
SQUARETRADE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

SQUARETRADE LIMITED

COMPANY INFORMATION

Directors	A K Khaishgi (resigned 15 January 2021) K C Gillan A Douglas (appointed 21 January 2021) R K Wiley (appointed 15 January 2021)
Registered number	07165194
Registered office	2nd Floor 5 Golden Square London
Independent auditors	Donald Reid Limited Chartered Accountants Prince Albert House 20 King Street Maidenhead Berkshire SL6 1DT

SQUARETRADE LIMITED

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SQUARETRADE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Business review and future developments

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. 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 2020 we have grown revenues by expanding our customer base from existing and new channels, whilst improving margins on existing and new business. This is expected to continue into the future.

Key performance indicators

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

	2020	2019	Change	
	£000	£000		%
Turnover	147,570	77,573	90	
Total operating profit/(loss)	3,310	(7,204)	146	

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.

Brexit

The UK's transition period on exiting the EU ended on 31 December 2020. During the year, management has taken the necessary steps for cessation of SquareTrade Limited's license to operate as an insurance intermediary across the EU (and EEA) for new policies sold after this transitional period. As part of Brexit preparations, an alternative EU entity was incorporated and licensed to operate as an insurance agent. The EU entity went live on 14 September 2020 and from this date all new UK policies are sold out of SquareTrade Limited while all new EU/EEA policies are sold under the EU entity.

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 £6,152 thousand (2019 – £13,270 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.

SQUARETRADE LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

This report was approved by the board on 22 September 2021 and signed on its behalf.

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K C Gillan
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

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 £7,806 thousand (2019 - loss £8,161 thousand).

Directors

The directors who served during the year were:

A K Khaishgi (resigned 15 January 2021)
K C Gillan

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.

SQUARETRADE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

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 22 September 2021 and signed on its behalf.

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K C Gillan
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SQUARETRADE LIMITED

Opinion

We have audited the financial statements of SquareTrade Limited (the 'Company') for the year ended 31 December 2020, 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 2020 and of its profit 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.

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

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)

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. 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

Prince Albert House
20 King Street
Maidenhead
Berkshire
SL6 1DT

22 September 2021

SQUARETRADE LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000	As restated 2019 £000
Turnover	4	147,570	77,573
Cost of sales		(63,772)	(37,628)
Gross profit		83,798	39,945
Distribution costs		(63,177)	(35,534)
Administrative expenses		(17,311)	(11,615)
Operating profit/(loss)	5	3,310	(7,204)
Interest receivable and similar income	9	-	19
Interest payable and similar expenses	10	-	(976)
Profit/(loss) before tax		3,310	(8,161)
Tax on profit/(loss)	11	4,496	-
Profit/(loss) for the financial year		7,806	(8,161)
Other comprehensive income for the year			
Total comprehensive income for the year		7,806	(8,161)

The notes on pages 12 to 28 form part of these financial statements.

SQUARETRADE LIMITED
REGISTERED NUMBER: 07165194

BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 £000	<i>As restated</i> 2019 £000
Fixed assets			
Tangible assets	12	409	450
		<u>409</u>	<u>450</u>
Current assets			
Stocks	13	1,246	557
Debtors: amounts falling due after more than one year	14	3,710	-
Debtors: amounts falling due within one year	14	33,932	22,024
Cash at bank and in hand	15	6,152	13,270
		<u>45,040</u>	<u>35,851</u>
Creditors: amounts falling due within one year	16	(26,763)	(24,557)
Net current assets		<u>18,277</u>	<u>11,294</u>
Total assets less current liabilities		<u>18,686</u>	<u>11,744</u>
Creditors: amounts falling due after more than one year	17	-	(864)
Net assets		<u><u>18,686</u></u>	<u><u>10,880</u></u>
Capital and reserves			
Called up share capital	20	851	851
Share premium account	21	52,420	52,420
Profit and loss account	21	(34,585)	(42,391)
		<u><u>18,686</u></u>	<u><u>10,880</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 22 September 2021.

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K C Gillan
Director

The notes on pages 12 to 28 form part of these financial statements.

SQUARETRADE LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2020 (as previously stated)	851	52,420	(41,408)	11,863
Prior year adjustment	-	-	(983)	(983)
At 1 January 2020 (as restated)	851	52,420	(42,391)	10,880
Comprehensive income for the year				
Profit for the year	-	-	7,806	7,806
Total comprehensive income for the year	-	-	7,806	7,806
At 31 December 2020	851	52,420	(34,585)	18,686

The notes on pages 12 to 28 form part of these financial statements.

