

Registered number: 07165194

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**SQUARETRADE LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

SATURDAY



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**SQUARETRADE LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	A K Khaishgi K C Gillan
<b>Registered number</b>	07165194
<b>Registered office</b>	Unit 1.02 Enterprise House 1-2 Hatfields London SE1 9PG
<b>Independent auditors</b>	Donald Reid Limited Chartered Accountants Prince Albert House 20 King Street Maidenhead Berkshire SL6 1DT

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**SQUARETRADE LIMITED**

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## SQUARETRADE LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 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. In the coming year we plan to grow revenues by expanding our customer base from existing and new channels, whilst improving margins on existing and new business.

In January 2017 the Company was part of an acquisition of SquareTrade Inc, by Allstate Corporation. This has strengthened the Company's position.

#### Business review

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

	2017 £000	2016 £000	% change
Turnover	26,402	11,871	122%
Total operating profit/(loss)	(11,653)	(8,905)	(31%)

#### 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*

In 2016 the UK decided to leave the EU. The Company's position has remained robust with turnover continuing to increase. Management is alert to and continues to monitor the impact of Brexit on our European operations and will take steps as needed to ensure risks are minimised at the appropriate time.

##### *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 £4.8m (2016 - £3.9m). 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.

This report was approved by the board on 2 July 2018

and signed on its behalf.

K C Gillan  
Director



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## SQUARETRADE LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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The directors present their report and the financial statements for the year ended 31 December 2017.

#### **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 £12,454,042 (2016 - loss £9,316,975).

#### **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.

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**SQUARETRADE LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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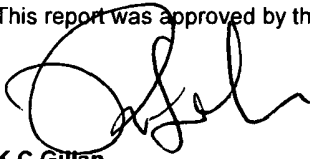
**Post balance sheet events**

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 2 July 2018 and signed on its behalf.



**K C Gillan**  
Director

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## SQUARETRADE LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SQUARETRADE LIMITED

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We have audited the financial statements of Squaretrade Limited for the year ended 31 December 2017, set out on pages 6 to 24. The relevant financial reporting framework that has been applied in their preparation is applicable law and the 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'.

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.

#### **Respective responsibilities of Directors and Auditors**

As explained more fully in the Directors' Responsibilities Statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 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.

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**SQUARETRADE LIMITED**

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

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**Opinion on other matter 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 those financial statements and such reports have been prepared in accordance with applicable legal requirements.

In the light of our 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 and the Directors' Report.

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

We have nothing to report in respect of the following matters where 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.



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: 5 July 2018



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**SQUARETRADE LIMITED**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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	Note	2017 £	As restated 2016 £
Turnover		26,402,381	11,871,238
Cost of sales		(17,422,928)	(11,725,793)
<b>Gross profit</b>		<b>8,979,453</b>	<b>145,445</b>
Distribution costs		(8,870,294)	(2,496,658)
Administrative expenses		(11,761,713)	(6,553,901)
<b>Operating loss</b>		<b>(11,652,554)</b>	<b>(8,905,114)</b>
Interest receivable and similar income		64	90
Interest payable and expenses		(801,552)	(411,951)
<b>Loss before tax</b>		<b>(12,454,042)</b>	<b>(9,316,975)</b>
<b>Loss for the financial year</b>		<b>(12,454,042)</b>	<b>(9,316,975)</b>
<b>Other comprehensive income for the year</b>			
Equity settled share based payments		-	41,341
<b>Other comprehensive income for the year</b>		-	41,341
<b>Total comprehensive income for the year</b>		<b>(12,454,042)</b>	<b>(9,275,634)</b>

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

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2017**

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Tangible assets	12	811	5,596
		<u>811</u>	<u>5,596</u>
<b>Current assets</b>			
Stocks	13	1,791,475	972,111
Debtors: amounts falling due after more than one year	14	4,045,748	1,462,910
Debtors: amounts falling due within one year	14	11,389,142	4,935,175
Cash At Bank And In Hand	15	4,784,310	3,853,108
		<u>22,010,675</u>	<u>11,223,304</u>
Creditors: amounts falling due within one year	16	(16,669,354)	(6,578,485)
<b>Net current assets</b>		<u>5,341,321</u>	<u>4,644,819</u>
<b>Total assets less current liabilities</b>		<u>5,342,132</u>	<u>4,650,415</u>
Creditors: amounts falling due after more than one year	17	(31,564,590)	(22,438,382)
<b>Net liabilities</b>		<u>(26,222,458)</u>	<u>(17,787,967)</u>
<b>Capital and reserves</b>			
Called up share capital		851,000	851,000
Profit and loss account		(27,073,458)	(18,638,967)
		<u>(26,222,458)</u>	<u>(17,787,967)</u>

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

**K C Gillan**  
Director

The notes on pages 10 to 24 form part of these financial statements.



