Car Care Plan Limited

Annual Report and Financial Statements

Year Ended

31 December 2019

Company Number 0850195

Contents

Directors and Officers

Directors

R J Brannock
J E Cadle
P Dewey
P G Newton
B S Russell
G W W Tinch
S J Wright

Company secretary

G W W Tinch

Registered office

Jubilee House, 5 Mid Point Business Park, Thornbury, West Yorkshire, BD3 7AG

Company number

0850195

Independent Auditor

KPMG LLP, 1 Sovereign Square, Sovereign Street, Leeds, LS1 4DA

Strategic Report

The Directors present the strategic report of Car Care Plan Limited ('CCPL' or 'the Company') for the year ended 31 December 2019.

The Company is a wholly owned subsidiary of AmTrust International Limited, which is a UK Limited Company. The Company's ultimate parent is Evergreen Parent GP LLC, a Delaware registered United States limited liability company. Evergreen is an entity formed by private equity funds managed by Stone Point Capital LLC, together with Barry Zyskind, Chairman and CEO of the AmTrust Group, George Karfunkel and Leah Karfunkel (collectively, the 'Karfunkel-Zyskind Family').

As a member of the AmTrust Group, the Company benefits from financial, operational and management support. The AmTrust Group is a multinational insurance group specialising in a range of niche markets. With extensive underwriting experience and an prestigious 'A-' (Excellent) financial Size 'XV' rating from A.M. Best for most of its insurance companies, the AmTrust Group has earned a reputation as an innovative, technology driven provider of insurance products. Commitment to excellence is a common thread connecting each of the AmTrust Group companies.

The AmTrust Group's business model focuses on achieving targeted returns and profitable growth, combined with the careful management of risk. The AmTrust Group pursues these goals through geographic and product diversification as well as an in-depth understanding of its insured exposure. The product mix primarily includes workers' compensation, extended warranty and commercial property insurance products, including title insurance.

Principal activity

The Company's principal activity continues to be the marketing and administration of motor vehicle warranty and related products. The Company's main product lines are warranty, guaranteed asset protection ('GAP'), cosmetic warranty, alloy wheel, tyre and service plans.

Review of the business and future developments

The Company is a wholly owned subsidiary of Car Care Plan (Holdings) Limited. The company has subsidiaries in China, Brazil, Turkey and Germany but does not prepare group accounts (see note 2f).

The Company differentiates itself from competitors through its commitment to strong relationships and high quality services. The Company continues to develop potential new markets and the Directors consider this geographical diversity to be necessary for continued growth and success in the medium to long term future.

As in 2018, the senior management team continued to drive forward a number of initiatives as part of the process of continuous improvement. This included increased integration of systems and process within the AmTrust Group as a whole. It is expected that this process will continue in 2020 and beyond and this globalisation of core services and processes will, in time, lead to efficiency savings.

The Directors recognise the need to continually renew and diversify the Company's range of products and active markets. As such the Directors will continue to seek new opportunities for organic growth. The Directors benefit from the support of a shareholder who encourages expansion through a responsible, structured approach.

The Directors consider the result for the year to be satisfactory. Operating profits are significantly higher than in the prior year at £1.3m as compared to £0.1m in 2018, driven by higher admin fees per unit and strong cost control.

Strategic Report (continued)

Key performance indicators

Below is a table which the Directors consider key performance indicators as at 31 December 2019:

	2019	2018	Explanation for variance
Sales Volume (Units/1000)	1,004	1,107	Lower fee per unit promotional activity in 2018 not repeated in 2019
Fee Per Unit (Turnover/Units) (£)	25.20	22.35	Change of business mix
Overheads Per Unit ((Cost of sales + Administrative expenses)/Units) (£)	23.93	22.24	Change of business mix
Profit on ordinary activities before taxation (£'000)	1,213	2,382	Dividend of £2.218m from subsidiary undertaking in 2018
Net assets (£'000)	17,344	16,354	Profit in in year

Principal risks and uncertainties

The Company continues to be very aware of the business and operational risks it faces and maintains a detailed risk analysis process. This comprises the application of a structured, consistent and continuous process across the Company for identifying, assessing and deciding upon suitable responses to the threats and opportunities that affect the successful achievement of its business objectives.

