

RIGHT COVER INSURANCE LIMITED

REPORT OF THE DIRECTORS AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

(Company Registration Number: 67921)

Right Cover Insurance Limited
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for the year ended 31 December 2025

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Right Cover Insurance Limited

Company Information for the year ended 31 December 2025

DIRECTORS:

N Wild	
D Millar	
M Joseph	(resigned 03 September 2025)
J Polson	
M Gledhill	(appointed 03 September 2025)
J Burniston	(appointed 11 March 2026)
J Sutton	(resigned 1 January 2026)

SECRETARY: SRS Corporate Services Guernsey Limited

INSURANCE MANAGER: SRS Management Guernsey Limited

REGISTERED OFFICE:

Second Floor
Block A
Lefebvre Court
Lefebvre Street
St Peter Port
Guernsey
GY1 2JP

INDEPENDENT AUDITOR:

BDO Limited
PO Box 180
Plaza House
2nd Floor
Admiral Park
St Peter Port
Guernsey
GY1 3LL

BANKER: Guernsey Branch of Lloyds Bank Corporate Markets plc

INVESTMENT MANAGER: Rocq Capital Management Limited

Right Cover Insurance Limited

Report of the Directors for the year ended 31 December 2025

The Directors present their report and the audited financial statements of Right Cover Insurance Limited ('the Company') for the year ended 31 December 2025.

Principal activity and business review

The Company's principal activity for the year ended 31 December 2025 was that of an insurance company.

Results

The results for the year ended 31 December 2025 are set out on pages 8 and 9.

Dividends

Dividends to the amount of £1,412,358 (2024: £2,578,113) were declared and paid during the year ended 31 December 2025. No other distributions were made during the year.

Going concern

The financial statements have been prepared on a going concern basis. The Directors believe that this basis is appropriate as on the date that the financial statements were signed, the Company has net assets in excess of its regulatory solvency requirement, is not dependent on any external finance and is expected to operate profitably in the foreseeable future. The Directors have reviewed the projected income and expenses over the next twelve months and deemed that the Company has adequate financial resources to meet its obligations.

As a result of the above factors the Directors have satisfied themselves that it is appropriate to prepare the financial statements on a going concern basis.

Directors

The Directors of the Company for the year ended 31 December 2025 and to date are as stated on page 1.

Secretary and insurance manager

The Secretary of the Company and the insurance manager during the year ended 31 December 2025 and to date are as stated on page 1.

Directors' responsibilities statement and reporting framework

The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations. The Companies (Guernsey) Law, 2008 ('company law') and the Insurance Business (Bailiwick of Guernsey) Law, 2002 require the Directors to prepare financial statements for each financial year. Under that company law the Directors have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 103, Insurance Contracts - Consolidated accounting and reporting requirements for entities in the UK and Republic of Ireland issuing contracts. Under the 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.

Right Cover Insurance Limited

**Report of the Directors
for the year ended 31 December 2025 (continued)**

Directors' responsibilities statement and reporting framework (continued)

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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; and
- 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 proper accounting records which 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 Insurance Business (Bailiwick of Guernsey) Law, 2002 and the company law.

The Directors 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.

Disclosure of information to the auditor

In accordance with section 249 of the company law, the Directors, who held office at the date of approval of the Directors' report, confirm that:


- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditor

BDO Limited were appointed as auditors on 27 August 2020 and continue to serve in that capacity until such time as they resign or are removed by the Company.

APPROVED BY THE BOARD OF DIRECTORS

N H Wild
N H Wild (Apr 28, 2026 14:38:59 GMT+1)
.....
Director


.....
Director

28 April 2026
.....
Date

INDEPENDENT AUDITOR'S REPORT OF BDO LIMITED TO THE MEMBERS OF RIGHT COVER INSURANCE LIMITED

Opinion on the financial statements

In our opinion, the financial statements of Right Cover Insurance Limited ("the Company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2025 and of its profit for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 102, The Financial Reporting Standard Applicable in the UK and Republic of Ireland and Financial Reporting Standard 103, Insurance Contracts: Consolidated accounting and reporting requirements for entities in the UK and Republic of Ireland issuing insurance contracts ("United Kingdom Generally Accepted Accounting Practice"); and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008 and the Insurance Business (Bailiwick of Guernsey) Law, 2002 ("the Insurance Law").

