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**SQUARETRADE LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

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**SQUARETRADE LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	Alaister Douglas Kevin Gillan David Russel (appointed 13 April 2023) Roland Wiley
<b>Registered number</b>	07165194
<b>Registered office</b>	2nd Floor 5 Golden Square London
<b>Independent auditors</b>	Donald Reid Limited Chartered Accountants and Statutory Auditors Prince Albert House 18a/20 King Street Maidenhead Berkshire SL6 1EF

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**SQUARETRADE LIMITED**

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## SQUARETRADE LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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#### Business review

The principal activity of SquareTrade Limited continues to be that of an insurance intermediary business, primarily in respect of mobile phone insurance.

The principal strategic objective is to increase our market share across Europe by providing support services to the group's EU entity, SquareTrade Europe Limited and SquareTrade BV. The Company continues to push to grow the business through new partnerships and has continued to be successful in doing so.

Since the Company became a member of the Allstate family we have benefited from the support of the Group in many areas.

In 2022 the revenue of SquareTrade Limited has decreased as from 14 September 2020 all new EU/EEA policies are sold out of the group entity SquareTrade Europe Limited. The group continues to grow by expanding customer base from existing and new channels. SquareTrade Limited benefits from the group's growth by receiving insurance intermediary service fees for support activities. During 2022 SquareTrade Europe Ltd paid significant amounts in upfront commission in order to extend and win new business, this resulted into a lower intermediary service fees recharge during 2022.

#### Principal risks and uncertainties

The Company's operations expose it to a variety of financial and non-financial risks. Given the size of the Company, the directors have not delegated the responsibility of monitoring risk management to a sub-committee of the board. The financial and non-financial risk is monitored at a Company-wide level, with the policies set out by the board of directors implemented by the Company's finance department. The financial and non-financial risk is monitored at a Company-wide level, with the policies set out by the board of directors implemented by the Company's finance department.

##### *Cash flow and liquidity risk*

The Company has access to sufficient cash to ensure it has adequate funds available for its operations. The Company uses its cash flows to settle amounts due to suppliers with agreed terms and ensure it maintains a strong inventory balance to meet customer demand. The Company had cash balances of £1,819 thousand (2021 – £3,792 thousand). The directors consider the cash flow risk is at an acceptable level.

##### *Foreign currency risk*

The Company has transactional currency exposures arising from sales and purchases in currencies other than its functional currency. Potential exposures to foreign currency exchange movements are monitored on a regular basis and managed accordingly. The Company has multiple bank accounts held in various foreign currencies in order to mitigate foreign exchange risk down to an acceptable level.

##### *Crisis in Ukraine*

The directors are closely monitoring the current events in Europe regarding the conflict in Ukraine. As of the signing date, there are no implications to the Company however the directors will continue to monitor events and address any risks to operations as they occur.

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## SQUARETRADE LIMITED

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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#### Financial key performance indicators

The Company's key financial performance indicators for the year were as follows:

2022	2021	Change	Turnover	£77,485 thousand	£110,888 thousand	30.1%
Operating profit/(loss)		£(6,588)thousand	£1,415k thousand	565.5%		

#### Directors' statement of compliance with duty to promote the success of the Company

The directors confirm that they have complied with their duty to promote the success of the company to the best of their abilities.

This report was approved by the board on 28 September 2023 and signed on its behalf.

**Alaister Douglas**

Director

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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The directors present their report and the financial statements for the year ended 31 December 2022.

**Directors' responsibilities statement**

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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Results and dividends**

The profit for the year, after taxation, amounted to £1,176 thousand (2021 - £915 thousand).

**Directors**

The directors who served during the year were:

Alaister Douglas  
Kevin Gillan  
Roland Wiley

**Engagement with suppliers, customers and others**

The Directors of SquareTrade Limited consider that they have acted in good faith to promote the success of the company for the benefits of its members, whilst performing their duties in accordance with s172(1) Companies Act 2006. Our relationships with our employees, suppliers, customers and other stakeholders are essential to achieving our Strategic Objectives outlined in this report and meeting the shared purpose of the AllState Group.

