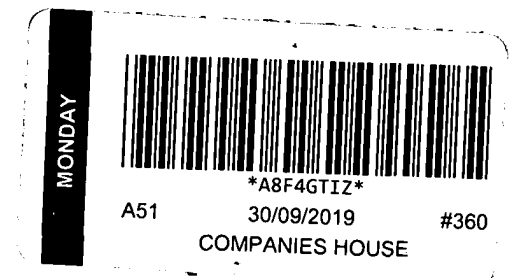


Registered number: 07165194

SQUARETRADE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018



SQUARETRADE LIMITED

COMPANY INFORMATION

Directors	A K Khaishgi K C Gillan
Registered number	07165194
Registered office	Unit 1.02 Enterprise House 1-2 Hatfields London SE1 9PG
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 2018

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

	2018	2017	Change
	£000	£000	%
Turnover	46,079	26,402	75
Total operating profit/(loss)	(5,590)	(11,653)	(52)

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

During 2016 the UK decided to leave the EU. SquareTrade Limited has continued to operate within the EU and has grown its customer base and revenue. Management is alert to and continues to monitor the impact of Brexit on our European operations and has taken steps as needed to ensure risks are minimised. The ultimate parent company, Allstate Corporation has implemented actions to maintain continuity of the European operations in all scenarios. As of 24 September 2019 the UK remains part of the EU and until such time the timeline for exit from the EU is clear, management will continue to review the position.

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 £2.0m (2017 - £4.8m). The directors consider the cash flow risk is at an acceptable level.

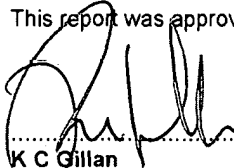
Foreign currency risk

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 2018

This report was approved by the board on 25 September 2019 and signed on its behalf.


.....
K C Gillan
Director

SQUARETRADE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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

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;
- 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 £6,663,693 (2017 - loss £12,454,042).

Directors

The directors who served during the year were:

A K Khaishgi
K C Gillan

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.

SQUARETRADE LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

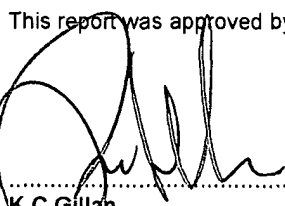
Post balance sheet events

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 25 September 2019 and signed on its behalf.


.....
K C Gillan
Director

SQUARETRADE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SQUARETRADE LIMITED

Opinion

We have audited the financial statements of SquareTrade Limited (the 'Company') for the year ended 31 December 2018, 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 2018 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

SQUARETRADE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS 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.

SQUARETRADE LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS 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, 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

Date: 30 September 2019

SQUARETRADE LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £	As restated 2017 £
Turnover	4	46,078,916	26,402,381
Cost of sales		(23,488,910)	(17,422,928)
Gross profit		22,590,006	8,979,453
Selling and distribution costs		(19,381,644)	(9,254,940)
Administrative expenses		(8,798,298)	(11,377,067)
Operating loss	5	(5,589,936)	(11,652,554)
Interest receivable and similar income	9	50	64
Interest payable and expenses	10	(1,073,807)	(801,552)
Loss before tax		(6,663,693)	(12,454,042)
Loss for the financial year		(6,663,693)	(12,454,042)

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2018 (2017: £NIL).

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

The comparatives have been restated to show channel referral fees charged by operators within selling and distribution expenses rather than administrative expenses as the directors believe this better represents the expense. This restatement has had no impact on prior year profit as it is a reclassification only.

SQUARETRADE LIMITED
REGISTERED NUMBER: 07165194

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	12	-	811
		<u>-</u>	<u>811</u>
Current assets			
Stocks	13	825,075	1,791,475
Debtors: amounts falling due after more than one year	14	3,400,450	4,045,748
Debtors: amounts falling due within one year	14	16,370,971	11,389,142
Cash At Bank And In Hand	15	1,962,817	4,784,310
		<u>22,559,313</u>	<u>22,010,675</u>
Creditors: amounts falling due within one year	16	(12,377,404)	(16,669,354)
Net current assets		<u>10,181,909</u>	<u>5,341,321</u>
Total assets less current liabilities		<u>10,181,909</u>	<u>5,342,132</u>
Creditors: amounts falling due after more than one year	17	(43,068,060)	(31,564,590)
Net liabilities		<u>(32,886,151)</u>	<u>(26,222,458)</u>
Capital and reserves			
Called up share capital	18	851,000	851,000
Profit and loss account	19	(33,737,151)	(27,073,458)
		<u>(32,886,151)</u>	<u>(26,222,458)</u>