We have audited the financial statements of the Company for the year ended 31 December 2025 which comprise the Statement of Comprehensive Income - Technical Account – General Business, the Statement of Comprehensive Income – Non Technical Account, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Generally Accepted Accounting Practice.

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 Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the Report of Directors other than the financial statements and our auditor's 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. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RIGHT COVER INSURANCE LIMITED (CONTINUED)

We have nothing to report in this regard.

Other Companies (Guernsey) Law, 2008 reporting

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Other Insurance Business (Bailiwick of Guernsey) Law, 2002 reporting

We have nothing to report in respect of the following matters where the Insurance Law requires us to report to you, in our opinion:

- any transactions, other than a transaction in the normal course of business, has resulted in the Statement of Financial Position showing a situation materially different from that which would otherwise have been obtained and which is not adequately disclosed in the financial statements; or
- the information given in the Annual Return prepared pursuant to section 33 of the Insurance Law is inconsistent with the financial statement for the financial year to which the Annual Return relates.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement and reporting framework section within the Report of the Directors, 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.

Auditor's 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 auditor's 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.

Extent to which the audit was capable of detecting irregularities, including fraud

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RIGHT COVER INSURANCE LIMITED (CONTINUED)

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining an understanding of the Company's policies and procedures regarding compliance with laws and regulations

We considered the significant laws and regulations to be the Companies (Guernsey) Law, 2008, the Insurance Law and United Kingdom Generally Accepted Accounting Practice.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigation. We identified such laws and regulations to be The Insurance Business (Solvency) Rules and Guidance 2021.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Review of the Company's Annual Return and Regulatory Solvency Assessment;
- Review of the Company's correspondence with regulators and tax authorities; and
- Review of any legal and professional fees expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
 - Detecting and responding to the risks of fraud, and
 - Internal controls established to mitigate risks related to fraud;
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering any remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be:

- Management override of controls,
- Recognition of premium income,
- Invalid or false claims, and
- Completeness of claims expenses and claims payable liability.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RIGHT COVER INSURANCE LIMITED (CONTINUED)

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Data analytic procedures and other substantive tests over premiums written, agreeing premium and inception dates to underlying contracts and underlying agreements detailing net rates, and challenge of management of outliers in premium records and underlying evidence as appropriate; and
- Data analytic procedures and other substantive tests over validity, accuracy and completeness of claims expenses, reconciling claims data to source records, agreeing claims to underlying invoices and support, and challenge of management of outliers in claims records and underlying evidence as appropriate.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. 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 auditor's 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.

BDO Limited

BDO Limited
Chartered Accountants
Plaza House
Second Floor
Admiral Park
St Peter Port
Guernsey

Date 29 April 2026

Right Cover Insurance Limited

Statement of Comprehensive Income For the year ended 31 December 2025

Technical Account – General Business

	2025	2024
	£	£
Gross insurance premiums written	8,051,350	8,119,990
Movement in unearned premium provision	(26,585)	(258,329)
Net written premium	<u>8,024,765</u>	<u>7,861,661</u>
Commission paid	(2,823,859)	(2,752,289)
Movement in unexpended commission	8,054	77,091
Commission expense	<u>(2,815,805)</u>	<u>(2,675,198)</u>
Net earned premium	5,208,960	5,186,463
Claims paid	(3,479,583)	(3,620,614)
Movement in claims reserve	(62,794)	38,217
Claims incurred	<u>(3,542,377)</u>	<u>(3,582,397)</u>
Balance on the Technical Account – General Business	<u><u>1,666,583</u></u>	<u><u>1,604,066</u></u>

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

Right Cover Insurance Limited

Statement of Comprehensive Income For the year ended 31 December 2025

Non-Technical Account

	Notes	2025 £	2024 £
Balance from the Technical Account – General Business		1,666,583	1,604,066
Loan interest income		12,358	104,486
Rental income		64,000	64,000
Investment income		168,688	159,065
Bank interest income		20,202	41,230
Change in fair value of investment property		(50,000)	(300,000)
Movement in fair value of investments through profit or loss		98,435	(7,883)
		<u>1,980,266</u>	<u>1,664,964</u>
Administration expenses			
Management fees		(138,067)	(131,995)
Directors' fees	14	(32,250)	(29,500)
Audit fees		(64,019)	(58,250)
Regulatory fees		(15,000)	(10,585)
Insurance		(12,000)	(11,924)
Actuarial fees		(30,000)	(30,000)
Legal fees		-	(5,329)
IT costs		(11,249)	(4,526)
Investment fees and charges		(12,509)	(9,900)
Professional fees		(15,095)	(6,682)
Sundry expenses		(4,582)	(6,024)
Total expenses		<u>(334,771)</u>	<u>(304,715)</u>
Profit on ordinary activities before taxation		1,645,495	1,360,249
Taxation	6	-	(15,518)
Total comprehensive income for the year		<u>1,645,495</u>	<u>1,344,731</u>