The major risks are identified as:

1. Coronavirus (or COVID-19) – As the effects of the coronavirus pandemic are now being felt on a global scale, the Company, as with many of its contract holders, distribution partners and vendors, has taken steps to alter or reduce normal business activity as a response to those nationally enforced rules to help control the spread of the outbreak. Some of the steps which the Company has taken involve:

    - The implementation of business continuity plans, which include the temporary closure of the Company's offices and employees working from home;
    - Increased communication and coordination with the Company's stakeholders and partners; and
    - Increased liquidity to ensure the Company maintains adequate cash to honour its commitment to policyholders, employees and vendors.

    The Company's product portfolio is diversified in its client base, but is heavily weighted towards the automotive sector which is highly sensitive to final consumer demand for cars. The pandemic has, therefore, had a material adverse impact on sales volumes, and therefore, fee revenues for the period of the pandemic.

    The Directors do not believe that there are any segments of the portfolio that would be likely to represent a substantial challenge to the Company's business model sustainability.

    The Directors anticipate that there may be some near- to mid-term impact on the Company's financial, liquidity and net asset positions from reduced volumes of business administered.

    The Directors have performed a sensitivity test to assess the impact on the Company's resources, including the reduction in revenues of business equal to 25% September 2020, 50% in quarter 4 of 2020, and 25% in quarters 1 and 2 of 2021 versus the Company's business plan, together with an increase in bad debt expense.

    The above stress is considered to be a severe but plausible stress. Under this stress scenario, the Company would still have sufficient liquidity and other assets to support its business operations. This is before the impact of any Management actions to mitigate these effects.

Strategic Report (continued)

Principal risks and uncertainties (continued)

2. Strategic risk - The principal risk facing the Company is the competitive pressure in the markets in which it operates. This is particularly the case in the mature United Kingdom market. The risk is managed by operating efficiently to remain competitively priced and by providing added value services to clients.

3. *Credit risk – This is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where* the Company is exposed to credit risk are:

    a. Amounts due from retailers and other intermediaries
    b. Amounts due from policyholders
    c. Amounts due from insurers in respect of claims already paid
    d. Deposits with credit institutions

    Exposure to credit risk is managed by the Company using a number of measures:

    - Direct sales revenue is collected in advance of policy registration where possible
    - Dealer and manufacturer sales revenue is collected by direct debit in most cases
    - Arrangements with insurers carry the right of set off of claims paid against premiums collected.

4. Liquidity risk – This is the risk that the Company may be unable to meet its obligations as they fall due as a consequence of having a timing mismatch in the availability of liquid funds. The Company holds cash balances and derives interest income from its current account. Management considers that liquidity risk relates to the risk associated with the processes of managing timing relationships between asset and liability and is managed through the review of regularly revised cash flow forecasts. To minimise interest rate risk the Company aims to earn interest at a rate close to the Bank of England Base Rate and manages this by ensuring that the rate of return at the bank mirrors this.

5. Currency risk - The Company is exposed to currency risk in respect of operations transacted in currencies other than Sterling. The most significant currencies to which the Company is exposed are the Brazilian Real, through its Brazilian subsidiary, the Chinese Yuan, through its Chinese subsidiary and the Euro through its European operations. The Company seeks to mitigate the risk, as far as possible, by matching its foreign currency denominated liabilities with assets denominated in the same currency.

6. Brexit – At the date of this report, the UK has formally left the European Union ('EU') and is in the transitional period before a full exit, scheduled for 31 December 2020. The exact implications for the Company are expected to become clearer during the transition period, but, based upon the Directors' most recent risk assessment it is considered unlikely that it would have a material impact on the Company's future development as the level of business transacted in Europe is minimal.

Strategic Report (continued)

Section 172 statement

The Directors have acted in a way that they considered to be the most likely to promote the success of the Company for the benefit of its sole member and the wider group that it forms an integral part of. In doing so, they had regard for:

- The likely consequences of any decision in the long term;
- The interests of the Company's employees;
- The need to foster business relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and the environment;
- The desirability of maintaining a reputation for high standards of business conduct; and
- The need to act fairly between members of the Company.

