
SQUARETRADE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

SQUARETRADE LIMITED

COMPANY INFORMATION

Directors	A K Khaishgi K C Gillan
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

CONTENTS

	Page
Strategic Report	1 - 2
Directors' Report	3 - 4
Independent Auditors' Report	5 - 7
Statement of Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10
Statement of Cash Flows	11
Notes to the Financial Statements	12 - 24

SQUARETRADE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 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:

	2019	2018	Change
	£000	£000	%
Turnover	77,573	46,475	67
Total operating profit/(loss)	(6,714)	(5,590)	(20)

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.

Brexit

The UK stopped being a member of the European Union on the 31 January 2020 and entered into a transition period which is currently due to end on 31 December 2020. The transitional arrangements in place mean existing EU regulations apply to the UK. Management has taken the necessary steps to prepare for cessation for SquareTrade Limited's licence to operate an insurance intermediary across the EU (and EEA) for new policies sold after the transitional period. As part of Brexit preparations, an alternative EU entity has been incorporated and licensed to operate as an insurance agent.

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 £13,270 thousand (2018 - £1,963 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.

SQUARETRADE LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

This report was approved by the board on 10 June 2020 and signed on its behalf.

.....
K C Gillan
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

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 loss for the year, after taxation, amounted to £7,671 thousand (2018 - loss £6,664 thousand).

Directors

The directors who served during the year were:

A K Khaishgi
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 2019**

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

In March 2020 the UK and EU governments have implemented several restrictions in response to the Covid-19 pandemic. SquareTrade Limited entered into these restrictions with a strong active customer base and is continuing to run all business functions remotely. Our sales channels have been impacted due to these government restrictions. However, sales are gradually increasing as restrictions are eased across Europe. Management and the ultimate parent company, AllState Corporation continues to monitor the impact of the pandemic on our European operations and has taken steps to ensure risks are minimised.

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 10 June 2020 and signed on its behalf.

.....
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 2019, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, 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 2019 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material

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

inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 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.

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 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 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

10 June 2020

SQUARETRADE LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £000	<i>As restated</i> 2018 £000
Turnover	4	77,573	46,475
Cost of sales		(37,628)	(23,885)
Gross profit		39,945	22,590
Selling and distribution costs		(35,534)	(19,382)
Administrative expenses		(11,125)	(8,798)
Operating loss	5	(6,714)	(5,590)
Interest receivable and similar income	9	19	-
Interest payable and expenses	10	(976)	(1,074)
Loss before tax		(7,671)	(6,664)
Loss for the financial year		(7,671)	(6,664)

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2019 (2018:£000NIL).

The notes on pages 12 to 24 form part of these financial statements.

Turnover and cost of goods sold have been restated in the prior year to show inventory management and claims handling fees receivable within turnover rather than cost of goods sold. This restatement has led to an increase in turnover and cost of goods sold of £396 thousand. The adjustment has had no impact on prior year profit or retained earnings. The directors have carried out the restatement as they believe it enables better understanding of the Company's trade.

SQUARETRADE LIMITED
REGISTERED NUMBER: 07165194

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Fixed assets			
Tangible assets	12	450	-
		450	-
Current assets			
Stocks	13	557	825
Debtors: amounts falling due after more than one year	14	-	3,400
Debtors: amounts falling due within one year	14	22,024	16,371
Cash At Bank And In Hand	15	13,270	1,963
		35,851	22,559
Creditors: amounts falling due within one year	16	(24,438)	(12,377)
Net current assets		11,413	10,182
Total assets less current liabilities		11,863	10,182
Creditors: amounts falling due after more than one year	17	-	(43,068)
Net assets/(liabilities)		11,863	(32,886)
Capital and reserves			
Called up share capital	19	851	851
Share premium account	20	52,420	-
Profit and loss account	20	(41,408)	(33,737)
		11,863	(32,886)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 10 June 2020.