Together with the AllState family, we have a strong focus in putting the customer at the centre of all our actions.

We regularly engage with new and existing stakeholders to improve business relationships for the benefit of customer value and service. We aim to work as a single team to advance the business and provide employees

fulfilling opportunities, personal growth and performance-based awards.

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**SQUARETRADE LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Post balance sheet events**

There have been no significant events affecting the Company since the year end.

**Auditors**

The auditors, Donald Reid Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 28 September 2023 and signed on its behalf.

**Alaister Douglas**

Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SQUARETRADE LIMITED

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**Opinion**

We have audited the financial statements of SquareTrade Limited (the 'Company') for the year ended 31 December 2022, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.



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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SQUARETRADE LIMITED (CONTINUED)

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**Other information**

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

**Responsibilities of directors**

As explained more fully in the Directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SQUARETRADE LIMITED (CONTINUED)

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**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- enquiring of management concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual results that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings;
- assessing any management override of controls by testing journal entries and other adjustments and reviewing accounting estimates for indications of potential bias;
- evaluating any transactions that are unusual or outside the normal course of business; and
- maintaining alert to any fraud risks throughout the audit.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' report.

**Use of our report**

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 Auditors' 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.

Daniel Reid (FCA) (Senior statutory auditor)

for and on behalf of

**Donald Reid Limited**

Chartered Accountants and Statutory Auditors

Prince Albert House  
18a/20 King Street  
Maidenhead  
Berkshire  
SL6 1EF

28 September 2023

SQUARETRADE LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £000	2021 £000
Turnover	4	77,485	110,888
Cost of sales		(27,017)	(41,264)
<b>Gross profit</b>		<b>50,468</b>	<b>69,624</b>
Distribution costs		(27,063)	(46,506)
Administrative expenses		(28,683)	(21,703)
Exceptional administrative expenses	11	(1,310)	-
<b>Operating (loss)/profit</b>	5	<b>(6,588)</b>	<b>1,415</b>
Tax on (loss)/profit	9	7,764	(500)
<b>Profit for the financial year</b>		<b>1,176</b>	<b>915</b>
<b>Total comprehensive income for the year</b>		<b>1,176</b>	<b>915</b>

The notes on pages 12 to 26 form part of these financial statements.

**SQUARETRADE LIMITED**  
**REGISTERED NUMBER: 07165194**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
<b>Fixed assets</b>			
Tangible assets	12	509	577
		<u>509</u>	<u>577</u>
<b>Current assets</b>			
Stocks	13	2,383	1,780
Debtors: amounts falling due after more than one year	14	6,553	1,190
Debtors: amounts falling due within one year	14	19,538	30,679
Cash at bank and in hand	15	1,819	3,792
		<u>30,293</u>	<u>37,441</u>
Creditors: amounts falling due within one year	16	(18,854)	(18,417)
<b>Net current assets</b>		<u>11,439</u>	<u>19,024</u>
<b>Total assets less current liabilities</b>		<u>11,948</u>	<u>19,601</u>
<b>Net assets</b>		<u><u>11,948</u></u>	<u><u>19,601</u></u>
<b>Capital and reserves</b>			
Called up share capital	18	851	851
Profit and loss account	19	11,097	18,750
		<u><u>11,948</u></u>	<u><u>19,601</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 September 2023.

**Alaister Douglas**  
Director

The notes on pages 12 to 26 form part of these financial statements.

SQUARETRADE LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2022	851	18,750	19,601
<b>Comprehensive income for the year</b>			
Profit for the year	-	1,176	1,176
<b>Total comprehensive income for the year</b>	-	1,176	1,176
<b>Contributions by and distributions to owners</b>			
Dividends: Equity capital	-	(8,829)	(8,829)
<b>Total transactions with owners</b>	-	(8,829)	(8,829)
<b>At 31 December 2022</b>	<b>851</b>	<b>11,097</b>	<b>11,948</b>

The notes on pages 12 to 26 form part of these financial statements.