The financial statements on pages 9 to 26 were approved and authorised for issue by the board and were signed on its behalf on 25 September 2019


K C Gilhan
Director

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

SQUARETRADE LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2017	851,000	(18,638,967)	(17,787,967)
Comprehensive income for the year			
Loss for the year	-	(12,454,042)	(12,454,042)
Share based payments	-	4,019,551	4,019,551
Total comprehensive income for the year	-	(8,434,491)	(8,434,491)
At 1 January 2018	851,000	(27,073,458)	(26,222,458)
Comprehensive income for the year			
Loss for the year	-	(6,663,693)	(6,663,693)
Total comprehensive income for the year	-	(6,663,693)	(6,663,693)
At 31 December 2018	851,000	(33,737,151)	(32,886,151)

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

SQUARETRADE LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £	2017 £
Cash flows from operating activities		
Loss for the financial year	(6,663,693)	(12,454,042)
Adjustments for:		
Depreciation of tangible assets	811	4,785
Interest paid	1,073,807	801,552
Interest received	(50)	(64)
Decrease/(increase) in stocks	966,395	(819,359)
(Increase) in debtors	(4,324,088)	(5,648,798)
(Increase) in amounts owed by groups	(12,439)	(3,388,010)
Increase in creditors	2,041,157	2,677,042
Increase in amounts owed to groups	5,170,364	16,548,528
Net fair value losses recognised in P&L	-	4,019,551
Net cash generated from operating activities	(1,747,736)	1,741,185
Cash flows from investing activities		
Interest received	50	64
Net cash from investing activities	50	64
Cash flows from financing activities		
Interest paid	(1,073,807)	(801,552)
Net cash used in financing activities	(1,073,807)	(801,552)
Net (decrease)/increase in cash and cash equivalents	(2,821,493)	939,697
Cash and cash equivalents at beginning of year	4,784,310	3,844,613
Cash and cash equivalents at the end of year	1,962,817	4,784,310
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,962,817	4,784,310
	1,962,817	4,784,310

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

SQUARETRADE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. General information

SquareTrade Limited is a limited liability company incorporated in England and Wales. The registered office is Unit 1.02 Enterprise House 1-2 Hatfields, London, SE1 9PG.

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 2017 and these financial statements may be obtained from 2775 Sanders Road Northbrook IL 60062.

2.3 Going concern

At the year end the company had net liabilities of £32,886,151 (2017: £26,222,458). 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. Under a no deal Brexit, the Company would be unable to act as an insurance intermediary under new contracts. The Company would be able to continue to operate its existing contracts with the support of its parent company. The Group has measures in place to mitigate the risks arising from a no deal Brexit as discussed in the Strategic Report.

SQUARETRADE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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.

SQUARETRADE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.6 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 January 2017 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.7 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.8 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.

2.9 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.

SQUARETRADE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.10 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance Sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of Comprehensive Income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of Comprehensive Income is charged with fair value of goods and services received.

2.11 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.

2.12 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.

SQUARETRADE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.12 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 the Statement of Comprehensive Income.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

SQUARETRADE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.17 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 non-puttable 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 financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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.

SQUARETRADE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

Stock

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

Stock provision

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

4. Turnover

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

	2018 £	2017 £
Insurance policies	46,078,916	26,402,381
	<u>46,078,916</u>	<u>26,402,381</u>

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	2,102,484	2,027,692
Rest of the world	43,976,432	24,374,689
	<u>46,078,916</u>	<u>26,402,381</u>

SQUARETRADE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

5. Operating loss

The operating loss is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	811	4,785
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	12,000	11,000
Exchange differences	242,178	285,141
Defined contribution pension cost	122,315	81,471
	<u>242,178</u>	<u>285,141</u>

6. Auditors' remuneration

	2018 £	2017 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	12,000	11,000
	<u>12,000</u>	<u>11,000</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.

7. Employees

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

	2018 £	2017 £
Wages and salaries	2,036,561	5,331,599
Social security costs	310,165	691,502
Cost of defined contribution scheme	122,315	81,471
	<u>2,469,041</u>	<u>6,104,572</u>

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

	2018 No.	2017 No.
Staff	19	17
	<u>19</u>	<u>17</u>

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

	2018 £	2017 £
Directors' emoluments	405,167	2,520,696
Company contributions to defined contribution pension schemes	25,688	16,163
	<u>430,855</u>	<u>2,536,859</u>

During the year retirement benefits were accruing to one director (2017 - one) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £405,167 (2017 - £2,520,696).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £25,688 (2017 - £16,163).

