303
Cash at bank and in hand		1,412,393	565,639
		<u>19,439,934</u>	<u>8,668,942</u>
<b>Creditors: amounts falling due within one year</b>	10	(16,049,036)	(6,502,154)
<b>Net current assets</b>		<u>3,390,898</u>	<u>2,166,788</u>
<b>Total assets less current liabilities</b>		<u>3,409,121</u>	<u>2,172,372</u>
<b>Capital and reserves</b>			
Called up share capital	12	2	2
Profit and loss account	13	3,409,119	2,172,370
<b>Shareholder's funds</b>	13	<u>3,409,121</u>	<u>2,172,372</u>

The notes on pages 13 to 20 form part of these financial statements.

The financial statements were approved by the Directors on 27 September 2019 and are signed on their behalf by:

  
Irene Garcia Saez  
Director  
27 September 2019

**Abraxas Insurance Administration Services Limited**  
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**Annual Report and Financial Statements**

**Statement of Changes in Equity**  
**As at 31 December 2018**

	Called up share capital	Profit and loss account	Total shareholders' funds
	£	£	£
Balance at 1 January 2017	2	2,230,107	2,230,109
Total comprehensive loss for the year		(57,737)	(57,737)
Balance at 31 December 2017	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

The notes on pages 13 to 20 form part of these financial statements.

**Notes to the financial statements**  
**For the year ended 31 December 2018**

**1 Principal Accounting Policies**

Abraxas Insurance Administration Services Limited (the Company) is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2016/17 Cycle) issued in July 2017 and effective immediately have been applied.

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 Asistencia S.A, includes the Company in its consolidated financial statements. The consolidated financial statements of Mapfre Asistencia S.A are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Carr. de Pozuelo, 52, Edificio 1 Anexo, 28222 Majadahonda, 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 have, 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:

IFRS 15 - Revenue from contracts with customers

IFRS 9 - Financial instruments

**IFRS 15**

The Company has adopted IFRS 15 'Revenue from contracts with customers' (July 2014). An assessment was performed by the Directors of the Company, the result of which determined that the adoption of IFRS 15 during the period has not resulted in changes to accounting policies or previously reported figures.

**IFRS 9**

The Company has adopted IFRS 9 'Financial Instruments' (July 2014). The adoption of IFRS 9 during the period has resulted in changes to accounting policies as a result of moving to a forward looking impairment model, based on Expected Credit Losses (ECL). No changes to opening retained earnings or previously reported figures have been necessary.

**IFRS 9 '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.

**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.

**Principal accounting policies (continued)**

Measurement basis	Accounting policies
<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.
<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.

**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 credit losses 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')

**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.

**Notes to the financial statements**  
**For the year ended 31 December 2018**

**Principal accounting policies (continued)**

**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.

**IFRS 9 transition**

Assessments have been carried out on the basis of the facts and circumstances that existed at the date of initial application to determine the treatment of financial assets in these financial statements. Changes in accounting policies resulting from the adoption of IFRS 9 have not led to a material adjustment to comparative periods, and in addition in line with the transition provisions in IFRS 9, comparative information of prior periods has not been restated.

The comparative balance sheets are presented under IAS 39. The accounting policies for the comparative balance sheets are below:

**Trade and other debtors (policy applicable to comparative balance sheet)**

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

**Trade and other creditors (policy applicable to comparative balance sheet)**

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost less impairment losses.

**Measurement convention**

The financial statements are prepared on the historical cost basis.

**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 the distribution of insurance policies sold during the year and administration fees for guarantee products. Revenue is allocated and recognised depending on the substance of the transaction. Commission on sale of an insurance produce is recognised on sale at that point in time. Fees for claims handling are recognised based on expected cost of handling and administering claims over the expected claims period.

**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.

**Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Revenue recognition:**

A proportion of income received is deferred, by reference to the historic pattern of actual expenses incurred in processing claims. An estimate is made by the Directors using expected earning patterns and actual costs incurred in claims processing over a three year period. Expected earning patterns are derived by actuarial assessment.

**Notes to the financial statements**  
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**Principal accounting policies (continued)**

**Operating lease payments**

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 receivable and interest payable**

Interest income and interest payable are recognised in profit and loss as incurred.