.....
K C Gillan
Director

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 2018	851	-	(27,073)	(26,222)
Comprehensive income for the year				
Loss for the year	-	-	(6,664)	(6,664)
Total comprehensive income for the year	-	-	(6,664)	(6,664)
At 1 January 2019	851	-	(33,737)	(32,886)
Comprehensive income for the year				
Loss for the year	-	-	(7,671)	(7,671)
Total comprehensive income for the year	-	-	(7,671)	(7,671)
Shares issued during the year	-	52,420	-	52,420
At 31 December 2019	851	52,420	(41,408)	11,863

The notes on pages 12 to 24 form part of these financial statements.

SQUARETRADE LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	<i>2018</i>
	£000	<i>£000</i>
Cash flows from operating activities		
Loss for the financial year	(7,671)	(6,664)
Adjustments for:		
Depreciation of tangible assets	-	1
Interest paid	976	1,074
Interest received	(19)	-
Decrease in stocks	267	966
(Increase) in debtors	(5,652)	(4,324)
Decrease/(increase) in amounts owed by groups	3,400	(11)
Increase in creditors	12,158	2,041
(Decrease)/increase in amounts owed to groups	(43,165)	5,170
Debt to equity conversion via share issue	52,420	-
Net cash generated from operating activities	12,714	<i>(1,747)</i>
Cash flows from investing activities		
Purchase of tangible fixed assets	(450)	-
Interest received	19	-
Net cash from investing activities	(431)	<i>-</i>
Cash flows from financing activities		
Interest paid	(976)	(1,074)
Net cash used in financing activities	(976)	<i>(1,074)</i>
Net increase/(decrease) in cash and cash equivalents	11,307	<i>(2,821)</i>
Cash and cash equivalents at beginning of year	1,963	4,784
Cash and cash equivalents at the end of year	13,270	<i>1,963</i>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	13,270	1,963
	13,270	<i>1,963</i>

The notes on pages 12 to 24 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of The Allstate Corporation as at 31 December 2019 and these financial statements may be obtained from 2775 Sanders Road Northbrook IL 60062.

2.3 Going concern

During the year, the company made losses of £7,671 thousand (2018: £6,664 thousand). 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.

In March 2020 the UK and EU governments have implemented several restrictions in response to the Covid-19 pandemic. SquareTrade Limited entered into these restrictions with a strong active customer base and is continuing to run all business functions remotely. Sales channels have been impacted due to these government restrictions. However, sales are gradually increasing as restrictions are eased across Europe. Management and the ultimate parent company, AllState Corporation continues to monitor the impact of the pandemic on our European operations and has taken steps to ensure risks are minimised. A letter of support has been provided by Squaretrade Inc. confirming its support for 12 months after the date of the signing of balance sheet.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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 the Statement of Comprehensive Income 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 the Statement of Comprehensive Income using the effective interest method.

2.7 Finance costs

Finance costs are charged to the Statement of Comprehensive Income 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 2019

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 the Statement of Comprehensive Income 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 Taxation

Tax is recognised in the Statement of Comprehensive Income, 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.

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.

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 the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

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.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

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.

2.15 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.15 Financial instruments (continued)

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.

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 2019**

4. Turnover

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

	2019	<i>As restated</i> 2018
	£000	£000
Insurance policies	77,573	46,475
	<u>77,573</u>	<u>46,475</u>

Analysis of turnover by country of destination:

	2019	2018
	£000	£000
United Kingdom	732	2,102
Rest of Europe	76,841	44,373
	<u>77,573</u>	<u>46,475</u>

5. Operating loss

The operating loss is stated after charging:

	2019	2018
	£000	£000
Depreciation of tangible fixed assets	-	1
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	22	12
Exchange differences	865	242
Defined contribution pension cost	<u>164</u>	<u>122</u>

6. Auditors' remuneration

	2019	2018
	£000	£000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>22</u>	<u>12</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 2019**

7. Employees

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

	2019	<i>2018</i>
	£000	<i>£000</i>
Wages and salaries	2,608	<i>2,037</i>
Social security costs	431	<i>310</i>
Cost of defined contribution scheme	164	<i>122</i>
	3,203	<i>2,469</i>

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

	2019	<i>2018</i>
	No.	<i>No.</i>
	23	<i>19</i>
Staff		

8. Directors' remuneration

	2019	<i>2018</i>
	£000	<i>£000</i>
Directors' emoluments	844	<i>405</i>
Directors pension costs - defined contrib'n sch.	26	<i>26</i>
	870	<i>431</i>

During the year retirement benefits were accruing to one director (*2018 - one*) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £844 thousand (*2018 - £405 thousand*).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £26 thousand (*2018 - £26 thousand*).