SQUARETRADE LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2021	851	52,420	(34,585)	18,686
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	915	915
Transfer from share premium	-	-	52,420	52,420
<b>Other comprehensive income for the year</b>	-	-	52,420	52,420
<b>Total comprehensive income for the year</b>	-	-	53,335	53,335
<b>Contributions by and distributions to owners</b>				
Transfer to/from profit and loss account	-	(52,420)	-	(52,420)
<b>Total transactions with owners</b>	-	(52,420)	-	(52,420)
<b>At 31 December 2021</b>	<b>851</b>	<b>-</b>	<b>18,750</b>	<b>19,601</b>

The notes on pages 12 to 26 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**1. General information**

SquareTrade Limited is a limited liability company. The company was incorporated in United Kingdom and is registered in England and Wales. The registered office is 2nd Floor 5 Golden Square, London, United Kingdom. The registration number 07165194.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

**2.2 Financial Reporting Standard 102 - reduced disclosure exemptions**

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d).

This information is included in the consolidated financial statements of The Allstate Corporation as at 31 December 2022 and these financial statements may be obtained from 2775 Sanders Road Northbrook IL 60062.

**2.3 Going concern**

The directors have a reasonable expectation that the Company will be able to operate within the level of available facilities and cash for the foreseeable future and accordingly believe that it is appropriate to prepare the financial statements on a going concern basis. The directors have obtained a letter of support from Squaretrade Inc, the parent company.

The Directors have made appropriate enquiries and considered the business plans which provide financial projections for the foreseeable future. For the purposes of this review, the period considered is 12 months from the balance sheet sign off date. Based on the Group's forecasts and the ability of Squaretrade Inc. to provide the necessary support, the Directors are satisfied that the Company has adequate resources to continue operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on the going concern basis.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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**2. Accounting policies (continued)**

**2.4 Foreign currency translation**

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

**2.5 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

**Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

**2.6 Pensions**

**Defined contribution pension plan**

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 in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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**2. Accounting policies (continued)**

**2.7 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**2.8 Exceptional items**

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

**2.9 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Short-term leasehold property	-	10%	straight line
Office equipment	-	20%	straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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**2. Accounting policies (continued)**

**2.10 Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

**2.11 Debtors**

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**2.12 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**2.13 Creditors**

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**2.14 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

**2.15 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**3. Judgments in applying accounting policies and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that the actual outcomes could differ from those estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements:

**Stock**

The value of replacement stock is calculated using the costs to repair. Replacement stock is then valued at the lower of this value, cost to repair, or its net reliable value less costs to sell. The net realisable value of stock is a judgemental area.

**Stock provision**

Stock is reviewed for impairment by management. The judgements, estimates and associated assumptions necessary to calculate this provision are based on historical experience, market trends and other reasonable factors.

**4. Turnover**

An analysis of turnover by class of business is as follows:

	<b>2022</b>	<i>2021</i>
	<b>£000</b>	<i>£000</i>
Insurance policies	<b>65,824</b>	<i>104,050</i>
Intercompany recharges	<b>11,661</b>	<i>6,838</i>
	<b><u>77,485</u></b>	<i><u>110,888</u></i>

Analysis of turnover by country of destination:

	<b>2022</b>	<i>2021</i>
	<b>£000</b>	<i>£000</i>
United Kingdom	<b>19,801</b>	<i>13,389</i>
Rest of Europe	<b>57,684</b>	<i>97,499</i>
	<b><u>77,485</u></b>	<i><u>110,888</u></i>

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**SQUARETRADE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**5. Operating (loss)/profit**

The operating (loss)/profit is stated after charging:

	<b>2022</b>	<i>2021</i>
	<b>£000</b>	<i>£000</i>
Exchange differences	<b>663</b>	<i>140</i>

**6. Auditors' remuneration**

During the year, the Company obtained the following services from the Company's auditors and their associates:

	<b>2022</b>	<i>2021</i>
	<b>£000</b>	<i>£000</i>
Fees payable to the Company's auditors and their associates for the audit of the Company's financial statements	<b>22</b>	<i>21</i>

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the consolidated accounts of the parent Company.