**Foreign currencies**

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

**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 life of IT equipment is 4 years. Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

**Going Concern**

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

**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.

**2 Turnover**

	2018 £	2017 £
Motor Insurance Products	5,208,480	3,500,244
Total turnover	<u>5,208,480</u>	<u>3,500,244</u>
	Year ended 31 December 2018 £	Year ended 31 December 2017 £
By activity:		
Net commission income	5,045,137	3,339,841
Administration fee income	163,343	160,403
	<u>5,208,480</u>	<u>3,500,244</u>
By geographical market:		
UK	5,208,480	3,500,244
	<u>5,208,480</u>	<u>3,500,244</u>



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**3 Operating (loss) /profit**

This is stated after charging:

	2018 £	2017 £
Depreciation of fixed assets	6,190	8,766
(Profit)/loss on disposal of fixed assets	-	(107)
Operating lease - vehicles	91,905	5,163
Audit fees	65,851	60,519

**4 Interest receivable**

	2018 £	2017 £
Bank interest receivable	3,979	587

**5 Interest payable and other charges**

	2018 £	2017 £
Interest payable and similar charges	59,989	50,859

**6 Staff costs and numbers**

	2018 £	2017 £
Wages and salaries	1,894,613	2,091,369
Social security costs	219,124	173,004
Pension costs	101,099	54,057
Other staff costs	9,634	15,349
	<u>2,224,470</u>	<u>2,333,779</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 one non-executive Director with remuneration for the year of £10,000 (2017: £10,000). This relates to services provided to the Company.

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

	2018 No.	2017 No.
Managerial	4	4
Administration	59	69
Total	<u>63</u>	<u>73</u>

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**7 Taxation**

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

	2018 £	2017 £
<b>UK Corporation Tax</b>		
Current tax on income for the period	275,110	-
Adjustment in respect of prior years	3,825	14,706
Group relief claimed from fellow group companies	-	(14,774)
<b>Total Current Tax</b>	<b>278,735</b>	<b>(68)</b>
<b>Deferred tax (see note 11)</b>		
Current year	12,651	5,138
Adjustment in respect of previous periods	3,202	(266)
Effect of changes in tax rates	(1,331)	(600)
<b>Total deferred tax</b>	<b>14,522</b>	<b>4,272</b>
<b>Tax charge for the year</b>	<b>293,257</b>	<b>4,204</b>

**(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.

	2018 £	2017 £
Profit/(loss) for the period - continuing activities	1,530,006	(53,533)
<b>Tax on loss at standard UK tax rate of 19.00% (2017: 19.25%)</b>	<b>290,701</b>	<b>(10,303)</b>
<b>Effect of:</b>		
Expenses not deductible for tax purposes	661	1,223
Rate change adjustment	(1,331)	(1,155)
Adjustments in respect of prior years	6,827	14,439
Income not taxable	(3,601)	-
<b>Total tax charge</b>	<b>293,257</b>	<b>4,204</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 19.00% (2017: 19.25%) for the year ended 31 December 2018. 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**

	IT Equipment £
<b>Cost:</b>	
At 1 January 2018	21,637
Additions	18,829
Disposals	-
<b>At 31 December 2018</b>	<b>40,466</b>
<b>Accumulated Depreciation</b>	
At 1 January 2018	16,053
Charge for the year	6,190
Disposals	-
<b>At 31 December 2018</b>	<b>22,243</b>
<b>Net Book Value</b>	
At 31 December 2018	18,223
At 31 December 2017	5,584

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**9 Debtors**

	31 December 2018	31 December 2017
	£	£
Trade debtors	13,827,919	4,954,607
Amounts owed by group undertakings	4,094,048	3,037,923
Prepayments and accrued income	34,007	31,767
Other debtors	16,151	9,066
Deferred tax asset (note 11)	55,416	69,938
	<u>18,027,541</u>	<u>8,103,303</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, being repayable on demand.

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

	31 December 2018	31 December 2017
	£	£
Trade creditors	7,113,693	812,987
Accruals and deferred income	2,476,219	4,263,100
Amounts owed to group undertakings	73,280	1,267,108
PAYE & National Insurance	37,656	47,511
VAT creditor	-	6,245
Other creditors	6,348,188	105,203
	<u>18,049,036</u>	<u>6,502,154</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 2018	31 December 2017
	£	£
The deferred tax included in the balance sheet is as follows:		
Included in debtors (note 9)	<u>55,416</u>	<u>69,938</u>
Provision at start of period	69,938	74,210
Adjustment in respect of prior years	(3,202)	266
Deferred tax charge to income statement for the period	(11,320)	(4,538)
Provision for deferred tax	<u>55,416</u>	<u>69,938</u>

**12 Share capital**

	31 December 2018	31 December 2017
	No	No
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>2</u>	<u>2</u>

**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 2017	2	2,230,107	2,230,109
Loss for the year	-	(57,737)	(57,737)
Balance at 1 January 2018	2	2,172,370	2,172,372
Profit for the year	-	1,236,749	1,236,749
Balance at 31 December 2018	<u>2</u>	<u>3,409,119</u>	<u>3,409,121</u>

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**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 Financial commitments**

The Company was committed to making the following payments under non-cancellable operating leases in the next year.

	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>
	2017	2017
	Motor Vehicles	Total
	£	£
Operating leases which expire:		
Within one year	90,290	90,290
In the second to fifth years	69,826	69,826
At 31 <sup>st</sup> December 2017	<u>160,116</u>	<u>160,116</u>