As a result of the strategic focus of the business, as discussed above, and its regulated status, the Company maintains a number of relatively small, but particularly close relationships with key stakeholders. When making decisions, the Directors consider carefully the potential impact on these stakeholders to ensure that those decisions balance the interests of all parties. These stakeholders and their perceived interests include:

- Regulators and other Government agencies: ensuring the long-term sustainability of the Company through adherence to proper governance practices and conduct rules, maintenance of appropriate solvency and liquidity positions and compliance with all applicable regulations and legal requirements.
- Policyholders and Contract holders: delivering products designed to benefit the policyholder and contract holder at cost effective rates, that comply with regulatory requirements and that comply, where applicable, with FCA customer conduct rules.
- Suppliers: establishing trading relationships on fair and reasonable terms based on local market norms and ensuring clear and timely communication of any relevant business changes which might affect the Company's trading relationship or ability to fully honour its commitments to them under these arrangements.
- Employees: fostering a culture of openness and inclusivity where employees feel comfortable and are encouraged *to share their insights and opinions on issues facing the Company*
- Communities and the environment: ensuring that the Company acts as a good corporate citizen within the communities it serves and inhabits.
- Ultimate shareholder: providing a long-term sustainable enterprise through which the AmTrust Group can grow in its targeted markets, maintaining the AmTrust Group's reputation for high standards of business conduct.

Approval

This strategic report was approved by order of the Board on 18 November 2020.

S J Wright
Director

Directors' Report

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

Directors

The current Directors of the Company are shown on the contents page. Since 1 January 2019 until the date of this report, the following changes to the Board of Directors have occurred:

Name	Date of appointment
RJ Brannock	30 July 2019
G W W Tinch	1 May 2019
P Dewey	14 March 2019

Name	Date of resignation
J A Levin	30 September 2019
T J Heavisides	28 February 2019

Results and dividends

The statement of comprehensive income is set out on page 12 and shows the profit for the year.

The Directors do not recommend a dividend in 2019 (2018: £Nil).

Future developments

The Company will continue marketing and administration of motor vehicle warranty products.

Political donations

The company did not make any political donations during the year under review (2018 - £Nil).

Financial risk management and objectives

The Directors have considered the exposure to credit, liquidity and foreign currency risk for the financial instruments held by the Company which is further discussed in the Strategic Report.

Employee matters

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Employee involvement

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests. All employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through the in-house monthly newsletters and biannual briefing groups.

Directors' Report (continued)

Engagement with suppliers, customers and others in a business relationship with the Company

The Directors have had regard to the need to foster the Company's business relationships with suppliers and customers. Relationships with motor manufacturers and dealers are maintained through the Company's extensive network of dedicated account managers.

The Company's claims team, including claims audit, maintain relationships with motor repair suppliers whilst the Company's procurement team maintain relationships with suppliers of other services.

Multi-channel access to customer services is provided by the Company's customer services team which includes a dedicated complaints handling team.

Independent auditor

In accordance with Section 487 of the Companies Act 2006, the Auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Qualifying third party indemnity provisions

Directors' and officers' liability insurance in respect of the Company has been maintained throughout the year.

Going concern

The Company has considerable financial resources and a balanced portfolio of clients. After review of the key performance indicators, forecast income, expenditure and cash flows for a period of at least 12 months from the date of approval of these financial statements and the key risks outlined in the Strategic Report, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence in the foreseeable future.

In addition, the Directors have considered the ability of the Company to withstand the inevitable stresses which will arise from the rapid global spread of the Coronavirus (or COVID-19) pandemic on its capital and liquidity. These stresses considered the impact on the Company of a severe but plausible stress.

The Directors have evaluated the results of the assessments conducted by Management, including the stresses described in the 'Principal risks and uncertainties' section of the Strategic Report, and believe that the going concern basis of preparing the Financial Statements is appropriate.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

On behalf of the Board

G W W Tinch
Company Secretary

18 November 2020

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Strategic Report, the 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 UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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.

Independent Auditor's Report to the Members of Car Care Plan Limited

Opinion

We have audited the financial statements of Car Care Plan Limited ("the company") for the year ended 31 December 2019 which comprise the income statement, other comprehensive income, statement of financial position, statement of changes in equity and related notes, including the accounting policies in note 3.

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 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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.

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. 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.

Independent Auditor's Report to the Members of Car Care Plan Limited (continued)

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 8, 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.

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.

Andrew Jones

Andrew Jones (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
18 November 2020

Income Statement
For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover	4	25,296	24,739
Cost of sales		(11,439)	(11,221)
Gross profit		**13,857**	**13,518**
Administrative expenses		(12,584)	(13,394)
Operating profit	5	1,273	124
Interest receivable and similar income	8	64	40
Interest payable and similar charges		(124)	-
Dividends received	9	-	2,218
Profit before taxation		**1,213**	**2,382**
Tax on profit	10	(184)	(207)
Profit for the financial year		**1,029**	**2,175**

All the amounts recognised in the Income Statement above relate to continuing activities.