**7. Employees**

Staff costs, including directors' remuneration, were as follows:

	<b>2022</b>	<i>2021</i>
	<b>£000</b>	<i>£000</i>
Wages and salaries	<b>7,669</b>	<i>5,284</i>
Social security costs	<b>814</b>	<i>381</i>
Cost of defined contribution scheme	<b>664</b>	<i>365</i>
	<b>9,147</b>	<i>6,030</i>

The average monthly number of employees, including the directors, during the year was as follows:

	<b>2022</b>	<i>2021</i>
	<b>No.</b>	<i>No.</i>
Employees	<b>58</b>	<i>40</i>

**SQUARETRADE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**8. Directors' remuneration**

	<b>2022</b>	<i>2021</i>
	<b>£000</b>	<i>£000</i>
Directors' emoluments	<b>1,520</b>	<i>1,265</i>
Company contributions to defined contribution pension schemes	<b>82</b>	<i>56</i>
	<b>1,602</b>	<i>1,321</i>

During the year retirement benefits were accruing to two directors (*2021 - one*) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £1,020 thousand (*2021 - £828 thousand*).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £45 thousand (*2021 - £56 thousand*).

**9. Taxation**

	<b>2022</b>	<i>2021</i>
	<b>£000</b>	<i>£000</i>
<b>Foreign tax</b>		
Foreign tax on income for the year	<b>(233)</b>	<i>-</i>
	<b>(233)</b>	<i>-</i>
<b>Total current tax</b>	<b>(233)</b>	<i>-</i>
<b>Deferred tax</b>		
Origination and reversal of timing differences	<b>48</b>	<i>-</i>
Loss utilisation	<b>(6,702)</b>	<i>-</i>
Group relief	<b>(877)</b>	<i>500</i>
<b>Total deferred tax</b>	<b>(7,531)</b>	<i>500</i>
<b>Taxation on (loss)/profit on ordinary activities</b>	<b>(7,764)</b>	<i>500</i>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**9. Taxation (continued)****Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2021 - *higher than*) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £000	2021 £000
(Loss)/profit on ordinary activities before tax	<u>(6,588)</u>	<u>1,415</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(1,252)	269
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1,067	27
Utilisation of tax losses	(6,702)	(5)
Group relief	(877)	209
<b>Total tax charge for the year</b>	<u><b>(7,764)</b></u>	<u><b>500</b></u>

**Factors that may affect future tax charges**

On 3 March 2021, the UK government announced that the standard rate of corporation tax in the UK would change from 19% to 25% from 2023. This has been substantively enacted at the balance sheet date. It is expected that £1,884 thousand of the deferred tax asset will unwind within one year at 23.5% and £6,553 thousand will unwind after one year at 25%.

**10. Dividends**

	2022 £000	2021 £000
Dividends	8,829	-
	<u><b>8,829</b></u>	<u><b>-</b></u>

SQUARETRADE LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

11. Exceptional items

	2022 £000	2021 £000
Impairment of other assets	1,310	-
	<u>1,310</u>	<u>-</u>

12. Tangible fixed assets

	Short-term leasehold property £000	Office equipment £000	Total £000
<b>Cost or valuation</b>			
At 1 January 2022	15	711	726
Additions	-	20	20
At 31 December 2022	<u>15</u>	<u>731</u>	<u>746</u>
<b>Depreciation</b>			
At 1 January 2022	15	134	149
Charge for the year on owned assets	-	88	88
At 31 December 2022	<u>15</u>	<u>222</u>	<u>237</u>
<b>Net book value</b>			
At 31 December 2022	<u>-</u>	<u>509</u>	<u>509</u>
<b>At 31 December 2021</b>	<u>-</u>	<u>577</u>	<u>577</u>