SQUARETRADE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2019 (as previously stated)	851	-	(33,737)	(32,886)
Prior year adjustment	-	-	(493)	(493)
At 1 January 2019 (as restated)	851	-	(34,230)	(33,379)
Comprehensive income for the year				
Loss for the year	-	-	(8,161)	(8,161)
Total comprehensive income for the year	-	-	(8,161)	(8,161)
Shares issued during the year	-	52,420	-	52,420
At 31 December 2019	851	52,420	(42,391)	10,880

The notes on pages 12 to 28 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. General information

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

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);
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of The Allstate Corporation as at 31 December 2020 and these financial statements may be obtained from 2775 Sanders Road Northbrook IL 60062.

2.3 Going concern

As the Company will continue to be supported by its immediate parent company, SquareTrade Inc, the directors consider it appropriate to prepare the accounts on the going concern basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.7 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.8 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.

2.9 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.

2.10 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.10 Tangible fixed assets (continued)

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	- 50% straight line
Equipment	- 33% 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.

2.11 Stock

The Company acquires two types of stock; purchased stock (acquired at cost from suppliers) and replacement stock (faulty or damaged goods acquired from customers).

Purchased stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell.

Replacement stock is calculated using the costs to repair. Replacement stock is then valued at the lower of the costs to repair or its net realisable value less costs to sell.

At each balance sheet date, stocks are assessed for impairment.

2.12 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.

2.13 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.

2.14 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.15 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.

2.16 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.17 Equity incentive plans

The Company has equity incentive plans under which it grants nonqualified stock options, restricted stock units and performance stock awards ("equity awards") to certain employees and directors of the Company. The Company measures the fair value of equity awards at the grant date and recognizes the expense over the shorter of the period in which the requisite service is rendered or retirement eligibility is attained. The expense for performance stock awards with no market condition is adjusted each period to reflect the performance factor most likely to be achieved at the end of the performance period. The expense for performance stock awards with a market condition is based on the fair value of the awards at the grant date which incorporates the probability of achieving the market condition. In the event the market condition is not met, any previously recognized expense is not reversed. The Company uses a binomial lattice model to determine the fair value of employee stock options. The Company uses a Monte Carlo simulation model to determine the fair value of performance stock awards with market condition.

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.

SQUARETRADE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

4. Turnover

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

	2020 £000	2019 £000
Insurance policies	147,570	77,573
	<u>147,570</u>	<u>77,573</u>

Analysis of turnover by country of destination:

	2020 £000	2019 £000
United Kingdom	5,273	732
Rest of Europe	142,297	76,841
	<u>147,570</u>	<u>77,573</u>

5. Operating profit/(loss)

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

	2020 £000	2019 £000
Depreciation of tangible fixed assets	41	-
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	21	22
Exchange differences	(612)	865
Defined contribution pension cost	<u>249</u>	<u>164</u>

6. Auditors' remuneration

	2020 £000	2019 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>21</u>	<u>22</u>

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

SQUARETRADE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

7. Employees

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

	2020	<i>As restated</i> 2019
	£000	£000
Wages and salaries	5,203	3,039
Social security costs	631	490
Cost of defined contribution scheme	249	164
	<u>6,083</u>	<u>3,693</u>

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

	2020	2019
	No.	No.
	<u>31</u>	<u>23</u>
Staff		

8. Directors' remuneration

	2020	<i>As restated</i> 2019
	£000	£000
Directors' emoluments	1,615	884
Directors pension costs - defined contrib'n sch.	29	26
	<u>1,644</u>	<u>910</u>

During the year retirement benefits were accruing to one director (2019 - one) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £1,592 thousand (2019 - £764 thousand). This remuneration does not include amounts reimbursed by the parent company of £Nil (2019: £318 thousand).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £29 thousand (2019 - £26 thousand).

SQUARETRADE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

9. Interest receivable

	2020 £000	2019 £000
Other interest receivable	-	19
	<u>-</u>	<u>19</u>

10. Interest payable and similar expenses

	2020 £000	2019 £000
Loans from group undertakings	-	976
	<u>-</u>	<u>976</u>

11. Taxation

	2020 £000	2019 £000
Corporation tax		
Current tax on profits for the year	(1,239)	-
	<u>(1,239)</u>	<u>-</u>
Total current tax	<u>(1,239)</u>	<u>-</u>
Deferred tax		
Group relief	(3,257)	-
	<u>(3,257)</u>	<u>-</u>
Total deferred tax	<u>(3,257)</u>	<u>-</u>
Taxation on (loss)/profit on ordinary activities	<u>(4,496)</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

The tax assessed for the year is lower than (2019 - *higher than*) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £000	<i>As restated</i> 2019 £000
Profit/(loss) on ordinary activities before tax	<u>3,310</u>	<u>(8,161)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	629	(1,550)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	10	3
Utilisation of tax losses	(639)	-
Other timing differences leading to an increase (decrease) in taxation	-	(16)
Unrelieved tax losses carried forward	-	1,563
Group relief	(4,496)	-
Total tax charge for the year	<u><u>(4,496)</u></u>	<u><u>-</u></u>

Factors that may affect future tax charges

The company has estimated tax losses of £34,630 thousand (2019: £42,204 thousand) available to be carried forward against future trading profits, which form part of the deferred tax asset recognised in the financial statements at a rate of 19%. 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 had not been substantively enacted at the balance sheet date. It is expected that the deferred tax asset will unwind before then and so has not caused an impact to the amount recognised in these financial statements.