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

Other Comprehensive Income
For the year ended 31 December 2019

	2019 £'000	2018 £'000
Profit for the year	1,029	2,175
Other comprehensive income		
Exchange difference on retranslation of branches	(39)	22
Total comprehensive income for the year	**990**	**2,197**

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

Statement of Financial Position
As at 31 December 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible assets	11	3,939	4,137
Investments in subsidiaries	12	3,130	3,130
		7,069	**7,267**
Current assets			
Debtors	13	31,032	30,670
Cash at bank and in hand	14	19,369	17,489
		50,401	**48,159**
Creditors: amounts falling due within one year	*15*	*(40,126)*	*(39,072)*
Net current assets		**10,275**	**9,087**
Total assets less current liabilities		**17,344**	**16,354**
Net assets		**17,344**	**16,354**
Capital and reserves			
Called up share capital	17	9,450	9,450
Revaluation reserve		98	98
Profit and loss account		7,796	6,806
Total shareholder's funds		**17,344**	**16,354**

Company registration number: 0850195

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

The financial statements were approved by the Board of Directors and authorised for issue on 18 November 2020.

S J Wright
Director

Statement of Changes in Equity
For the year ended 31 December 2019

	Note	Called up share capital £'000	Revaluation reserve £'000	Profit and loss account £'000	Shareholder's funds £'000
At 1 January 2019		9,450	98	6,806	16,354
Profit for the financial year		-	-	1,029	1,029
Other comprehensive income for the year		-	-	(39)	(39)
Total comprehensive income for the year		-	-	**990**	**990**
Credit relating to equity-settled share-based payments	20	-	-	-	-
Total transactions with owners, recognised directly in equity		-	-	-	-
Balance as at 31 December 2019		**9,450**	**98**	**7,796**	**17,344**

	Note	Called up share capital £'000	Revaluation reserve £'000	Profit and loss account £'000	Shareholder's funds £'000
At 1 January 2018		9,450	98	4,101	13,649
Profit for the financial year		-	-	2,175	2,175
Other comprehensive income for the year		-	-	22	22
Total comprehensive income for the year		-	-	**2,197**	**2,197**
Credit relating to equity-settled share-based payments	20	-	-	508	508
Total transactions with owners, recognised directly in equity		-	-	**508**	**508**
Balance as at 31 December 2018		**9,450**	**98**	**6,806**	**16,354**

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

Notes to the Financial Statements

1 General information

The Company provides motor vehicle warranty products to trade and retail customers. The Company is a private company limited by shares and is incorporated in England. The address of its registered office is Jubilee House, 5 Mid Point Business Park, Thornbury, West Yorkshire, BD3 7AG.

2 Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102') and in compliance with the Large and Medium sized companies and groups (Accounts and Reports) Regulation 2008 ("SI 2008/410") and other requirements of the Companies Act 2006.

The financial statements have been prepared on the going concern basis under the historical cost accounting rules.

The company has adopted Amendments to FRS 102 – Triennial Review 2017 in these financial statements effective 1 January 2019. These did not impact the company.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

a) Exemption from preparing a cash flow statement
The Company has taken advantage of the exemption under FRS 102, paragraph 1.12(b), from preparing a cash flow statement on the grounds that it is a wholly owned subsidiary, whose intermediate parent company AmTrust International Insurance Limited ('AIIL') (incorporated in Bermuda) prepares a group consolidated cash flow statement in its group consolidated financial statements, that are publicly available.

b) Exemption from disclosing related party transactions
As the Company is a wholly owned subsidiary, it has taken advantage of the exemption contained in FRS 102 paragraph 33.1A from disclosing related party transactions with entities that are wholly owned within the Evergreen Parent GP LLC group.

c) Exemption from certain financial instruments disclosures
The Company has taken advantage of the exemption under FRS 102, paragraph 1.12(c) from making certain financial instruments disclosures on the grounds that equivalent disclosures are included in the consolidated financial statements of AIIL.

d) Use of estimates and judgements
The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements have been disclosed as appropriate within the principal accounting policies and relevant notes below.

e) Going concern
The Company has considerable financial resources and a balanced portfolio of clients. After review of the key performance indicators, forecast income, expenditure and cash flows for a period of at least 12 months from the date of approval of these financial statements and the key risks outlined in the Strategic Report, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence in the foreseeable future.

