

RIGHT CHOICE HOLDINGS LIMITED

**REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

Company number: 11197852



Company information

Company registration number: 11197852

Registered office: St James House
27 – 43 Eastern Road
Romford
Essex
RM1 3NH

Directors: Garth Hackshall
Gordon Hague
Darren Joseph
Michael Joseph
Mark Mugge
Ian Owen (Chairman)
Aylesh Patel
Yann Souillard
Robert Taberner

Company Secretary: Alan Hemsley

Bankers: National Westminster Bank plc
25 King Street
Twickenham
Middlesex
TW1 3SU

Auditors: BDO LLP
Statutory Auditor and Chartered Accountants
55 Baker Street
London
W1U 7EU

Legal advisers: Addleshaw Goddard LLP
Milton Gate
60 Chiswell Street
London
EC1Y 4AG

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Group Strategic Report for the year ended 31 December 2020

The directors present their Group Strategic Report for Right Choice Holdings Limited ("**the Company**"), together with its group undertakings set out in note 13 to the financial statements ("**the Group**"), for the year ended 31 December 2020.

Principal activities

The activities of the Group comprise the sale of insurance policies to individual customers, the provision of administration services to insurance companies, and from 1 October 2020 the sale of insurance contracts to private customers. These activities are carried out by Right Choice Insurance Brokers Limited ("**RCIB**"), You Assur (a subsidiary of RCIB located in France), and Right Cover Insurance Limited ("**Right Cover**"), a new wholly owned subsidiary incorporated during 2020.

RCIB also has a non-controlling strategic investment in Digilog UK Limited to support the development of risk reduction software and solutions for the insurance sector.

The directors consider that the primary activity of the Group is that of an insurance intermediary in the distribution of insurance policies to private customers as the majority of turnover and operating profit is derived from those activities. Therefore, the financial statements have not been presented in accordance with the special provisions relating to insurance groups, although relevant disclosures have been included within the financial statements relating to the activities of Right Cover.

Business review

2020 was a challenging year for the UK and the insurance sector as a result of the Covid-19 pandemic, but also a year of change and opportunity for the Group with the formation of Right Cover.

The directors use the key indicator of consolidated EBITDAE (calculated as consolidated loss for the financial period before interest, tax, depreciation, amortisation and exceptional items) to assess financial performance. Consolidated EBITDAE for the year to 31 December 2020 of £6.6m was £2.0m lower than the previous year as a result of the Covid-19 pandemic and strategic investments made by the Group to accelerate policy growth at RCIB. The investment made in cost of sales to accelerate growth at RCIB has been fully expensed during the year rather than being carried forward to future periods where the benefits of the investment made will arise.

Notwithstanding the reported reduction in EBITDAE, net cash inflow for the Group from operating activities of £10.2m for the year was £3.0m higher than the previous year highlighting the strong underlying performance of the Group.

The directors consider that the performance of the Group during the year was satisfactory.

Right Choice Insurance Brokers Limited

The Covid-19 pandemic had an impact on the financial performance of RCIB during the year. Turnover for the year at RCIB amounted to £29.5m which was a reduction of 3% (£0.9m) against the previous year. The contribution to the EBITDAE of the Group from RCIB reduced by 25% (£2.2m) against the previous year to £6.4m as a result of the pandemic, but also as a result of additional marketing expenditure incurred to increase new business policy sales by 17% over the previous year (excluding motor breakdown insurance ("MBI") policies).

Cost of sales at RCIB increased by 16% over the previous year to £6.4m, and was equivalent to 24% of the turnover arising from the sale of insurance policies compared with 20% in the previous year (EBITDAE impact of £1.0m for the year to 31 December 2020).

Turnover from the sale of insurance policies by RCIB to its customers, excluding MBI policies, reduced by 3% on the previous year to £24.7m. The reduction in turnover reflects an increase of 18% in the number of insurance policies sold by RCIB over the previous year, offset by a reduction of 9% on the previous year in the average premium on policies sold including the effect of an initiative by the directors to increase the number of screen-rated policies sold which have a lower average premium.

Turnover from the sale of MBI policies by RCIB was unchanged on the previous year at £2.3m. The turnover was maintained notwithstanding a 9% reduction in the number of MBI policies sold by RCIB caused by the pandemic. During the year RCIB also changed the insurance arrangements for the motor breakdown policies it distributes to its customers to improve the appropriateness of the product to its customers and the UK market by including Right Cover within the new insurance arrangements.

RCIB also provides third-party administration services to insurance companies utilising the skills and training of its staff. Income for RCIB is based on the number of policies under administration during the year. Income from the third-party administration activities reduced by 8% on the previous year to £2.4m as a result of a reduction in policies sold by the insurance companies caused by the pandemic.

Group Strategic Report for the year ended 31 December 2020 (continued)

You Assur

Further progress was also made during the year in the development of You Assur, where income from the sale of insurance policies by the company to its customers located in the France increased by 40% on the previous year to £1.2m. The EBITDAE contribution from You Assur increased by 196% on the previous year to £0.4m.

Right Cover Insurance Limited

During the year the Company invested £3m in the establishment of Right Cover as a provider of a cost-reimbursement insurance policy related to a motor breakdown. Right Cover secured a licence to operate as a general insurance company from the Guernsey Financial Services Commission ("GFSC") on 25 September 2020, and commence trading on 1 October 2020 providing insurance contracts from Guernsey to customers based in the UK.

The directors have been pleased with the performance of Right Cover since commencement of trading albeit the impact on Group EBITDAE for the year has been a loss of £3,052. Exceptional costs incurred in the set-up of Right Cover of £70,053 have also been expensed during the year.