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

Right Cover Insurance Limited

Statement of Financial Position As at 31 December 2025

	Notes	2025 £	2024 £
NON-CURRENT ASSETS			
Investments	8	4,756,220	4,046,545
Investment property	9	950,000	1,000,000
CURRENT ASSETS			
Debtors arising out of direct insurance operations		623,359	594,189
Prepayments and other debtors		1,465	1,465
Interest receivable		4,754	2,441
Rental income receivable		-	32,000
Unexpensed ceding commission		1,164,073	1,156,019
Cash and cash equivalents		1,269,311	1,537,878
TOTAL ASSETS		8,769,182	8,370,537
CAPITAL AND RESERVES			
Share capital	11	3,000,000	3,000,000
Retained earnings		1,164,102	930,965
TOTAL EQUITY		4,164,102	3,930,965
TECHNICAL PROVISION			
Provision for unearned premiums		3,880,300	3,853,715
TOTAL TECHNICAL PROVISION		3,880,300	3,853,715
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Claims payable		273,818	211,024
Other creditors and accruals	12	434,962	358,833
Tax payable	6	16,000	16,000
TOTAL CREDITORS		724,780	585,857
TOTAL EQUITY AND LIABILITIES		8,769,182	8,370,537

The financial statements were approved and authorised for issue by the Board of Directors on 28 April 2026 and were signed on its behalf by:

N H Wild
N.H.Wild (Apr 28, 2026 14:38:59 GMT+1)
 Director

[Signature]
 Director

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

Right Cover Insurance Limited

Statement of Changes in Equity For the year ended 31 December 2025

	Share Capital £	Retained Earnings £	Total £
At 31 December 2023	3,000,000	2,164,348	5,164,348
Total comprehensive income for the year	-	1,344,731	1,344,731
Dividends paid	-	(2,578,114)	(2,578,114)
At 31 December 2024	3,000,000	930,965	3,930,965
Total comprehensive income for the year	-	1,645,495	1,645,495
Dividends paid	-	(1,412,358)	(1,412,358)
At 31 December 2025	3,000,000	1,164,102	4,164,102

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

Right Cover Insurance Limited
Notes to the Financial Statements
For the year ended 31 December 2025

1. GENERAL INFORMATION

Right Cover Insurance Limited ('the Company') is registered and incorporated in Guernsey (registration number: 67921) and is licensed to write general insurance business by the Guernsey Financial Services Commission ('the GFSC'). The Company's registered office is Second Floor, Block A, Lefebvre Court, Lefebvre Street, St Peter Port, Guernsey, GY1 2JP. The Company is a commercial general insurance company writing general insurance business in the United Kingdom.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The financial statements are prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102') and FRS 103, Insurance Contracts - Consolidated accounting and reporting requirements for entities in the UK and Republic of Ireland issuing contracts ('FRS 103').

The Company has applied the available exemption under FRS 102 from presenting a statement of cash flows since this is consolidated in the financial statements of the parent company (note 13) which are publicly available and can be obtained from Companies House UK.

The financial statements have been prepared in accordance with the provisions of the Companies (Guernsey) Law, 2008 and the Insurance Business (Bailiwick of Guernsey) Law, 2002 as amended and show a true and fair view.

The financial statements have been prepared on a going concern basis. The Directors believe that this basis is appropriate as on the date that the financial statements were signed, the Company has net assets in excess of its regulatory solvency requirement, is not dependent on any external finance and is expected to operate profitably in the foreseeable future. The Directors have reviewed the projected income and expenses over the next twelve months and deemed that the Company has adequate financial resources to meet its obligations.