SQUARETRADE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

12. Tangible fixed assets

	Short-term leasehold property £000	Office equipment £000	Total £000
Cost or valuation			
At 1 January 2020	15	468	483
At 31 December 2020	15	468	483
Depreciation			
At 1 January 2020	15	18	33
Charge for the year on owned assets	-	41	41
At 31 December 2020	15	59	74
Net book value			
At 31 December 2020	-	409	409
<i>At 31 December 2019</i>	-	450	450

13. Stocks

	2020 £000	2019 £000
Finished goods and goods for resale	1,246	557
	1,246	557

SQUARETRADE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

14. Debtors

	2020	<i>2019</i>
	£000	<i>£000</i>
Due after more than one year		
Deferred costs	3,710	-
	<u>3,710</u>	<u>-</u>
	2020	<i>2019</i>
	£000	<i>£000</i>
Due within one year		
Trade debtors	9,051	6,018
Amounts owed by group undertakings	7,276	-
Other debtors	962	975
Prepayments, accrued income and deferred costs	13,387	15,031
Deferred taxation	3,256	-
	<u>33,932</u>	<u>22,024</u>

15. Cash and cash equivalents

	2020	<i>2019</i>
	£000	<i>£000</i>
Cash at bank and in hand	6,152	13,270
	<u>6,152</u>	<u>13,270</u>

SQUARETRADE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

16. Creditors: Amounts falling due within one year

	2020	<i>As restated</i> 2019
	£000	£000
Trade creditors	1,902	1,368
Amounts owed to group undertakings	107	520
Other taxation and social security	1,165	1,540
Other creditors	3,234	18
Accruals and deferred income	20,355	21,111
	<u>26,763</u>	<u>24,557</u>

17. Creditors: Amounts falling due after more than one year

	2020	<i>As restated</i> 2019
	£000	£000
Amounts owed to group undertakings	-	864
	<u>-</u>	<u>864</u>

18. Financial instruments

	2020	<i>As restated</i> 2019
	£000	£000
Financial assets		
Financial assets measured at amortised cost	<u>28,624</u>	<u>25,018</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(18,054)</u>	<u>(14,809)</u>

Financial assets that are debt instruments measured at amortised cost comprise of trade debtors, amounts owed from group companies, other debtors and cash at bank and in hand.

Financial liabilities measured at amortised cost comprise of trade creditors, amounts owed to group companies, accruals and other creditors.

SQUARETRADE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

19. Deferred taxation

	2020 £000
Charged to profit or loss	3,256
At end of year	3,256

The deferred tax asset is made up as follows:

	2020 £000	2019 £000
Tax losses carried forward	3,256	-
	3,256	-

20. Share capital

	2020 £000	2019 £000
Allotted, called up and fully paid		
851,001 (2019 - 851,001) Ordinary shares of £1.00 each	851	851

21. Reserves

Share premium account

Includes consideration received for shares in excess of the nominal value.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

22. Share based payments

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.

NOTES TO THE FINANCIAL STATEMENTS
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Share based payments (Continued)

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 value in part reflects the payment of future dividends expected.

As the Company is a qualifying entity under FRS 102, the Company has taken the exemption permitted under FRS 102 to not include the disclosures required by FRS 102 Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23 as these are publicly available in the consolidated financial statements of The AllState Corporation.

23. Prior year adjustment

A prior year adjustment has been made in respect of share options over equity instruments in the parent company which have been granted to directors and employees for services provided to the Company. For more details on the share options granted please see note 22. The Company had not previously recorded the share based payments in its financial statements and so the following adjustments have been made to recognise the payments in accordance with FRS 102.

The adjustment has led to an increase in brought forward retained losses of £493 thousand, an increase in accruals of £60 thousand and an increase in amounts payable to the immediate parent company of £433 thousand at 1 January 2019. The prior year figures have been restated leading to an increase in staff wages of £431 thousand, an increase in staff social security costs of £59 thousand, an increase in directors' remuneration of £40 thousand and an increase in amounts payable to the immediate parent company of £490 thousand. These adjustments together result in an increase to brought forward retained losses at 1 January 2020 of £983 thousand.

24. 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.

SQUARETRADE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

25. 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 £249 thousand (2019: £164 thousand).

26. 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.

27. Post balance sheet events

Following the year end, £52,420k of share premium was cancelled and released to the profit and loss reserve.

28. 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 .

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