Future developments

The Group continues to invest to support organic growth, and to build upon the positive relationships with its insurance partners.

In addition, the Group commenced a period of acquisition activity during the year. As described in note 27, subsequent to the year end the Group entered into a number of agreements for the purchase of companies and assets to broaden the range and quality of products available from the Group to UK customers. The purchases have been committed with the continued support of the shareholders and primary lender to the Company.

Principal risks and uncertainties

The activities of the Group expose it to a variety of risks. Risk management is the responsibility of the directors of Group undertakings with oversight by the directors. The directors consider that the principal risks and uncertainties to which the Group is exposed are as described below.

Intermediary risk

The distribution undertakings of the Group operate in a highly competitive market and require a panel of providers of insurance capacity to meet the needs of new and existing customers. To ensure the adequacy of insurance capacity available, the directors of the distribution undertakings of the Group have established strong relationships with many providers of insurance capacity over many years.

The agreements in place between the distribution undertakings and providers of insurance capacity include provisions for termination by either party, and some are limited by time with options to renew. The directors are confident in the ability of the distribution undertakings to secure sufficient insurance capacity to meet their financial objectives.

A number of the agreements for insurance capacity seek to align the interests of the distribution undertaking with the interests of the capacity provider in matters such as ultimate loss ratios. Whilst the directors of the distribution undertakings seek to ensure that the interests of the undertaking, capacity provider and customer are always aligned in respect of each insurance policy sold, the financial performance of the Group can vary based upon the underwriting performance based upon the utilisation of capacity provided by some providers of insurance capacity. However, to mitigate the risk of unfavourable changes in financial performance, variable commissions are only accounted for when the amounts can be estimated with a reasonable degree of certainty.

Insurance risk

Since 1 October 2020 the Group has been exposed to insurance risk in respect of insurance contracts underwritten by Right Cover. The principal risk to the Group is that the level of claims frequency is higher than anticipated and assumed within the pricing for the relevant insurance contracts. The cost of claims arising on the risk covered by the insurance contracts does not vary significantly.

Note 24 to the financial statements sets out the actions taken by the directors of Right Cover to mitigate these risks.

Regulatory risk

The activities of the Group undertakings is regulated by the Financial Conduct Authority ("FCA") in the United Kingdom, and the Autorité de Contrôle Prudentiel et de Résolution in France (in respect of You Assur), and since 25 September 2020 by the GFSC in respect of Right Cover.

The Group undertakings manage the risk of not complying with regulatory requirements, regulatory change or regulators' expectations through the appointment of appropriately trained staff, regular reporting of compliance with regulatory matters to directors, and the use of specialist external advisers.

Group Strategic Report for the year ended 31 December 2020 (continued)

Failure to properly manage regulatory risk could result in sanctions being imposed which could harm the reputation and financial performance of the Company, Group, or subsidiary undertaking.

The insurance industry has seen significant activity from the FCA during the year in the areas of pricing practices, vulnerable customers, and affordability of consumer credit. The Group has complied as required with the pronouncements made by the FCA during the year, and worked collaboratively with the FCA in responding to 'Dear CEO' letters and data requests sent out to intermediaries and insurers.

Insurer security

The failure of a material insurer could adversely affect the ability of the Group to maintain its capacity to write insurance policies without a material impact on income, or result in a large number of cancellations. These risks are monitored by the directors of group undertakings with oversight by the directors.

Brexit

The directors consider that the UK's departure from the European Union has no impact to the Group as the majority of the Group's clients are resident in the UK, and access to insurers domiciled overseas has remained after departure.

Litigation

The directors consider that the principal risk of litigation against the Group arises from errors and omissions made when placing the insurance policy of a customer with an insurance partner. Professional indemnity insurance is held by the Group to limit its exposure to future claims. The sums insured and excesses within the policy are consistent with industry

Change management and IT transformation

The Group invests to ensure that the technology, data and digital capabilities used by subsidiary undertakings supports sustained benefits for customers and insurance partners.

During the year RCIB increased its investment in computer systems with the development of hosted rates for insurance partners, and the implementation of the Earnix and Data Robot pricing software.

The Group ensures that all change management projects, including IT transformation, are carried out in a rigorous approach with ongoing reporting of key change management projects to the directors.

Information technology and cyber security

The Group is dependent on information technology systems for its day-to-day operations, including the electronic communication of information on new or existing policies to insurers on a timely basis to ensure that customers are appropriately insured. The directors of Group undertakings continually review the resilience of the information technology systems and contingency arrangements in place, and ensure that measures are taken to minimise the risk of a cyber attack on the Group undertaking, and that investments are made where appropriate.

Statement of compliance with section 172 of the Companies Act 2006

The directors of the Company, and of all directors of UK companies, must act in accordance with a set of general duties to promote the success of the Company. These duties are set out in section 172 of the Companies Act 2006. The directors can access professional advice on these duties, either through the Company, or, if they judge it necessary, from an independent provider.

The directors identify key stakeholders relevant to each key decision taken through a process of engagement across the Group with the directors of group undertakings, and with the shareholders of the Company. Consideration through this process is also given to the interests of employees, customers, and insurance partners with whom the Group trades. This engagement is carried out through the appointment of the directors of RCIB, and of the shareholders of the Company or their representatives, as directors of the Company with the right to attend and vote at meetings of the directors of the Company.

Interests of employees

The directors consider that employees of the Company, and of the Group, are central to its long-term success. As a result, the directors of group undertakings have developed a culture of openness and contact with staff, and are understanding and supportive to the needs of employees as they arise.