As a result of the above factors the Directors have satisfied themselves that it is appropriate to prepare the financial statements on a going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in Pounds Sterling ('GBP', '£') which is the Company's functional and presentation currency.

b) Insurance contracts

i) Classification

The Company issues contracts that transfer insurance risk which are classified as insurance contracts. As a general guideline, the Company defines significant insurance risk as the possibility of having to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. These contracts remain insurance contracts until such time as all rights and obligations under the contract are extinguished or expired.

Right Cover Insurance Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2025

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Insurance contracts (continued)

ii) Insurance premiums written

Insurance premiums written relate to business incepted during the year less actual cancellations. Premiums written are recorded gross of commissions payable to intermediaries, and net of insurance premium taxes.

iii) Unearned premium provision

Unearned premiums in the Statement of Financial Position represent the proportion of premiums written in the year that relates to unexpired terms of policies in force at the reporting date, calculated on a time apportionment basis.

iv) Claims paid

Claims incurred comprise claims and related expenses paid in the year. Claims paid are calculated in accordance with the terms of each insurance agreement and include all payments made in respect of the year with associated claims settlement expenses.

v) Claims payable

Claims payable, recorded in the Statement of Financial Position, are measured as the value of claims incurred before the reporting date that are unsettled at the reporting date. In some instances, estimation needs to be applied to assign an appropriate value to such claims before they are finalised for settlement.

c) Commission expense

Commission is charged by an intermediary as a percentage of insurance premiums written and settled when the intermediary receives the premium from the insured. In calculating commission expense on an accrual basis, an unexpensed ceded commission asset is recorded in the Statement of Financial Position to the full value of the commission paid on inception and then unwound on a time apportionment basis over the term of the acquired insurance contract.

d) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Fair value of investment property

Fair value of investment properties are determined in accordance with the definitions of Market Value as set out in the RICS Valuation - Global Standards (2021), adopted January 2022 published by the Royal Institution of Chartered Surveyors. Variables considered in the valuation process include location and situation, condition of property, comparable market transactions and conditions and other relevant factors.

Valuations are prepared by E J Hales, whose valuers hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment properties being valued. It is expected that an independent valuation will be carried out annually.

Right Cover Insurance Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2025

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

i) Initial recognition and measurement

All financial assets and financial liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

ii) Derecognition of financial instruments

Financial assets are derecognised when, and only when, a) the contractual rights to the cash flows from the financial asset expire or are settled or b) the Company transfers to another party substantially all the risks and rewards of ownership of the financial asset or c) the Company, despite having retained some significant risks and rewards of ownership, has transferred the control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally without imposing additional restrictions.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation specified in the contract is discharged, cancelled or expires.

iii) Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when there is currently a legally enforceable right to offset the recognised amounts; and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

iv) Impairment of financial assets

The Directors assess at the end of each reporting date whether there is objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. An asset or a group of assets is impaired and impairment losses are incurred if there is objective evidence that the estimated future cash flows of the financial asset will be adversely affected by events, that this can be reliably measured and that as a result, the recoverable amount is lower than the carrying value.

Impairment losses are initially recognised in the Statement of Comprehensive Income - Non-Technical Account. If in a subsequent period, the impairment loss decreases and the decrease is related to events which led to the initial recognition of impairment, then the loss is reversed to the extent that the carrying value of the financial asset would not be higher than the carrying value would have been, had the impairment not initially been recognised.

Right Cover Insurance Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2025

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial instruments

v) Debtors arising out of direct insurance operations

Debtors arising from direct insurance operations represent premiums collected by the intermediary and awaiting transfer to the company at the reporting date. They are presented net of commissions payable on such premiums. They are recorded initially at transaction price and subsequently at amortised cost.

vi) Cash and cash equivalents

Cash and cash equivalents comprise current accounts, custody accounts and demand deposits with original maturities of 3 months or less. They are measured at amortised cost.

vii) Basic financial liabilities

Basic financial liabilities (including certain accrued expenses) are initially recognised at transaction price and subsequently carried at amortised cost.

viii) Investments

The Company classifies its investments as financial assets at fair value through profit or loss. The best evidence of fair value is a quoted market price for an individual asset in an active market. Realised and unrealised gains and losses arising from changes in the fair value of investments are included in the Statement of Comprehensive Income in the period in which they arise.

f) Administration expenses

Expenses are accounted for on an accrual basis. Administrative expenses are accounted for in the Statement of Comprehensive Income – Non-Technical Account.