In addition, the Directors have considered the ability of the Company to withstand the inevitable stresses which will arise from the rapid global spread of the Coronavirus (or COVID-19) pandemic on its capital and liquidity. These stresses considered the impact on the Company or a projected severe but plausible stress.

The Directors have evaluated the results of the assessments conducted by Management, including the stresses described in the 'Principal risks and uncertainties' section of the Strategic Report, and believe that the going concern basis of preparing the Financial Statements is appropriate.

Notes to the Financial Statements (continued)

f) Group accounts

The Company availed itself of the exemption under Section 401 of the Companies Act 2006 from preparing group consolidated financial statements on the grounds that it is a wholly owned subsidiary. The Company and its subsidiaries are included in the consolidated financial statements of its intermediate parent company AmTrust International Insurance Limited (AIIL). The consolidated financial statements of AIIL are publicly available from its registered address (see Note 21).

3 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

3.1 Turnover

Turnover represents income receivable from administration fees excluding VAT, which is recognised when the invoice is raised subject to the deferral of income to cover the cost of administration of claims (Note 3.2).

3.2 Deferred income

The warranty products sold by the Company are written directly between the warranty providers and the customer. The responsibility for settlement of claims arising under such policies rests with the warranty providers. However, the Company is responsible for the administration of any claims. Consequently, a proportion of the income credited at the time of sale is deferred to subsequent periods to offset the Company's contractual liability for the administration of claims during the term of the contracts.

Deferred income is a critical accounting estimate for the Company. The key estimates within the calculation include the number of claims in the year, number of projected claims, percentage of costs relating to claims and the profit element which should be deferred. These estimates are based upon historical evidence together with management's expectation of future performance. The deferred income is disclosed as part of the accruals and deferred income in Note 15. The balance as at 31 December 2019 was £5,442,000 (2018: £4,802,000).

3.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold property	-	2½% straight line basis
Long leasehold property	-	nil
Leasehold improvements	-	15% straight line basis
Computer equipment	-	10% - 33% straight line basis
Fixtures, fittings and equipment	-	15% - 33% straight line basis
Motor vehicles	-	33% straight line basis

3.4 Investments in subsidiaries

Investments in subsidiaries are stated at cost less provision for impairment and are assessed for indicators of impairment at each balance sheet date.

3.5 Operating leases

Rentals payable under operating leases (after taking into account incentives received from the lessor) are charged to the income statement on a straight-line basis over the term of the lease.

Notes to the Financial Statements (continued)

3 Significant accounting policies (continued)

3.6 Taxation

Tax on ordinary activities comprises current and deferred tax.

i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

ii) Deferred taxation

Deferred taxation is provided in full on timing differences which result in an obligation at the statement of financial position date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and substantially enacted tax law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those included in the financial statements. Deferred taxation assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred taxation assets and liabilities are not discounted.

3.7 Financial assets

The company classifies all of its financial assets as basic financial instruments under Section 11 FRS 102. Management determines the classification of its investments at initial recognition. All financial assets are carried at amortised cost.

i) Debtors

Debtors are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

When these assets are recognised initially they are valued at the transaction price and subsequently measured at amortised cost using the effective interest method. This basis of valuation is viewed by the directors as being appropriately prudent having regard to the likely realisable value.

ii) Cash at bank and in hand

Cash at bank and in hand comprises cash balances and are carried at amortised cost in the statement of financial position. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

iii) Impairment of financial assets

A financial asset or group of financial assets held at amortised cost is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the assets and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement for the period. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

Notes to the Financial Statements (continued)

3 Significant accounting policies (continued)

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Company's grading process that considers asset type, industry, geographical location, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed through the profit and loss account for the period.

3.8 Financial liabilities

Financial liabilities are recognised when contractual commitments arise.

Creditors are financial liabilities and are recognised initially at fair value, net of directly attributable transaction costs. Creditors are subsequently stated at amortised cost, using the effective interest method.

3.9 Pension plans

The Company contributes to a defined benefit pension scheme operated by its immediate parent undertaking, Car Care Plan (Holdings) Limited. The Company's share of the underlying assets and liabilities of the scheme cannot be reliably estimated, therefore, the scheme is accounted for on a defined contribution basis in accordance with FRS 102.