**SQUARETRADE LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £	Profit and loss account £	Total equity £
<b>At 1 January 2016 (as previously stated)</b>	851,000	(9,260,967)	(8,409,967)
Prior year adjustment	-	(102,366)	(102,366)
	<u>851,000</u>	<u>(9,363,333)</u>	<u>(8,512,333)</u>
<b>At 1 January 2016 (as restated)</b>			
<b>Comprehensive income for the year</b>			
Loss for the year	-	(9,316,975)	(9,316,975)
	<u>-</u>	<u>(9,316,975)</u>	<u>(9,316,975)</u>
Share-based payments	-	41,341	41,341
	<u>-</u>	<u>41,341</u>	<u>41,341</u>
<b>Total comprehensive income for the year</b>	-	(9,275,634)	(9,275,634)
	<u>-</u>	<u>(9,275,634)</u>	<u>(9,275,634)</u>
<b>Total transactions with owners</b>	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>At 1 January 2017</b>	851,000	(18,638,967)	(17,787,967)
<b>Comprehensive income for the year</b>			
Loss for the year	-	(12,454,042)	(12,454,042)
	<u>-</u>	<u>(12,454,042)</u>	<u>(12,454,042)</u>
Share based payments	-	4,019,551	4,019,551
	<u>-</u>	<u>4,019,551</u>	<u>4,019,551</u>
<b>Other comprehensive income for the year</b>	-	4,019,551	4,019,551
	<u>-</u>	<u>4,019,551</u>	<u>4,019,551</u>
<b>Total comprehensive income for the year</b>	-	(8,434,491)	(8,434,491)
	<u>-</u>	<u>(8,434,491)</u>	<u>(8,434,491)</u>
<b>At 31 December 2017</b>	<u>851,000</u>	<u>(27,073,458)</u>	<u>(26,222,458)</u>

**SQUARETRADE LIMITED**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017 £	2016 £
<b>Cash flows from operating activities</b>		
Loss for the financial year	(12,454,042)	(9,316,975)
<b>Adjustments for:</b>		
Depreciation of tangible assets	4,785	11,621
Interest paid	801,552	411,951
Interest received	(64)	(90)
(Increase) in stocks	(819,359)	(202,141)
(Increase)/decrease in debtors	(5,648,798)	113,410
(Increase)/decrease in amounts owed by groups	(3,388,010)	675,058
Increase/(decrease) in creditors	2,677,042	(1,286,576)
Increase in amounts owed to groups	16,548,528	12,333,707
Charge for share based payment	4,019,551	41,342
<b>Net cash generated from operating activities</b>	<b>1,741,185</b>	<b>2,781,307</b>
<b>Cash flows from investing activities</b>		
Interest received	64	90
<b>Net cash from investing activities</b>	<b>64</b>	<b>90</b>
<b>Cash flows from financing activities</b>		
Interest paid	(801,552)	(411,951)
<b>Net cash used in financing activities</b>	<b>(801,552)</b>	<b>(411,951)</b>
<b>Net increase in cash and cash equivalents</b>	<b>939,697</b>	<b>2,369,446</b>
Cash and cash equivalents at beginning of year	3,844,613	1,475,167
<b>Cash and cash equivalents at the end of year</b>	<b>4,784,310</b>	<b>3,844,613</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	4,784,310	3,853,108
Bank overdrafts	-	(8,495)
	<b>4,784,310</b>	<b>3,844,613</b>

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## SQUARETRADE LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 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 amounts in the financial statements have been rounded to the nearest pound.

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 £26,222,458 (2016: £17,787,967). 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.