9. Interest receivable

	2019	<i>2018</i>
	£000	<i>£000</i>
Other interest receivable	19	<i>-</i>
	19	<i>-</i>

SQUARETRADE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

10. Interest payable and similar expenses

	2019	<i>2018</i>
	£000	<i>£000</i>
Bank interest payable	-	1
Loans from group undertakings	976	1,073
	<u>976</u>	<u>1,074</u>

11. Taxation

	2019	<i>2018</i>
	£000	<i>£000</i>
Total current tax	<u>-</u>	<u>-</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - *higher than*) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019	<i>2018</i>
	£000	<i>£000</i>
Loss on ordinary activities before tax	<u>(7,671)</u>	<u>(6,664)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(1,457)	(1,266)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	3	2
Other timing differences leading to an increase (decrease) in taxation	(16)	-
Unrelieved tax losses carried forward	1,470	1,264
Total tax charge for the year	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

The company has estimated tax losses of £42,204 thousand (2018: £35,417 thousand) available to be carried forward against future trading profits.

SQUARETRADE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

12. Tangible fixed assets

	Short-term leasehold property £000	Office equipment £000	Total £000
Cost or valuation			
At 1 January 2019	15	18	33
Additions	-	450	450
At 31 December 2019	15	468	483
Depreciation			
At 1 January 2019	15	18	33
At 31 December 2019	15	18	33
Net book value			
At 31 December 2019	-	450	450
At 31 December 2018	-	-	-

The fixed asset additions relate to office equipment for a new office that staff moved into on 2 January 2020. The equipment has been depreciated from this date.

SQUARETRADE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

13. Stocks

	2019 £000	2018 £000
Finished goods and goods for resale	557	825
	<u>557</u>	<u>825</u>

SQUARETRADE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

14. Debtors

	2019	<i>2018</i>
	£000	<i>£000</i>
Due after more than one year		
Amounts owed by group undertakings	-	3,400
	<u>-</u>	<u>3,400</u>
	2019	<i>2018</i>
	£000	<i>£000</i>
Due within one year		
Trade debtors	6,018	2,298
Other debtors	975	2,669
Prepayments, accrued income and deferred costs	15,031	11,404
	<u>22,024</u>	<u>16,371</u>

15. Cash and cash equivalents

	2019	<i>2018</i>
	£000	<i>£000</i>
Cash at bank and in hand	13,270	1,963
	<u>13,270</u>	<u>1,963</u>

16. Creditors: Amounts falling due within one year

	2019	<i>2018</i>
	£000	<i>£000</i>
Trade creditors	1,368	588
Amounts owed to group undertakings	520	674
Other taxation and social security	1,540	227
Other creditors	18	103
Accruals and deferred income	20,992	10,785
	<u>24,438</u>	<u>12,377</u>

SQUARETRADE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

	2019	<i>2018</i>
	£000	<i>£000</i>
Amounts owed to group undertakings	-	43,012
Accruals and deferred income	-	56
	<u>-</u>	<u>43,068</u>

18. Financial instruments

	2019	<i>2018</i>
	£000	<i>£000</i>
Financial assets		
Financial assets measured at amortised cost	<u>25,018</u>	<u>13,086</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(23,348)</u>	<u>(55,162)</u>

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

Financial liabilities measured at amortised cost comprise of trade creditors, loan owed to parent company, accruals, other creditors and deferred income.

19. Share capital

	2019	<i>2018</i>
	£000	<i>£000</i>
Allotted, called up and fully paid		
851,001 (2018 - 851,000) Ordinary shares of £1.00 each	<u>851</u>	<u>851</u>

1 Ordinary share was allotted during the year with a nominal value of £1. The share was issued for consideration of £52,419,602. This took the form of the conversion of an amount owed to Squaretrade Inc. from debt to equity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

20. 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.

21. 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 £164 thousand (2018: £122 thousand).

22. 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.

23. 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.