g) Insurance premium tax payable

Insurance premium tax ('IPT') payable is a statutory liability and measured at the amount of IPT collected from the insured that is owed to the tax authorities at the reporting date.

h) Capital and reserves

Share capital represents consideration received for ordinary shares issued. Retained earnings represents accumulated profits net of dividends from the Company's inception to 31 December 2025.

i) Taxation

Tax expense for the year is in relation to current tax and is recognised in the Statement of Comprehensive Income - Non Technical Account. The current income tax charge is calculated based on tax rates and laws which have been enacted or substantively enacted by the reporting date.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities which are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Right Cover Insurance Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2025

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

i) Claims liabilities

The Directors believe it is not necessary to hold an incurred but not reported ('IBNR') provision. The vast majority of vehicle breakdown covered under insurance contracts are reported, logged and known on the date of breakdown when vehicle recovery assistance is requested by the claimant and there is no scope for material levels of unreported breakdowns at the reporting date.

The majority of the balance of claims payable in the Statement of Financial Position consists of known breakdowns prior to the reporting date where the exact value of the related claim is not known at the reporting date and requires estimation. However, the directors note the value and timing of eventual claims settlements can be estimated with sufficient precision and there is limited estimation uncertainty involved in determining claims liabilities.

ii) Premium reserves

The Directors believe it is appropriate to calculate unearned premium on a time apportionment basis because there is not considered to be material seasonality in vehicle breakdowns.

iii) Fair value on investment property

The Company holds investment property that is measured at fair value at each reporting date. The determination of fair value involves judgement and estimation, particularly in relation to future cash flows, lease terms, yields, licencing assumptions, market conditions and limited investigations regarding the condition of the building.

During the 2025 financial year, the fair value of the investment property decreased compared to the prior year. The primary factor contributing to this decline was due to the current market conditions due to the following factors:

- Rental growth remains subdued at present due to hybrid working conditions
- Investors rather purchase investment property in the city centre than out of town.

The valuation report, dated 20 January 2026, was carried out by EJ Hales, an independent, professionally qualified valuer in accordance with the RICS Valuation – Global Standards. The assumptions at the date of the valuation materially approximates the value of the property at the reporting date. E J Hales reserved the right to amend the valuation should any of the assumptions prove to be incorrect.

The Directors have reviewed the valuation methodology and inputs and considers the resulting fair value to be appropriate at the reporting date.

Right Cover Insurance Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2025

5. INSURANCE AND FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of insurance and financial risks. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The aim of the framework is to achieve the appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

The significant risks facing the Company are insurance risk; market risk; liquidity risk and credit risk. Market risk comprises interest rate risk, currency risk and other price risk. The Company is not exposed to currency risk as all transactions are in the functional currency.

a) Insurance risk

The Company issues contracts that transfers insurance risk or financial risk or both.

Insurance risks relate to the risks involved in underwriting the business. This comprises pricing (the risk that underlying business is under-priced) as well as the risk of a greater number of large losses than assumed. This risk category also includes reserving risk, which is the risk that actual claims payments are significantly higher than the amounts included within the claims payable liabilities. This could occur because the frequency or severity of claims are greater than estimated. Insurance events are random and the actual number and amount of claims may vary from year to year from the estimate established.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered. Balances exposed to insurance risk may also be exposed to financial risks, such as liquidity or credit risk.

The Company manages these risks through an underwriting strategy that is approved by the Board after having considered experts' advice. The insurance contracts issued by the Company are issued with limits on event or aggregate liability towards the policyholder.

The table below presents a sensitivity analysis of the potential impact of a 10% improvement or deterioration in gross loss ratios with all other assumptions left unchanged. This percentage in change being deemed a reasonable value of stress test. Other potential risks beyond the ones described could have an additional financial impact on the Company. The results from the sensitivity analysis also reflect the impact of a corresponding increase/decrease in commission payable, given that this variable is inversely correlated with loss ratios.

	Increase/(decrease) in SOCI 2025 £	Increase/(decrease) in equity 2025 £
Impact of a 10% deterioration in the gross loss ratio	(354,238)	(354,238)
Impact of a 10% improvement in the gross loss ratio	354,238	354,238

Right Cover Insurance Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2025

5. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

a) Insurance risk (continued)

	Increase/(decrease) in SOCI 2024 £	Increase/(decrease) in equity 2024 £
Impact of a 10% deterioration in the gross loss ratio	(358,240)	(358,240)
Impact of a 10% improvement in the gross loss ratio	358,240	358,240

The risks underwritten by the Company during the year comprised motor breakdown insurances.