9. Interest receivable

	2018 £	2017 £
Other interest receivable	50	64
	<u>50</u>	<u>64</u>

10. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	545	25
Loans from group undertakings	1,073,262	801,527
	<u>1,073,807</u>	<u>801,552</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

11. Taxation

	2018 £	2017 £
Total current tax	<u>-</u>	<u>-</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - *higher than*) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Loss on ordinary activities before tax	<u>(6,663,693)</u>	<u>(12,454,042)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	<u>(1,266,102)</u>	<u>(2,397,403)</u>
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1,617	222
Capital allowances for year in excess of depreciation	154	921
Unrelieved tax losses carried forward	1,264,331	2,396,260
Total tax charge for the year	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

The company has estimated tax losses of £35,506,000 (2017: £29,599,273) available to be carried forward against future trading profits.

SQUARETRADE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

12. Tangible fixed assets

	Short-term leasehold property £	Equipment £	Total £
Cost or valuation			
At 1 January 2018	15,350	18,378	33,728
At 31 December 2018	15,350	18,378	33,728
Depreciation			
At 1 January 2018	15,350	17,567	32,917
Charge for the year on owned assets	-	811	811
At 31 December 2018	15,350	18,378	33,728
Net book value			
At 31 December 2018	-	-	-
At 31 December 2017	-	811	811

13. Stocks

	2018 £	2017 £
Finished goods and goods for resale	825,075	1,791,475
	825,075	1,791,475

14. Debtors

	2018 £	2017 £
Due after more than one year		
Amounts owed by group undertakings	3,400,450	3,388,007
Deferred costs	-	657,741
	3,400,450	4,045,748

SQUARETRADE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

14. Debtors (continued)

	2018 £	2017 £
Due within one year		
Trade debtors	2,297,521	3,580,348
Other debtors	2,669,189	5,248,925
Prepayments, accrued income and deferred costs	11,404,261	2,559,869
	<u>16,370,971</u>	<u>11,389,142</u>

15. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	1,962,817	4,784,310
	<u>1,962,817</u>	<u>4,784,310</u>

16. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	588,139	801,483
Amounts owed to group undertakings	673,595	7,626,896
Other taxation and social security	227,396	-
Other creditors	103,490	107,135
Accruals and deferred income	10,784,784	8,133,840
	<u>12,377,404</u>	<u>16,669,354</u>

SQUARETRADE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

	2018 £	2017 £
Amounts owed to group undertakings	43,011,785	30,888,120
Accruals and deferred income	56,275	676,470
	<u>43,068,060</u>	<u>31,564,590</u>

18. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
851,000 (2017 - 851,000) Ordinary shares of £1.00 each	<u>851,000</u>	<u>851,000</u>

19. Reserves

Profit and loss account

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

SQUARETRADE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

20. Share based payments

Generally, the company granted stock options at a price equal to the estimated fair market value of the common stock on the date of the grant, as determined by the company's board of directors. Under the 2012 Equity Incentive plan (the "2012 Plan"), stock options granted under the 2012 plan were only subject to the service-based vesting conditions. The service-based options generally vested over a four-year period at a rate of 25% one year from the grant date and 1/48 each month thereafter and expire no later than ten years from the date of grant.

Also, for share options with service-based vesting conditions, the company used Black Scholes to estimate the calculated value, and make assumptions regarding the key inputs to the model, such as volatility, dividend rate, risk-free rate and expected life. The company utilised the historical volatility of representative public companies to determine its implied volatility, as there is no public trading of the company's stock. The company had not paid any dividends, nor does it expect to pay dividends in the near future; therefore, a dividend yield of zero was used. The company used the risk-free interest rate on the implied yield currently available in the United States Treasury zero-coupon issues with an equivalent expected term. The expected term of stock options represented the period that the company's stock options are expected to be outstanding.

During the prior year, all share options vested and were exercised by employees. There were no outstanding share options at the year end.

	Weighted average exercise price (pence) 2018	Number 2018	Weighted average exercise price (pence) 2017	Number 2017
Outstanding at the beginning of the year		-	1.84	388,000
Granted during the year		-		-
Exercised during the year		-	1.84	(388,000)
Outstanding at the end of the year		-		-

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 £122,315 (2017: £81,471). Contributions totalling £5,500 (2017: £9,006) were payable to the fund at the balance sheet date.

SQUARETRADE LIMITED

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22. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	-	142,229
	<u>-</u>	<u>142,229</u>

23. 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.

24. 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 who acquired SquareTrade Holding Company Inc. on 3 January 2017.