The directors of group undertakings set the values and standards required of all employees through the publication of policies and standards. These procedures are controlled by the Head of HR & Training who, in conjunction with the directors of RCIB, is responsible for the process for dealing with employees whose behaviour falls short of required standards.

Group Strategic Report for the year ended 31 December 2020 (continued)

Interests of customers, insurance partners and other suppliers

The directors of Group undertakings seek to ensure that the interests of customers and insurance partners are fairly balanced in each key decision taken by the Group undertaking.

During the year RCIB introduced its own system of hosted insurance rates, together with additional measures to validate information provided by customers in relation to each policy of insurance. The key decision to introduce hosted insurance rates was discussed with insurance partners, and helps to ensure that the fair price for each insurable risk is paid by the customer to the insurance partner.

The directors of Group undertakings value the relationship with other suppliers to the undertaking, and have developed long term relationships with key suppliers. The directors consider that such relationships benefit the Company and Group, and the local community, and ensure that the conduct of business with the suppliers is fair and reasonable, and that payments are made to suppliers to agreed terms.

Impact on community and environment

The directors of Group undertakings seek to ensure that the interests of the community and environment are fairly balanced in each key decision taken by the Group undertaking.

Interests of members of the Company

The directors have implemented a governance structure of board and committee meetings to give oversight of the performance of the Company and of the Group. The directors of the Company, which includes representatives of the shareholders of the Company, actively participate in the meetings held to ensure the views of shareholders are considered.

All the shareholders of the Company are fairly represented on the board and have an equal vote

Reputation for high standards of business conduct

The directors of Group undertakings seek to maintain the highest standards of honesty and integrity in their dealings with customers, employees, business partners and regulatory bodies.

Planning for the long term

The directors consider the effect of all key decisions on the long-term plans for the Company and the Group. The directors have prepared a 5 year financial planning model for the Group which includes the financial evaluation of various initiatives proposed by the directors of the Company and group undertakings. Once approved by the directors, the plan and strategy form the basis for financial budgets, resource plans and investment decisions. In making decisions concerning the business plan and future strategy, the directors have regard to a variety of matters including the interests of various stakeholders, the consequences of its decisions in the long term, and its long-term reputation.

Each year the directors also discuss the plan and strategy for the Group with the shareholders to ensure their continued support.

The Group Strategic Report was approved by the Board of Directors on 24 June 2021 and signed on their behalf by:



Mark Mugge
Director

30 June 2021

Directors' Report for the year ended 31 December 2020

The directors present their report and the audited consolidated financial statements of the Company and of the Group for the year ended 31 December 2020.

Directors of the Company

The directors who served the Company during the year, including their date of appointment or resignation during the year where appropriate, were as follows:

Garth Hackshall
Gordon Hague
Darren Joseph
Michael Joseph
Mark Mugge (*appointed 16 March 2020*)
Ian Owen
Aylesh Patel
Yann Souillard
Robert Taberner

Qualifying third party indemnity provisions

The Company has put in place qualifying third party indemnity provisions for all of the directors of the Company and of the Group.

Auditors

Under section 487(2) of the Companies Act 2006, BDO LLP will be automatically re-appointed as Auditors of the Company unless members exercise their rights under the Companies Act 2006 to prevent their re-appointment.

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditor for the purposes of their audit and to establish that the auditors are aware of that information.

Likely future developments of the Group

Information on the likely future developments in the business of the Group has been included in the Group Strategic Report on page 1 to 4.

Employment of disabled persons

The Group is committed to a policy of recruitment and promotion of employees based on aptitude and ability without discrimination of any kind. Particular attention is given to the training and promotion of disabled employees to ensure that their career development is not unfairly restricted by their disability, or perceptions of it. At RCIB, this is also facilitated by wheelchair access throughout the building (including a lift) thereby allowing individuals to complete their day to day tasks without obstruction.

The procedures at RCIB make clear that full and fair consideration must be given to applications made by disabled persons. Where an employee becomes disabled whilst employed by RCIB, the procedures also require that reasonable effort is made to ensure that they have the opportunity for continued employment within RCIB. Retraining of employees who become disabled whilst employed by RCIB is offered where appropriate.

Employee involvement

The Group is committed to a policy of employee engagement. RCIB maintains an intranet site which provides employees with information on matters of concern to them as employees, and includes functionality that enables employees to express views on matters that affect them. RCIB also undertakes a biennial staff survey to canvas views of significant matters and encourages the input of their staff into the policies and procedures that are implemented. Exit interviews are undertaken when employees leave RCIB in order to utilise the feedback where appropriate and improve the working lives of all staff within RCIB.

Directors' Report for the year ended 31 December 2020 (continued)

Research and Development

The Group continues to invest in the development of its in-house computer system, named BORIS, and in the implementation and development of software provided by third parties. The directors consider that these investments will benefit the Company in the medium to long term.

The Group increased its investment on computer systems during the year with the development of hosted rates for insurance partners and the implementation of the Earnix and Data Robot pricing software. Internal staff costs related to these activities amounting to £0.4m (2019: £nil) were capitalised during the year. Expenditure incurred with third parties relating to software provided amounting to £0.6m (2019: £0.1m) was also capitalised during the year.

Tax credits relating to the research and development activities carried out has been provided within these financial statements relating to the financial year of £0.8m (2019: £0.8m), which includes further costs on research and development which have charged in the Statement of Comprehensive Income and not capitalised during the year.

Financial risk management objectives and policies

The Group uses financial instruments such as cash, leases, loans, trade payables and trade receivables in order to raise finance for its operations. The existence of these instruments exposes the Group to financial risks which are detailed below.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient cash balances are available to meet its obligations as they fall due, including obligations in respect of insurance transactions, and to invest cash assets safely. The Group monitors cash flow using forecasting techniques to ensure that all obligations can be met as they fall due.