13. Stocks

	2022 £000	2021 £000
Finished goods and goods for resale	2,383	1,780
	<u>2,383</u>	<u>1,780</u>

SQUARETRADE LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

**14. Debtors**

	2022 £000	2021 £000
<b>Due after more than one year</b>		
Prepayments and accrued income	-	1,190
Deferred tax asset	6,553	-
	<u>6,553</u>	<u>1,190</u>
<b>Due within one year</b>		
Trade debtors	7,717	3,780
Amounts owed by group undertakings	3,499	17,505
Other debtors	1,328	1,820
Prepayments and accrued income	5,110	6,726
Deferred taxation	1,884	848
	<u>19,538</u>	<u>30,679</u>

**15. Cash and cash equivalents**

	2022 £000	2021 £000
Cash at bank and in hand	1,819	3,792
	<u>1,819</u>	<u>3,792</u>

**16. Creditors: Amounts falling due within one year**

	2022 £000	2021 £000
Trade creditors	2,202	1,337
Amounts owed to group undertakings	6,087	5,000
Other taxation and social security	-	332
Other creditors	313	575
Accruals and deferred income	10,252	11,173
	<u>18,854</u>	<u>18,417</u>



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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**17. Deferred taxation**

	<b>2022</b>	<i>2021</i>
	<b>£000</b>	<i>£000</i>
At beginning of year	<b>848</b>	3,256
Charged to profit or loss	<b>7,590</b>	(500)
Utilised in year	-	(1,908)
<b>At end of year</b>	<b><u>8,438</u></b>	<u>848</u>

The deferred tax asset is made up as follows:

	<b>2022</b>	<i>2021</i>
	<b>£000</b>	<i>£000</i>
Tax losses carried forward	<b>8,486</b>	848
Pension surplus	<b>8</b>	-
Accelerated capital allowances	<b>(56)</b>	-
	<b><u>8,438</u></b>	<u>848</u>

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SQUARETRADE LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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18. Share capital

	2022 £000	2021 £000
<b>Allotted, called up and fully paid</b>		
851,001 (2021 - 851,001) Ordinary shares of £1.00 each	<u>851</u>	<u>851</u>

19. Reserves

**Profit and loss account**

This reserve includes all current and prior year retained profit and losses. Also, the profit and loss account consists of share options measured at the fair value.

20. Share-based payments

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## SQUARETRADE LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 20. Share-based payments (continued)

The Company is covered under the equity incentive plans of the parent company, The Allstate Corporation. The parent company grants nonqualified stock options, restricted stock units and performance stock awards ("equity awards") to certain employees and directors of the parent company and its subsidiaries. The Company recognises the fair value of equity awards computed at the award date over the period in which the requisite service is rendered. The Company records compensation expense related to awards under these plans over the vesting period of each grant. The expense is calculated using the straight-line method and is booked over lesser of the 3-year vesting period or the individual's retirement eligibility date with a minimum of 12 months. The total expense amount is reduced by the annual forfeiture rate for both RSUs and stock options. The estimated forfeiture amounts are true-up monthly in the expense calculations.

Options are granted under the plan with exercise price equal to the closing share price of the parent company's common stock on the applicable grants date. Options granted to the employees in 2017, 2018, 2019, 2020 and 2021 vest rateably over a three-year period. Vesting is subject to continued service, except for employees who are retirement eligible and in certain other limited circumstances.

Options may be exercised once vested and will expire no later than ten years after the date of grant.

Restricted stock unit awards granted in 2020 and in 2021 have a three-year rateable vesting, one third on the first, second and third anniversary of the grant date respectively. Restricted stock unit awards granted in 2019, 2018 and 2017 vest and unrestrict in one instalment on the day prior to the third anniversary.