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## SQUARETRADE LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 2. Accounting policies (continued)

##### 2.4 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.

##### 2.5 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.

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## SQUARETRADE LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 2. Accounting policies (continued)

##### 2.6 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 at no cost).

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 acquired at no cost. In accordance with FRS 102, the value of replacement stock is therefore calculated using the costs to repair. Replacement stock is then valued at the lower of this value, cost to repair, or its net realisable value less costs to sell.

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

##### 2.7 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.

##### 2.8 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.

##### 2.9 Financial instruments

The Company only enters into basic financial instruments 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 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

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## SQUARETRADE LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 2. Accounting policies (continued)

##### 2.9 Financial instruments (continued)

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.

##### 2.10 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.

##### 2.11 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.

##### 2.12 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.



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## SQUARETRADE LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 2. Accounting policies (continued)

##### 2.13 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.

##### 2.14 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 2016 to continue to be charged over the period to the first market rent review rather than the term of the lease.

##### 2.15 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.

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## SQUARETRADE LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 2. Accounting policies (continued)

##### 2.16 Interest income

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

##### 2.17 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

##### 2.18 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.

#### 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

Replacement stock is acquired at no cost. In accordance with FRS102, the value of replacement stock is therefore 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.

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**SQUARETRADE LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**4. Turnover**

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

	2017 £	<i>As restated</i> 2016 £
Warranties	26,402,381	11,871,238
	<u>26,402,381</u>	<u>11,871,238</u>

Analysis of turnover by country of destination:

	2017 £	<i>As restated</i> 2016 £
United Kingdom	2,027,692	2,487,529
Rest of the world	24,374,689	9,383,709
	<u>26,402,381</u>	<u>11,871,238</u>

**5. Operating loss**

The operating loss is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	4,785	11,621
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	11,000	10,700
Exchange differences	285,141	(216,689)
Defined contribution pension cost	81,471	19,978
	<u>382,397</u>	<u>10,710</u>

**6. Auditors' remuneration**

	2017 £	2016 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>11,000</u>	<u>10,700</u>

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**7. Employees**

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

	2017 £	2016 £
Wages and salaries	5,331,599	1,670,712
Social security costs	691,502	209,612
Cost of defined contribution scheme	81,471	19,978
	<u>6,104,572</u>	<u>1,900,302</u>

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

	2017 No.	2016 No.
Staff	<u>17</u>	<u>17</u>

**8. Directors' remuneration**

	2017 £	2016 £
Directors' emoluments	2,520,696	263,633
Company contributions to defined contribution pension schemes	16,163	1,642
	<u>2,536,859</u>	<u>265,275</u>

During the year retirement benefits were accruing to one director (2016 - one) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £2,520,696 (2016 - £263,633).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £16,163 (2016 - £1,642).

**9. Interest receivable**

	2017 £	2016 £
Other interest receivable	64	90
	<u>64</u>	<u>90</u>

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**10. Interest payable and similar charges**

	2017 £	2016 £
Bank interest payable	25	266
Loans from group undertakings	801,527	411,685
	<u>801,552</u>	<u>411,951</u>

**11. Taxation**

	2017 £	2016 £
<b>Total current tax</b>	<u>-</u>	<u>-</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2016 - *higher than*) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Loss on ordinary activities before tax	<u>(12,454,042)</u>	<u>(9,316,975)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	<u>(2,397,403)</u>	<u>(1,863,395)</u>
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	222	3,467
Depreciation in excess of capital allowances for the year	921	2,324
Non-taxable income less expenses not deductible for tax purposes, other than goodwill and impairment	-	39,000
Unrelieved tax losses carried forward	2,396,260	1,818,604
<b>Total tax charge for the year</b>	<u>-</u>	<u>-</u>

**Factors that may affect future tax charges**

The company has estimated tax losses of £29,599,273 (2016: £18,278,422) available to be carried forward against future trading profits.