Interest rate risk

The Group has bank borrowings and has issued loan stock. The directors monitor compliance with covenants in place on the bank borrowings on a monthly basis. The interest rate payable on the bank borrowing has a fixed margin plus LIBOR for specific periods, and reviewed by the directors at the conclusion of those periods and set for the following interest period. The interest rate on the loan stock is fixed until the maturity date of the loan stock.

Credit risk

The principal credit risk for the Group arises from its trade and other receivables. In order to manage credit risk the Group has implemented a range of credit control procedures to ensure that debts are collected as they fall due, and to monitor overdue debts.

Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to minimise the cost of capital and comply with the regulatory capital requirements of the FCA and GFSC.

RCIB declares its capital position on quarterly returns submitted to the FCA. Right Cover declares its solvency position to the GFSC on an annual basis.

Ongoing impact of COVID 19 virus pandemic

The directors have been monitoring the impact of the COVID 19 pandemic both directly on the Company and the Group, and indirectly through reviewing the development of government policy and advice. The main considerations are as set out below.

Operational

The Group has taken steps to protect its employees and business from the effects of the COVID 19 pandemic. At RCIB, these steps include the utilisation of the disaster recovery site maintained by RCIB to provide a safe working environment for its employees, ceasing all face-to-face meetings of more than two people, the use of home working where possible, and the furloughing of staff where appropriate. The IT facilities at RCIB are adequate to maintain operations on this basis for the foreseeable future.

The directors are mindful of the differing pressures on individual members of staff, and also of the fact that these pressures will change as the position develops both nationally and locally. The directors expect that operational changes will continue to be required as the position develops.

Directors' Report for the year ended 31 December 2020 (continued)

Profitability of policies sold for insurers

The Group does not sell policies directly covering the impact of COVID 19. The majority of the policies sold by the Group are motor policies which do not provide cover for losses caused by a pandemic. The directors consider that the number and frequency of claims will reduce during the pandemic due to periods of lockdown. An increase or decrease in claims could impact variable commission arrangements which the Group has with certain insurers.

Investment portfolio

The Group's cash holdings are in major UK banks. The Group does not hold financial investments such as equities or debt.

Revenue

For most customers motor insurance is not normally a discretionary cost, so demand for the main product sold by the Company will continue to be sustained. However, the demand for the main product will be suppressed during periods of lockdown required by the UK Government which will also have an impact on the revenue of the Company.

The medium and longer term impact of the COVID 19 pandemic is yet to become clear and, whilst there has not been a significant short term impact, the risk of recessive economic conditions still exists and, should these conditions develop, there will be customers and business partners of the Group who will suffer. The impact on the Group in the short term is likely to be pressure on cash-flow and on recovery of premiums due from customers.

In addition, in the medium term, the pandemic is also likely to put pressure on premium levels and commission rates. The directors maintain very close links with the market directly and through business partners, and will be able to manage changes to policy terms and rates as necessary as the position develops.

Financial forecasts and Going Concern

The directors have prepared financial forecasts to assess the impact on the ability of the Group to continue to meet its obligations as and when they fall due, and to continue to ensure compliance by the Company with loan covenants. The directors recognise that as the foreseeable scenarios change, decisions may need to be made in relation to the scale of the Group's activity and the level of finance maintained to support that activity. The directors are constantly monitoring the position in case any such scenarios become more likely than is judged to be the case currently.

As at the date of these financial statements, the financial forecasts prepared indicate that the Group will be able to maintain liquidity and compliance with covenants, and will therefore be able to continue to trade as a going concern.

Streamline energy and carbon reporting ("SECR")

This section includes our mandatory reporting of energy use and greenhouse gas emissions in respect of the Group undertakings based in the UK for the year ended 31 December 2020 pursuant to the Companies (Directors' Report) and Limited Liability Partnership (Energy and Carbon Report) Regulations 2018, and the implementation of the UK Government's Streamlined Energy and Carbon Reporting ("SECR") Policy.

The methodology of the Group to calculate greenhouse emissions is based on the UK Government's 'Environmental Reporting Guidelines: including streamlined energy and carbon reporting guidance' as published by the Department for Business, Energy & Industrial Strategy in March 2019. In calculating the greenhouse gas emissions of the Group we have used the UK Government's '2020 GHG Conversion Factors for Company Reporting' as published by the Department for Business, Energy & Industrial Strategy in June 2020.

We report using a financial control approach to define our organisation boundary. We have reported all material emission sources required by the regulations for which we deem ourselves to be responsible, and have maintained records of all source data and calculations.

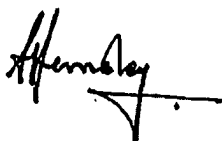
During the reporting period, no efficiency actions have been taken.

The table below includes total energy consumption (reported as kWh) and total greenhouse emissions (reported as kg CO₂ equivalent ("kg CO₂e") for the sources required by the regulations. We have also included a relevant intensity ratio as required by the regulations.

**Directors' Report
for the year ended 31 December 2020 (continued)**

	Year to 31 December 2020 £000
Total energy consumption used for emissions calculations	158,880
Total purchased electricity emissions – Scope 2 (kg CO ₂ e)	36,349
Total vehicle fuel combustion emissions - Scope 2 (kg CO ₂ e)	1,316
Total gross reported emissions (kg CO ₂ e)	37,665
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Total turnover of UK operations (£m)	29.5
Turnover intensity ratio (kg CO ₂ e per £m)	1,276.8

The Directors' Report was approved by the Board of Directors on 24 June 2021 and signed on their behalf by:



Alan Hemsley
Company Secretary

30 June 2021

Statement of Directors' Responsibilities for the period ended 31 December 2020

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standard 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 adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

Independent Auditor's report to the members of Right Choice Holdings Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020, and of the Group's 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.