Employee awards are subject to forfeiture upon termination. Upon termination of employment as a result of death or disability, all restricted stock units vest. Unvested restricted stock units are forfeited following any other type of termination of employment except termination after a change in control.

Performance stock awards vest into shares of stock based on achieving established company specific performance goals. Performance stock awards granted prior to February 19, 2020 vest into shares of stock on the day prior to the third anniversary of the grant date. Performance stock awards granted on or after February 19, 2020 vest into shares of stock on the third anniversary of the grant date. The numbers of shares earned upon vesting of the performance stock awards is based on the attainment of performance goals for each of the performance periods, subject to continued service, except for

employees who are retirement eligible and in certain other limited circumstances.

The fair value of each option grants is estimated on the date of grant using binomial lattice model. The parent company uses historical data to estimate option exercise and employee termination within the valuation model. The expected term of options granted is derived from the output of the binomial lattice model and represents the period of time that options granted are expected to be outstanding. The expected volatility of the price of the underlying shares is implied based on traded options and historical volatility of the parent company's common stock. The expected dividends were based on the current dividend yield of the Company's stock as of the date of the grant. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

The fair value of the restricted stock units is based on the market value of the parent company stock as of the date of the grant. The market value in part reflects the payment of future dividends expected.

The fair value of performance stock awards that do not include a market condition is based on the market value of the Company's stock as of the date of the grant. Starting with the February 2020 award, the fair value of performance stock awards includes a component with market-based condition measured on the grant date using a Monte Carlo simulation model. Market-based condition measures the Company's total shareholder return ("TSR") relative to the TSR of peer companies, expressed in terms of the Company's TSR percentile rank among the peer companies, over a three-calendar-year performance period. The Monte Carlo simulation model uses a risk-neutral framework to model future stock price movements based upon the risk-free rate of return at the time of grant, volatilities of the Company and the peer companies, and expected term assumed to be equal to the remaining measurement period. The market

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

20. Share-based payments (continued)

21. Contingent liabilities

The Danish Tax Authorities commenced a review of the Company's VAT submissions in January 2019 which covered the period from 1 July 2016 to 31 March 2019. The Danish Tax Authorities have ultimately taken the view that the Company's claim handling services provided to an insurer based in Denmark are related to the Company's insurance agency services and are exempt from VAT. Therefore, any input VAT recovered on good brought into Denmark was incorrectly recovered.

The Company appealed the Danish Tax Authorities assessment on 12 February 2021. A decision is expected after 39 months of submitting the appeal. If the appeal is rejected, the Company can seek a refund of VAT from the insurer who had originally paid the VAT to the Danish Tax Authorities.

The input VAT recognised in respect of these transactions plus the interest accruing from July 2016 to December 2020 is approximately £5.1m.

The directors believe that whilst the Company is appealing the decision, there is no present obligation to pay the input VAT back to the Danish Tax Authorities and, should the Company become obligated to pay the amount in the future, the amount will be recoverable from the insurer.

22. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £664 thousand (2021: £365 thousand).

23. Commitments under operating leases

At 31 December 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £000	2021 £000
Not later than 1 year	356	356
Later than 1 year and not later than 5 years	1,424	1,424
Later than 5 years	682	1,038
	<u>2,462</u>	<u>2,818</u>

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**SQUARETRADE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**24. Related party transactions**

FRS 102 does not require disclosure of transactions entered into between two or more members of a group. As SquareTrade Limited is a fully owned subsidiary of SquareTrade Inc, it has therefore chosen not to disclose transactions and balances with that entity.

**25. Controlling party**

SquareTrade Limited is a 100% owned subsidiary of SquareTrade Inc, a company incorporated in the United States of America. SquareTrade Inc is a 100% owned subsidiary of SquareTrade Holding Company Inc.

The ultimate controlling party is The Allstate Corporation.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.