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

3.10 Share- based payments

The company's previous ultimate parent company, AmTrust Financial Services, Inc., has historically operated an equity-settled, share-based compensation plan. The plan permitted AmTrust Financial Services, Inc. to grant to officers and employees incentive compensation directly linked to the price of the parent company's shares, authorising up to an aggregate number of shares for awards of restricted stock units (RSUs). Following the 'go private' transactions the schemes were modified as detailed in note 20.

The fair value of equity-settled share-based payments are measured at the date of the grant, and are recognised as an expense on a straight-line basis over the vesting period, with a corresponding increase in retained earnings (representing a capital contribution by the parent) based on the Company's estimate of the number of instruments that are expected to satisfy the vesting conditions.

Cash settled share-based payments are measured at the fair value of the liability. The fair value of the liability is remeasured at each reporting date and at the date of settlement with any changes in the fair value recognised in profit or loss.

3.11 Foreign currencies

The Company's financial statements are presented in pound sterling, which is the Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date.

Notes to the Financial Statements (continued)

3 Significant accounting policies (continued)

Non-monetary assets and liabilities denominated in foreign currencies are translated at the respective historical rates applicable to each such asset or liability.

3.12 Prepayments and accrued income

Prepayments relate to amounts paid up front to third parties in respect of certain contractual obligations. The related expense is recognised on a straight-line basis over the contract period. Accrued income relates to services performed by the Company under contractual obligations which have yet to be invoiced.

4 Turnover

All turnover is derived from the Company's principal activity and represents the administration fee receivable excluding VAT which can be analysed by source as follows:

	2019 £'000	2018 £'000
United Kingdom	24,286	23,646
Rest of Europe	216	418
Rest of the World	794	675
	25,296	**24,739**

5 Operating profit

Operating profit is stated after charging/(crediting):

	2019 £'000	2018 £'000
Depreciation of tangible fixed assets (note 11)		
Owned assets	241	215
Defined benefit pension contribution	610	610
Operating lease rentals	288	612
Remuneration for the audit of the financial statements	145	113
Exchange losses/(gains)	38	318

6 Directors' remuneration

Directors' remuneration consists of:

	2019 £'000	2018 £'000
Emoluments	1,649	1,064
Company contributions to money purchase pension scheme	17	10
Share based payments granted	-	508
	1,666	**1,582**

The emoluments of the directors disclosed above include the following amounts paid to the highest paid director:

	2019 £'000	2018 £'000
Emoluments	658	442
Share based payments granted	-	170
	658	**612**

Notes to the Financial Statements (continued)

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2018 - 2).

The number of directors who had awards receivable under share-based payment schemes amounted to nil (2018 - 7).

7 Employees

Staff costs consist of:

	2019 £'000	2018 £'000
Wages and salaries	14,898	12,845
Social Security costs	1,582	1,620
Other pension costs (note 19)	1,489	1,390
	17,969	**15,855**

The pension costs relating to the defined contribution schemes were £879,000 (2018: £780,000).

The average number of employees (including directors) during the year was:

	2019	2018
Sales	113	94
Administration	235	235
	348	**329**

8 Interest receivable and similar income

	2019 £'000	2018 £'000
Bank interest receivable	64	40
	64	**40**

9 Dividends received

	2019 £'000	2018 £'000
Dividends received from Shanghai First Response Service Company Ltd	-	2,218
	-	**2,218**

Notes to the Financial Statements (continued)

10 Tax on profit from ordinary activities

	2019 £'000	2018 £'000
Current tax		
UK corporation tax charge for the year	193	131
Adjustment in respect of prior years	-	23
Total current tax	**193**	**154**
Overseas tax	**(18)**	**118**
Deferred tax		
Origination and reversal of timing differences	9	(44)
Adjustment in respect of prior years	-	(21)
Total deferred tax	**9**	**(65)**
Tax on profit on ordinary activities	**184**	**207**

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

	2019 £'000	2018 £'000
Profit on ordinary activities before tax	1,213	2,382
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2018 – 19%)	230	453
Effects of:		
Expenses not deductible for tax purposes	45	52
Income not subject to UK tax	-	(421)
Overseas tax	(18)	118
Impact of rate change adjustments	(73)	3
Adjustment in respect of prior years	-	2
Total tax charge for period	**184**	**207**

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the Company's future current tax charge accordingly.