We have audited the financial statements of Right Choice Holdings Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2020 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated and the company statement of changes in reserves, the consolidated statement of cash flows, and the 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 Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Basis of 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 remain independent of the Group and the Parent 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 Group and Parent 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 Annual Report, 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 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 the fact.

We have nothing to report in this regard.

Independent Auditor's report to the members of Right Choice Holdings Limited (continued)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of 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 Group's and the Parent 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 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:

- our responses to significant audit risks (revenue, recognition, management override of controls, impairment of investments and goodwill, and going concern) were intended to sufficiently address the risk of fraudulent manipulation. In particular, we have reviewed accounting estimates for any potential management bias to check methods utilised are appropriate;
- enquiries of management;
- review of minutes of board meetings throughout the period;
- obtaining an understanding of the legal and regulatory framework applicable to the Group's operations;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations; and
- review of correspondence with the Financial Conduct Authority (FCA).

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 the deliberate concealment by, for example, forgery, misrepresentations or through collusion.

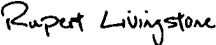
Independent Auditor's report to the members of Right Choice Holdings Limited (continued)

There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from 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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

BA1570E593D7455...

01 July 2021

Rupert Livingstone (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Consolidated Statement of Comprehensive Income for the year ended 31 December 2020

	Note	Year ended 31 December 2020	Year ended 31 December 2019
		£000	£000
Turnover	5	30,672	31,233
Cost of sales		(6,444)	(5,541)
Gross profit		24,228	25,692
Administrative expenses	6	(18,267)	(19,045)
Depreciation and amortisation	11 & 12	(10,870)	(10,822)
Other operating income	3	346	-
Operating loss		(4,563)	(4,175)
Interest receivable and similar income		11	16
Interest payable and similar charges	9	(7,779)	(7,376)
Loss on ordinary activities before taxation		(12,331)	(11,535)
Tax on loss on ordinary activities	10	(566)	(428)
Loss for the financial period		(12,897)	(11,963)
Other comprehensive income		-	-
Total comprehensive income for the financial period		(12,897)	(11,963)
Loss for the financial period and Total comprehensive income for the financial period attributable to:			
Owners of the parent		(13,041)	(11,995)
Non-controlling interests		144	32
		(12,897)	(11,963)

The notes on pages 18 to 36 form part of these financial statements.

The Company has not presented its own Statement of Comprehensive Income as permitted by section 408 of Companies Act 2006. The loss of the Company for the financial year to 31 December 2020 was £8,040,762 (2019: £7,500,453).

Consolidated Statement of Financial Position as at 31 December 2020

	Note	31 December 2020	31 December 2019
		£000	£000
Fixed assets			
Intangible assets	11	79,594	89,102
Tangible assets	12	456	502
Investments	13	167	167
Total fixed assets		80,217	89,771
Current assets			
Debtors	14	8,983	9,553
Deferred acquisition costs	5	374	-
Cash at bank and in hand	15	15,662	8,672
Total current assets		25,019	18,225
Creditors: amounts falling due within one year	16	(17,733)	(13,433)
Net current assets		7,286	4,792
Total assets less current liabilities		87,503	94,563
Creditors: amounts falling due after one year	17	(99,721)	(93,953)
Provision for liabilities and charges	18	(2,228)	(2,149)
NET LIABILITIES		(14,446)	(1,539)
CAPITAL AND RESERVES			
Called up share capital	21	12	11
Share premium		17,635	17,614
Profit and loss account		(31,940)	(18,865)
Equity attributable to owners of the parent company		(14,293)	(1,240)
Non-controlling interests		(153)	(299)
DEFICIT ON CAPITAL AND RESERVES		(14,446)	(1,539)

The notes on pages 18 to 36 form part of these financial statements.

Approved by the board of directors on 24 June 2021 and signed on their behalf by:



Mark Mugge
Director

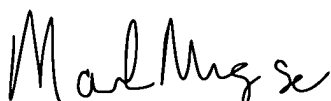
30 June 2021

Company Statement of Financial Position as at 31 December 2020

	Note	31 December 2020	31 December 2019
		£000	£000
Fixed assets			
Investments	13	110,368	107,368
Total fixed assets		110,368	107,368
Current assets			
Debtors	14	80	34
Cash at bank and in hand	15	2,461	485
Total current assets		2,541	519
Creditors: amounts falling due within one year	16	(11,784)	(4,279)
Net current liabilities		(9,243)	(3,760)
Total assets less current liabilities		101,125	103,608
Creditors: amounts falling due after one year	17	(99,449)	(93,913)
Provision for liabilities and charges		-	-
NET ASSETS		1,676	9,695
CAPITAL AND RESERVES			
Called up share capital	21	12	11
Share premium		17,635	17,614
Profit and loss account		(15,971)	(7,930)
SHAREHOLDER'S EQUITY		1,676	9,695

The notes on pages 18 to 36 form part of these financial statements.