Claims on contracts are accounted for on claims-made basis. The Company is liable for all insured events that are incurred during the term of contract.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of expected subrogation value and recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. The claims exposures relate to a short-tail business. A table of claims development has not been presented due to the short-term nature of the claims, which are typically resolved within one year.

The Company does not hold any specific reserves but instead holds a claims payable amount upon notification of a claim. The Company holds an unearned premium reserve to cover future claims during the life of the policy. The Board have formed an Underwriting Committee who review the Company's underwriting performance alongside the requirement for an Unexpired Risk Reserve. Allowances have been considered for capital purposes in line with the premium capital factor in the Prescribed Capital Requirement to cover an extreme case of incorrect underwriting.

Concentration risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Directors do not believe there are significant concentrations of insurance risk as the risks are spread across a large number of policy holders and across the United Kingdom.

b) Financial instruments

The following table outlines the Company's exposure to financial instruments at the reporting date:

	2025 £	2024 £
Financial assets at amortised cost:		
Debtors arising out of direct insurance operations	623,359	594,189
Interest receivable	4,754	2,441
Cash and cash equivalents	1,269,311	1,537,878
	<u>1,897,424</u>	<u>2,134,508</u>
	2025 £	2024 £
Financial assets measured at fair value through profit or loss:		
Investments	4,756,220	4,046,545
	<u>4,756,220</u>	<u>4,046,545</u>

Right Cover Insurance Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2025

5. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

b) Financial instruments (continued)

	2025	2024
	£	£
Financial liabilities at amortised cost:		
Other creditors	27,998	24,493
	<u>27,998</u>	<u>24,493</u>

In the Statement of Comprehensive Income – Non technical account, income arising from financial assets measured at amortised cost consists of bank interest income and loan interest income and totals £32,560 (2024: £145,716). Income arising from financial assets measured at fair value through profit or loss consists of investments income and unrealised gain or loss on investments and totals £267,123 (2024: £151,182).

c) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. Market risk mainly arises from changes in interest rates and other price risk, where they may be specific to the individual asset, or to factors affecting all assets traded in the market.

i) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of differences in market interest rates. The Company is exposed to interest rate risk on deposits and cash and cash equivalents balances held in current accounts, which do not have fixed rates of interest.

The Company seeks to mitigate the risk by managing the levels of deposits held in current accounts and transferring excess cash to other instruments with more predictable rates of return.

Financial assets subject to interest rate risk include cash and cash equivalents. Financial liabilities are not subject to interest rate risk.

Sensitivity analysis has been undertaken in relation to movements by reference to the best estimate of movement on Bank of England (BOE) base rates, which has been determined to be the factor most likely to influence interest rates. With all other variables held constant, if the BOE base rate had increased/(decreased) by 50 basis points for the financial year, the profit for the year would have increased/(decreased) by £6,250 (2024: £8,006) when taken against the weighted average of reported balances.

ii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price, other than those arising from interest rate risk, whether those changes are caused by factors specific to the instrument or affecting all similar instruments in the market.

The Company is exposed to other price risk on its Discretionary Fixed Income investment portfolio with Rocq Capital. The associated holdings are part of the Company's risk mitigation strategy in relation to the holding of cash and cash equivalents.

An incremental increase/decrease of 5% in market value of the investments (including investment property) would have resulted in a fair value gain/(loss) on investment of £285,311 (2024: £252,327).

Right Cover Insurance Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2025

5. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

d) Liquidity risk

Liquidity risk is the risk that the Company, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations to settle financial liabilities and insurance liabilities as they fall due, or can secure them only at excessive cost. The primary liquidity risk of the Company is the obligation to pay claims as they fall due, which has been considered as part of the insurance risk. The Company is also exposed to liquidity risk in relation to accruals and other creditors. This risk is managed by ensuring that the Company maintains sufficient assets in the form of cash, which are held in an account with same day liquidity. The financial liabilities of the Company all have a maturity of less than 6 months. All claims payable are also expected to be settled within 6 months of the reporting date. At both reporting dates, the company's cash and cash equivalents alone are in excess of financial liabilities and claims payable.

e) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Areas where the Company is exposed to credit risk are loan, debtors arising out of direct insurance operations, investments and cash and cash equivalents.