Notes to the Financial Statements (continued)

11 Tangible assets

	Freehold property	Leasehold property	Freehold improvements	Computer equipment	Fixtures, fittings and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 January 2019	3,403	170	1,079	904	477	24	6,057
Additions	-	-	43	-	-	-	43
At 31 December 2019	**3,403**	**170**	**1,122**	**904**	**477**	**24**	**6,100**
Depreciation							
At 1 January 2019	240	-	499	836	321	24	1,920
Charged in year	76	-	114	20	31	-	241
At 31 December 2019	**316**	**-**	**613**	**856**	**352**	**24**	**2,161**
Net book value							
At 31 December 2019	3,087	170	509	48	125	-	3,939
At 31 December 2018	3,163	170	580	68	156	-	4,137

The Company's long leasehold property of £170,000 (2018 £170,000) is held using the cost model, having been previously been held using the revaluation model under old UK GAAP. The last valuation of the property was carried out as at 31 December 2000. The historical cost equivalent for the revalued asset is £62,000 (2018: £62,000) and the revaluation increase of £98,000 (2018: £98,000) is held in a revaluation reserve.

12 Investments in subsidiaries

	2019 £'000	2018 £'000
Investments at cost	3,130	3,130
At 31 December	**3,130**	**3,130**

Notes to the Financial Statements (continued)

The subsidiary undertakings are as follows:

Name of Company	Registered office	Principal activity	Holding
Car Care Plan GmbH	Linprunstraße 49, D-80335, Munich, Germany	Mechanical breakdown insurance	100%
Car Care Plan do Brasil Limitada	Rua Dr. Guilherme Bannitz, 126 - 8th Floor, Itaim BIBI, Sao Paulo, 04532-060, Brazil	Mechanical breakdown insurance	100%
Shanghai First Response Service Company Ltd	Unit D, 30 Floor, Xin Mei Plaza, 999 South Pudong Road, Shanghai, China	Mechanical breakdown insurance	100%
Amtrust Management and Consultancy Company Ltd	Unit D, 30 Floor, Xin Mei Plaza, 999 South Pudong Road, Shanghai, China	Mechanical breakdown insurance	100%
Car Care Plan Turkey Danismanlik AS	Küçük Çamlık Sitesi Esra Sokak, D:1 Blok Daire:3, Utus Beşiktaş, Istanbul, Turkey	Mechanical breakdown insurance	100%

Details of the Company's holdings in the issued share capital of all direct subsidiaries are as follows:

	Class	Number Held
Car Care Plan GmbH	Ordinary €0.51 Shares	50,000
Car Care Plan do Brasil Limitada	Ordinary 1 Real Shares	547,434
Shanghai First Response Service Company Ltd	Ordinary $1 Shares	4,150,000
Amtrust Management and Consultancy Company Ltd	Ordinary $1 Shares	140,000
Car Care Plan Turkey Danismanlik AS	Ordinary 1 Turkish Lira Shares	425,000

In the opinion of the Directors, the value of the investment in subsidiary undertakings is not less than the amount at which the investment is stated in the statement of financial position.

Notes to the Financial Statements (continued)

13 Debtors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade debtors	29,885	28,912
Prepayments and accrued income	339	864
Deferred tax (note 16)	612	621
Corporation tax	196	273
	31,032	**30,670**

14 Cash at bank and in hand

	2019 £'000	2018 £'000
Cash at bank and in hand	19,369	17,489
At 31 December	**19,369**	**17,489**

Cash at bank and in hand includes an amount of £8,272,000 (2018: £7,520,000) held on behalf of business partners. This cash cannot be used for any purpose other than the administration of certain extended warranty programmes.

15 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	3,476	4,709
Other creditors	23,295	19,837
Accruals and deferred income	7,653	6,830
Amounts owed to group undertakings	5,702	7,696
	40,126	**39,072**

16 Deferred taxation

	2019 £'000	2018 £'000
A 1 January	621	556
(Debit)/credit to the income statement account	(9)	65
Deferred tax asset at 31 December	**612**	**621**

Analysis of deferred taxation:

	2019 £'000	2018 £'000
Short term timing differences	344	333
Depreciation in excess of capital allowances	268	288
	612	**621**

The Directors of the Company have considered in detail the Company and the group's forecast performance and on this basis the Directors have a reasonable expectation that the Company and the group, via group relief, will generate sufficient taxable profits that are suitable for the deduction of future timing difference reversals.