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**12. Tangible fixed assets**

	Short-term leasehold property £	Equipment £	Total £
<b>Cost or valuation</b>			
At 1 January 2017	15,350	18,378	33,728
At 31 December 2017	15,350	18,378	33,728
<b>Depreciation</b>			
At 1 January 2017	15,350	12,782	28,132
Charge for the year on owned assets	-	4,785	4,785
At 31 December 2017	15,350	17,567	32,917
<b>Net book value</b>			
At 31 December 2017	-	811	811
At 31 December 2016	-	5,596	5,596

**13. Stocks**

	2017 £	2016 £
Finished goods and goods for resale	1,791,475	972,111
	1,791,475	972,111

**14. Debtors**

	2017 £	2016 £
<b>Due after more than one year</b>		
Amounts owed by group undertakings	3,388,007	-
Deferred costs	657,741	1,462,910
	4,045,748	1,462,910

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**14. Debtors (continued)**

	2017 £	2016 £
<b>Due within one year</b>		
Trade debtors	3,580,348	2,473,944
Other debtors	5,248,925	203,161
Prepayments, accrued income and deferred costs	2,559,869	2,258,070
	<u>11,389,142</u>	<u>4,935,175</u>

**15. Cash and cash equivalents**

	2017 £	2016 £
Cash at bank and in hand	4,784,310	3,853,108
	<u>4,784,310</u>	<u>3,853,108</u>

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

	2017 £	2016 £
Bank overdrafts	-	8,495
Trade creditors	801,483	608,815
Amounts owed to group undertakings	7,626,896	1,231,712
Other taxation and social security	-	556,466
Other creditors	107,135	153,250
Accruals and deferred income	8,133,840	4,019,747
	<u>16,669,354</u>	<u>6,578,485</u>

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

	2017 £	2016 £
Amounts owed to group undertakings	30,888,120	20,734,775
Accruals and deferred income	676,470	1,703,607
	<u>31,564,590</u>	<u>22,438,382</u>

**18. Prior year restatement**

Turnover in the prior period has been restated by £2,496,658 in order to show it gross of commission. As a result of the restatement distribution costs have increased by £2,496,658 and gross profit has increased by £2,496,658. There is no change to the loss before tax or net assets as a result of this restatement. There has also been a reclassification of costs from administrative expenses to cost of sales. As a result of the restatement cost of sales has increased by £153,660, administrative expenses have decreased by £153,660. There is a decrease in gross profit by £153,660 and the restatement has had no impact on operating loss, loss before tax and net assets. The directors carried out these restatements as they believe they better enable the accounts to show a true and fair view.

**19. Financial instruments**

	2017 £	2016 £
<b>Financial assets</b>		
Financial assets measured at fair value through profit or loss	-	41,341
Financial assets measured at amortised cost	7,503,873	6,530,213
	<u>7,503,873</u>	<u>6,571,554</u>
<b>Financial Liabilities</b>		
Financial liabilities measured at amortised cost	41,514,964	28,460,401
	<u>41,514,964</u>	<u>28,460,401</u>

Financial assets that are debt instruments measured at amortised cost comprise of trade debtors, loans owed from parent company, 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 bank overdrafts.



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**20. Share capital**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
851,000 Ordinary shares of £1 each	<b><u>851,000</u></b>	<b><u>851,000</u></b>

**21. 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.

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**22. Share based payments**

Generally, the company grants 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 are only subject to the service-based vesting conditions. The service-based options generally vest 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 uses Black Scholes to estimate the calculated value, and makes assumptions regarding the key inputs to the model, such as volatility, dividend rate, risk-free rate and expected life. The company utilises 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 has 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 uses 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 represents the period that the company's stock options are expected to be outstanding.

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

	<b>Weighted average exercise price (pence) 2017</b>	<b>Number 2017</b>	<i>Weighted average exercise price (pence) 2016</i>	<i>Number 2016</i>
Outstanding at the beginning of the year	1.84	388,000	1.79	343,000
Granted during the year		-	2.23	45,000
Exercised during the year	1.84	(388,000)		-
<b>Outstanding at the end of the year</b>		-	1.84	388,000

**23. 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 £81,471 (2016: £19,978). Contributions totalling £9,006 (2016: £5,353) were payable to the fund at the balance sheet date.

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**24. Commitments under operating leases**

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Not later than 1 year	<b>142,229</b>	<b>156,223</b>
Later than 1 year and not later than 5 years	<b>-</b>	<b>142,229</b>
	<b>142,229</b>	<b>298,452</b>

**25. 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.

**26. 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.