The Company manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or group of counterparties, and to geographical and industry segments. Such risks are subject to regular review. Limits on the level of credit risk by category and territory are approved at the board meetings, which are held regularly by the Board of Directors. The Company makes reference to regulatory solvency requirements in determining exposure to a single counterparty.

No credit limits were exceeded during the year. No financial assets are past due or impaired at the reporting date and management expects no significant losses from non-performance by these counterparties.

The following table outlines the credit ratings associated with financial assets as per S&P and Fitch at the reporting date. For reporting purposes, the ratings have been presented using the equivalent categories applied under the GFSC's regulatory credit quality mapping used in the Company's Regulatory Solvency Assessment:

2025

	AAA	AA	A	BBB	Unrated	Total
	£	£	£	£	£	£
Debtors arising out of direct insurance operations	-	-	-	-	623,359	623,359
Bank interest receivable	-	4,754	-	-	-	4,754
Rental income receivable	-	-	-	-	-	-
Cash and cash equivalents	-	1,256,255	13,056	-	-	1,269,311
Investments	706,585	471,294	1,550,126	2,028,215	-	4,756,220
Total	706,585	1,732,303	1,563,182	2,028,215	623,359	6,653,644

2024

	AAA	AA	A	BBB	Unrated	Total
	£	£	£	£	£	£
Debtors arising out of direct insurance operations	-	-	-	-	594,189	594,189
Bank interest receivable	-	2,441	-	-	-	2,441
Rental income receivable	-	-	-	-	32,000	32,000
Cash and cash equivalents	-	1,519,761	18,117	-	-	1,537,878
Investments	106,423	979,280	2,413,252	547,590	-	4,046,545
Total	106,423	2,501,482	2,431,369	547,590	626,189	6,213,053

Right Cover Insurance Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2025

5. INSURANCE AND FINANCIAL RISK MANAGEMENT (continued)

f) Capital management

Capital management includes the assessment of capital required to support the Company's plans and objectives, the structure of its shareholder's funds, arrangements to secure capital, and the ongoing monitoring of capital against business requirements.

The directors define capital in accordance with regulations prescribed by the GFSC. The Company's capital to meet the Minimum Capital Requirement ('MCR') and Prescribed Capital Requirement ('PCR') consists of:

	2025	2024
	£	£
Called up share capital	3,000,000	3,000,000
Retained earnings	1,164,102	930,965
Capital to meet MCR and PCR	<u>4,164,102</u>	<u>3,930,965</u>

The Company's objectives when managing capital are:

- i) to comply with legal and statutory obligations and maintain capital resources commensurate with the nature, scale and risk profile of its business;
- ii) to provide a framework for monitoring the financial and capital position of the Company, including the procedures to be followed during periods of general financial distress, either due to internal or external events; and
- iii) to safeguard the Company's ability to continue as a going concern.

Under the rules prescribed by the GFSC, the Company must at all times maintain assets of a value sufficient to cover its liabilities, including liabilities arising under or in connection with contracts of insurance, and that there is a suitable matching of assets and liabilities. The GFSC rules require the Company to maintain a surplus of admissible assets over its liabilities which is at all times higher than both its MCR and PCR. The MCR represents the point at which the regulator would invoke the strongest action, while the PCR is the level of capital above which no action is required, with varying degrees of action required if capital lies between the MCR and PCR. As at 31 December 2025 the Company held a surplus of £3,536,803 (2024: £3,286,841) above its MCR requirement of £627,299 (2024: £644,124) and a surplus of £1,637,835 (2024: £1,483,968) above its PCR requirement of £2,526,267 (2024: £2,446,997).

6. TAXATION

The Company is liable to company income tax in Guernsey at the standard rate of zero percent.

Following purchase of the UK property the Company is liable to pay UK corporation tax at the rate of 25% on the rental income received during the year and any gains on disposal if applicable. The provisional tax charge remains subject to final assessment.