Approved by the board of directors on 24 June 2021 and signed on their behalf by:



Mark Mugge
Director

30 June 2021

Consolidated and Company Statements of Changes in Reserves for the year ended 31 December 2020

Changes in Consolidated reserves attributable to owners of the Company

	Called up share capital £000	Share premium £000	Profit and loss account £000	Shareholder's equity £000
Balance at 31 December 2018	11	17,617	(6,850)	10,778
<i>Comprehensive income for the period</i>				
Loss for the financial period	-	-	(11,995)	(11,995)
Foreign exchange adjustments			(20)	(20)
Total comprehensive income for the period	-	-	(12,015)	(12,015)
<i>Transactions with shareholders</i>				
Adjustment	-	(3)	-	(3)
Balance at 31 December 2019	11	17,614	(18,865)	(1,240)
<i>Comprehensive income for the period</i>				
Loss for the financial period	-	-	(13,041)	(13,041)
Foreign exchange adjustments			(34)	(34)
Total comprehensive income for the period	-	-	(13,075)	(13,075)
<i>Transactions with shareholders</i>				
Share capital issued during the period	1	21	-	22
Balance at 31 December 2020	12	17,635	(31,940)	(14,293)

Changes in Company reserves

	Called up share capital £000	Share premium £000	Profit and loss account £000	Shareholder's equity £000
Balance at 31 December 2018	11	17,617	(430)	17,198
<i>Comprehensive income for the period</i>				
Loss for the financial period	-	-	(7,500)	(7,500)
<i>Transactions with shareholders</i>				
Adjustment	-	(3)	-	(3)
Balance at 31 December 2019	11	17,614	(7,930)	9,695
<i>Comprehensive income for the period</i>				
Loss for the financial period	-	-	(8,041)	(8,041)
<i>Transactions with shareholders</i>				
Share capital issued during the period	1	21	-	22
Balance at 31 December 2020	12	17,635	(15,971)	1,676

The notes on pages 18 to 36 form part of these financial statements.

Consolidated Statement of Cash Flows for the year ended 31 December 2020

	Note	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Cash inflow from operating activities			
Loss for the financial period		(12,897)	(11,963)
<u>Adjustments for:</u>			
Amortisation of intangible assets	11	10,732	10,667
Depreciation of tangible assets	12	140	155
Interest payable and finance charges	9	7,779	7,376
Interest received		(11)	(16)
Charge for taxation	10	566	428
(Increase)/decrease in debtors		(677)	260
Increase/(decrease) in creditors		4,660	(187)
Change in onerous contract provision	18	(95)	1,192
		10,197	7,912
Interest paid		-	(1)
Taxation paid		(3)	(744)
Net cash inflow from operating activities		10,194	7,167
Cash flow from investing activities			
Payments to acquire tangible fixed assets		(248)	(219)
Payments to acquire intangible fixed assets		(1,469)	(1,060)
Interest received		11	16
Net cash outflow from investing activities		(1,706)	(1,263)
Cash flow from financing activities			
Issue of ordinary share capital		22	-
Receipt of term loan		225	-
Receipt from lease finance and other borrowings	20	156	112
Payment of lease finance and hire purchase contracts	20	(91)	(35)
Payments of interest and related finance charges		(1,778)	(2,257)
Foreign exchange retranslation adjustments		(42)	(14)
Net cash inflow from financing activities		(1,508)	(2,194)
Net cash inflow/(outflow) for the financial period		6,980	3,710
Cash and cash equivalents at start of financial period		8,672	4,965
Foreign exchange retranslation adjustment		10	(3)
Cash and cash equivalents at end of the financial period	15	15,662	8,672

The notes on pages 18 to 36 form part of these financial statements.

Notes to the Financial Statements for the period ended 31 December 2020

1 General information

The Company is incorporated and domiciled in England & Wales. The address of the registered office is St James House, 27-43 Eastern Road, Romford, Essex, RM1 3NH.

The principal activity of the Company is that of an investment holding company which owns or invests in companies operating within the insurance sector.

The principal activity of the Group is that of an insurance intermediary in the distribution of insurance policies to private customers as the majority of turnover and operating profit is derived from that activity.

2 Basis of preparation and accounting

i) Basis of preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Companies Act 2006 and UK accounting standards, including Financial Reporting Standard 102 '*The Financial Reporting Standard applicable in the UK and Republic of Ireland*' (issued March 2018).

Given the principal activity of the Group, the financial statements have not been presented in accordance with the special provisions relating to insurance groups, although certain relevant disclosures in accordance with Financial Reporting Standard 103 '*Insurance Contracts*' (issued March 2018) have been included within the financial statements relating to the activities of Right Cover. Insurance contract activity is considered to be immaterial to these financial statements.

The preparation of financial statements in accordance with Financial Reporting Standard 102 requires the use of certain critical accounting estimates. It also requires the directors of the Company to exercise judgement in applying the Company's accounting policies. Details of the significant judgements and estimates are provided in note 4.

ii) Basis of accounting

The financial statements have been prepared under the historical cost convention and are presented in Sterling and in thousands (£000), except where otherwise stated for information purposes.

The principal accounting policies applied in the preparation of the financial statements have been set out in note 3 to the financial statements.

iii) Going concern

The directors prepare and maintain forecasts and projections to ensure that they have a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future.

As described in the Directors' Report, the directors have prepared financial forecasts relating to the Covid 19 pandemic to assess the impact of the pandemic on the ability of the Company and the Group to continue to meet its obligations as and when they fall due, and to continue compliance with the loan covenants of the Company. The directors recognise that as the foreseeable scenarios change, decisions may need to be made in relation to the scale of the Group's activity and the level of finance maintained to support that activity. The directors are constantly monitoring the position in case any such scenarios become more likely than is judged to be the case currently.