Notes to the Financial Statements (continued)

17 Share capital

	Allotted, called up and fully paid			
	2019 Number	**2018 Number**	**2019 £'000**	**2018 £'000**
Ordinary shares of £1 each	9,450,000	9,450,000	9,450	9,450

18 Commitments under operating leases

	2019 £'000	**2018 £'000**
Amounts due:		
Not later than one year	102	305
Later than one year and not more than five years	34	79
At 31 December	**136**	**384**

19 Pensions

The Company's immediate parent company during the year (see Note 21) was Car Care Plan (Holdings) Limited which operates a closed funded defined benefit scheme for a proportion of its employees including those of this company. Independent professionally qualified actuaries undertake regular valuations of the Group's scheme, the latest valuation being carried out as at 1 January 2018. Details of the latest actuarial valuation can be found in the financial statements of Car Care Plan (Holdings) Limited for the year ended 31 December 2019.

The actuary has advised that it is not practicable to identify the Company's share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and consequently, separate disclosures under FRS 102 are not given for the Company alone. In accordance with FRS 102.28.38 the Company recognises a cost equal to the contribution payable for the period for the net defined benefit plan cost. The Company contribution for the year was £610,000 (2018: £610,000). On 30 April 2007 Car Care Plan (Holdings) Limited closed the pension scheme to future benefit accrual. The financial effect of this cannot be separately identified with regard to Car Care Plan Limited, as advised by the actuary.

Information required by FRS 102.28.41A is disclosed in the consolidated financial statements of AmTrust International Insurance Limited.

The pension costs for the year to the company relating to the defined contribution scheme it operates were £879,000 (2018: £780,000). There were £130,000 of contributions outstanding at the date of the statement of financial position (2018: £128,000).

20 Share-based payments

Prior to AmTrust Financial Services, Inc. 'go private' transaction effected in November 2018, it operated an equity-settled, share-based compensation plan. The plan permitted AmTrust Financial Services, Inc. to grant to officers and employees incentive compensation directly linked to the price of the parent company's shares, authorising up to an aggregate number of shares for awards of restricted stock units (RSUs).

All staff participating in the annual bonus scheme were eligible for share based payments on bonuses greater than £30,000. 50% of any such bonus was invested in restricted stock units. The restricted stock units vested over a period of one to four years.

Pursuant to the 'go-private' transaction, each RSU was cancelled and converted to the right to receive an amount in cash per share equal to the consideration paid under the go-private being US$14.75 on the original vesting dates related to such RSU, and subject to satisfaction of the vesting conditions applicable to the RSU.

Notes to the Financial Statements (continued)

20 Share-based payments (continued)

In 2019 a new cash-settled share-based payment award was issued. The award vests in four equal instalments of 25% on each anniversary of the grant date provided the employee remains in service on each vesting date. The fair value of the liability is measured as the dollar amount of the awards divided by the grant price, which is the fair market value of one share of AmTrust Financial Services, Inc.'s common stock on the grant date multiplied by the fair market value of one share of AmTrust Financial Services, Inc. common stock at the reporting date after taking into consideration the amount of the awards that are expected to vest.

The total expense recognised in the income statement in the year relating to cash-settled share-based payments was £53,935 (2018: £NIL). The total carrying amount of the liabilities relating to cash-settled share-based payment schemes at the end of the year was £53,935 (2018: £NIL).

21 Parent undertakings and controlling party

The Company's immediate parent undertaking is Car Care Plan (Holdings) Limited, a company registered in the United Kingdom. Group accounts are not prepared.

The Company's ultimate parent undertaking and controlling party is Evergreen Parent GP LLC, a company registered in U.S.A, which is also the largest group in which the results of the Company are consolidated. Copies of the group financial statements are available from 59 Maiden Lane, New York, NY10038 USA.

The smallest group of companies of which the Company is a member and which consolidates the results of the Company into its financial statements is AmTrust International Insurance Ltd, incorporated in Bermuda. Copies of the group accounts are available from Washington Mall, 7 Reid Street, Suite 400, P.O. Box HM 2301, Hamilton HM 11, Bermuda.

22 Events after the end of the reporting period

The World Health Organisation (WHO), on 11 March 2020, declared the coronavirus (COVID-19) outbreak as a global pandemic. The COVID-19 is an event that is not clearly timebound nor limited to direct consequences that are easily quantifiable due to the unprecedented nature. The Company is closely monitoring the outbreak and actively assessing the potential impact to all stakeholders. The Company has implemented its Business Continuity Plan with minimal disruption to day-to-day operations. This is being continually reviewed as the situation evolves and the Company is regularly assessing the impact on its financial position and liquidity.