	2025	2024
	£	£
UK income tax on rental income	16,000	16,000
Group tax liability relief recognition for 2023	-	(482)
Group tax liability relief recognition for 2024	(16,000)	-
Total taxation expense	<u>-</u>	<u>15,518</u>

Right Cover Insurance Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2025

7. PARENT LOAN RECEIVABLE

On 15 November 2021, a loan facility of £1,900,000 was provided to the immediate parent (note 13). Any amounts drawn down on the loan facility are unsecured, repayable by no later than 11 November 2027 or at a date as agreed by both parties and attracts interest at a fixed rate of 7.75% per annum. Drawdowns to the value of £600,000 were made in the 2025 financial year. The loan was repaid on 19 June 2025 by means of declaring a dividend. However, the facility remains open as at 31 December 2025.

8. INVESTMENTS

	2025	2024
	£	£
At the beginning of the year	4,046,545	2,661,222
Contributions	455,053	1,244,041
Income earned and reinvested	168,688	159,065
Fees and charges	(12,501)	(9,900)
Movement in fair value through profit or loss	98,435	(7,883)
At the end of the year	<u>4,756,220</u>	<u>4,046,545</u>

As at 31 December 2025, all investments were categorised in accordance with FRS 102 fair value measurements as level 1 in the fair value hierarchy. Included in the level 1 hierarchy are investments that are measured in whole or in part by reference to published quotes in an active market if quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis.

9. INVESTMENT PROPERTY

	2025	2024
	£	£
At the beginning of the year	1,000,000	1,300,000
Change in fair value of investment property	(50,000)	(300,000)
At the end of the year	<u>950,000</u>	<u>1,000,000</u>

On 21 December 2023 the Company purchased a property for a consideration of £1,300,000. On 26 March 2025 an independent valuation was conducted by EJ Hales (see note 4 iv) and the fair value of the property was considered as £1,000,000 by the valuers as at 31 December 2024 after taking into account the market conditions and lease term at that date. On 20 January 2026 another independent valuation was conducted by EJ Hales (see note 4 iv) and the fair value of the property is considered as £950,000 at 31 December 2025.

Right Cover Insurance Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2025

10. OPERATING LEASE COMMITMENTS

	2025	2024
	£	£
Operating lease income	<u>64,000</u>	<u>64,000</u>

At the reporting date the company had the following future minimum operating lease receipts, in relation to investment property:

	2025	2024
	£	£
Not later than one year	64,000	64,000
Later than one year and not later than five years	256,000	256,000
Later than five years	190,071	256,000
	<u>510,071</u>	<u>576,000</u>

11. SHARE CAPITAL

	2025	2024
	£	£
Authorised, issued, and fully paid 3,000,000 Ordinary shares of £1 each	<u>3,000,000</u>	<u>3,000,000</u>
	3,000,000	3,000,000

There is a single class of ordinary share. There are no restrictions on the payment of dividend or the distribution of capital, other than standard Guernsey company law requirements and GFSC solvency requirements.

Ordinary shares carry full and equal voting rights and rights to dividends.

Security Interest Agreement

All the ordinary shares (3,000,000 ordinary shares of £1.00 each in the capital of the Company) in the name of Lucida Broking Holdings Limited are subject to a security interest in favour of Ares Management Limited pursuant to a security interest agreement dated 25 September 2020, as amended from time to time, and cannot be dealt with in any way without the prior written consent of Ares Management Limited.

12. OTHER CREDITORS AND ACCRUALS

	2025	2024
	£	£
Accrued expenses	27,999	24,493
IPT payable	251,156	242,386
Premium received prior to policy inception	70,756	61,918
Commission payable	85,076	30,036
	<u>434,962</u>	<u>358,833</u>

13. IMMEDIATE AND ULTIMATE PARENT CONTROLLING PARTY

The immediate parent and ultimate controlling party of the Company is Lucida Broking Holdings Limited, which is incorporated in England and Wales, and wholly owns the shares of the Company.

Right Cover Insurance Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2025

14. RELATED PARTY TRANSACTIONS

Key management personnel include all directors who together have authority and responsibility for planning, directing and controlling the activities of the Company. The total compensation paid to key management personnel for services provided to the Company was £32,250 (2024: £29,500), of which £Nil (2024: £Nil) was outstanding at the year end.

Management fees payable to the insurance manager, which provides key management services to the company, were £138,067 (2024: £131,995). There were no outstanding amounts at the reporting date (2024: £nil).

15. SUBSEQUENT EVENTS

A dividend to the amount of £300,000 was paid on 11 February 2026 to the Shareholder.

There have been no other significant events between the reporting date and the date of approval of these financial statements which would require a change to, or disclosure in the financial statements.