As at the date of these financial statements, the financial forecasts prepared indicate that the Company will be able to maintain liquidity and compliance with the loan covenants, and will therefore be able to continue to trade as a going concern.

iv) Basis of consolidation

The consolidated financial statements present the results of the Company and of the Group as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

v) Insurance intermediary transactions

Subsidiary undertakings of the Group include insurance intermediaries in which the subsidiary undertakings act as agents in placing the insurable risk of its clients with insurance companies and, as such, are not liable as principals arising from such transactions. However, notwithstanding its legal relationship with clients and insurers, the Group has followed generally accepted accounting practice by showing cash, debtors and creditors relating to insurance intermediary transactions as assets and liabilities of the Group.

Notes to the Financial Statements for the period ended 31 December 2020 (continued)

3 Accounting policies

i) Revenue recognition

Income from the sale of insurance policies

Income from the sale of insurance policies includes income from insurance commission paid to the Group by insurance companies, brokerage fees paid by customers, and income received from finance providers relating to premium finance arranged by the Group for its customers.

Insurance commission is initially recognised on the date when the period of insurance commences (the "incepted date"). Commission arising on policies sold or adjusted during the financial period with an incepted date commencing after the date of the Statement of Financial Position is deferred and included within 'Accruals and deferred income'. A proportion of Commission income related to policies sold on which the Group is obliged to provide claims handling services is deferred at the date of the Statement of Financial Position to meet the cost of handling claims estimated to arise in respect of the relevant policies sold during the financial period.

Income from variable commission arrangements is recognised when the amount can be estimated with a reasonable degree of certainty, and is equivalent to the minimum value expected to be received by the Group.

Fee income is recognised on the date when the policy of insurance is sold or adjusted.

Income due to the Group on premium finance arranged on behalf of customers is recognised when the policy or adjustment is financed with a third-party finance provider. However, income on premium finance arranged during the financial year which the directors estimate will be cancelled after the date of the Statement of Financial Position is deferred and included within 'Accruals deferred income' at the date of the Statement of Financial Position.

Income from the sale of insurance contracts

Income from the sale of insurance contracts relates to the underwriting profit or loss for the financial period from the activities of Right Cover, and comprises the earned gross written premium on insurance contracts written, less the amortised cost of acquisition costs, and the cost of claims incurred and provisions made as required. A summary of the income arising from the sale of insurance contracts is set out in note 5 to the financial statements.

Other income and fees

Other fees received from insurance broking activities and from third party administration activities are recognised when the service is provided.

Fees received by the Company for management services is recognised when the service is provided.

ii) Insurance contracts

The activities of the Group for the year to 31 December 2020 includes, with effect from 1 October 2020, the sale of insurance contracts by Right Cover. The basis of accounting for the insurance contracts entered into by the Group is explained below.

Gross written premium

Gross written premium comprises amounts payable by customers relating to insurance contracts where the risk is insured by the Group, gross of commission payable to intermediaries.

Gross written premium on insurance contracts is accounted for on the date of sale of the insurance contract, and apportioned in the Statement of Comprehensive Income on a time basis over the period of the insurance contract as the relevant performance obligations are settled over time.

The unrecognised element of the gross written premium receivable relating to future periods of time is included in the Statement of Financial Position within Creditors: amounts falling due within one year and described "Unearned premium on insurance contracts".

Acquisition costs

Acquisition costs consist of fees and commissions payable which are directly related to the acquisition or renewal of an insurance contract. In the period to 31 December 2020 the acquisition costs relate to brokerage commission payable by Right Cover to RCIB.

Acquisition costs on insurance contracts are amortised systematically over the life of the insurance contracts commensurate with the unearned premiums at the balance sheet date, and are tested for impairment at each balance sheet date. Acquisition costs are derecognised when the related insurance contracts expire or are cancelled.

Notes to the Financial Statements for the period ended 31 December 2020 (continued)

The total value of deferred acquisition and processing costs in respect of all insurance contracts issued to the balance sheet date is included in Debtors in the Statement of Financial Position.

However, where the acquisition and processing costs deferred relates to services provided by fellow Group undertakings, the value deferred is eliminated on consolidation by the deferral of the income received by the Group undertaking equal to the amount of acquisition and processing costs deferred.

Claims

Claims consist of claims paid to policyholders, changes in the valuation of the liabilities arising on policyholder contracts, and internal and external claims handling expenses, net of salvage and other recoveries.

Provision is made at the balance sheet date for outstanding claims and settlement expenses incurred at the end of the reporting period. Provision is also made at the balance sheet date for an estimate of claims incurred but not yet reported (IBNR) where applicable. Both outstanding claims and IBNR are not discounted for the time value of money.

Liability adequacy

At each reporting date the Group performs a liability adequacy test of its insurance liabilities, less related deferred acquisition and processing costs and intangible assets, to ensure that the carrying value is adequate using current estimates of future cash flows taking into account the relevant investment return. If that assessment indicates that the carrying amount of the liabilities is inadequate the deficiency, if any, is recognised as an expense to the Statement of Comprehensive Income by recognising an additional liability for claims provisions or recognising a provision for unexpired risks.

iii) Cost of sales

Cost of sales relate to acquisition costs payable to third-party owners of aggregator web sites in respect of policies sold to customers. The costs are charged in full to the Statement of Comprehensive Income in the financial period in which the related sale to customers is made.

iv) Other operating income

Other operating income relates to receipts from the UK Government Coronavirus Job Retention Support scheme. These receipts are accounted for on an accruals basis and recognised in the Statement of Comprehensive Income as 'Other operating income' in the period for which the claim under the scheme is made.

v) Tangible fixed assets

Tangible fixed assets are stated at historical cost, including incremental costs incurred in the acquisition and installation of the assets, less the value of accumulated depreciation and impairment losses (if any).

Depreciation is calculated using the reducing balance method so as to write off the cost of the assets, less their estimated residual values, over the estimated useful lives of the assets from the date at which the asset is brought into operation. The rates of depreciation applied are as follows:

Computer equipment	25% on reducing balance
Furniture and office equipment	25% on reducing balance
Leasehold expenditure	25% on reducing balance

Tangible fixed assets are de-recognised upon disposal or when no future economic benefit is expected to arise from the continued use of the asset. Any gain or loss on de-recognition of the asset is included in the Statement of Comprehensive Income in the year of de-recognition.

vi) Intangible fixed assets

Expenditure on the purchase and development of Computer software is stated at historical cost, including incremental costs incurred in the acquisition and installation of the software, less the value of accumulated amortisation and impairment losses (if any).

Amortisation is calculated using the reducing balance method so as to write off the cost of software purchased and developed, less their estimated residual values, over the estimated useful lives of the software from the date at which the asset is brought into operation.

Notes to the Financial Statements for the period ended 31 December 2020 (continued)

The rates of amortisation applied are as follows:

Computer software	25% on reducing balance
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Goodwill and other intangible assets arising on an acquisition of a business is measured at cost less accumulated amortisation and impairment losses, if any. For the purposes of assessments for impairment, Goodwill or intangible asset is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the business combination. Goodwill and other intangible assets are amortised for each cash-generating unit over the expected duration of benefits to be derived from the commencement of the derived benefits as follows:

Goodwill arising on the purchase of Right Choice Insurance Brokers Limited:	10 years
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vii) Associates and joint ventures

An entity is treated as an Associated undertaking where the Group exercises significant influence in that it has the power to participate in operating and financial policy decisions. An entity is treated as a Joint venture where the Group is party to a contractual agreement with one or more parties from outside the Group to undertake an economic activity that is subject to joint control.

In the consolidated financial statements, interests in Associated undertakings and Joint ventures are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss, other comprehensive income and equity of the Associate or Joint venture. The consolidated Statement of Comprehensive Income includes the Group's share of the operating profit, interest and attributable taxation of such undertakings applying accounting policies consistent with those of the Group.

In the consolidated Statement of Financial Position, the interests in Associated undertakings and Joint ventures are shown as the Group's share of the investment being identifiable net assets, including any unamortised premium paid on acquisition. Any premium on acquisition is accounted for in accordance with the Goodwill policy.

viii) Leasing and hire purchase commitments

Assets held under leases and hire purchase contracts where substantially all the risks and rewards of ownership of the assets have passed to the Group are capitalised in the Statement of Financial Position and depreciated over the shorter of the term of the lease or hire purchase contract, or the useful life of the asset.

A corresponding liability is recognised for the lower of the fair value of the lease asset and the present value of the minimum lease payments on the Statement of Financial Position. Payments made under the leases or hire purchase contracts are apportioned between the reduction of the liability and finance charges in the Statement of Comprehensive Income so as to achieve a constant rate of interest on the remaining balance of the liability.

Payments made by the Group under other leases (operating leases) are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern of the Group's benefit from the operating lease. The aggregate benefit of incentives received by the Group relating to an operating lease is recognised as a reduction to the expense of the respective operating lease over the same period.

ix) Cash at bank and in hand

Cash at bank and in hand, other than cash relating to insurance intermediary transactions or held with insurers, comprises cash on hand or deposit, and other short-term highly liquid investments, which are readily convertible to known amounts of cash with insignificant risk of changes in value.

x) Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income or 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 date of the Statement of Financial Position in the countries where the Group operates and generates taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the date of the Statement of Financial Position, except:

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits:

Notes to the Financial Statements for the period ended 31 December 2020 (continued)

- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- where timing differences relate to interests in subsidiaries, associates, branches and joint ventures, and the Company can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them, and the differences between the fair value of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the date of the Statement of Financial Position.

xi) Onerous contracts

Provision is made for the present value of the obligations under a contract where the unavoidable costs of a contract exceed the economic benefit expected to be received by the Group from the contract.

xii) Provisions

Provision is made for obligations entered into by the Group at the Statement of Financial Position date as a result of past events where it is probably that a transfer of economic benefit will be made by the Group which can be reliably estimated at the Statement of Financial Position date. Full provision for the transfer of future economic benefit is recognised as a liability in the Statement of Financial Position and charged as an expense in the Statement of Comprehensive Income. A review of each provision is made at each Statement of Financial Position date.

xiii) Pension costs

The Group operates a defined contribution pension scheme for its UK employees. Contributions to the pension scheme are charged to the Statement of Comprehensive Income in the year in which they become payable.

xiv) Financial instruments

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

All financial assets and liabilities are initially measured at transaction value (including transaction costs) unless the arrangement constitutes a financing arrangement. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets are derecognised when either the contractual rights to the cash flows from the financial asset expire or are settled, the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or the Group has transferred 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 without the need to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expired.

Equity instruments issued by the Group are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

xv) Foreign currency translation

Foreign currency transactions are translated into the functional currency of the Group (sterling) using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the Consolidated Statement of Comprehensive Income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'Interest payable and similar charges'. All other foreign gains and losses are presented within 'Administrative expenses'.

Notes to the Financial Statements for the period ended 31 December 2020 (continued)

4 Critical accounting judgements and estimates

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions relating to the carrying values of assets and liabilities which are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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 key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below.

i) Income from variable commission arrangements

Directors of Group companies have regular reviews with insurance companies relating to the policies which the Group places with the insurance companies, including a review of the underwriting position of the policies sold by the Group. The Group has variable commission arrangements in place with certain insurance companies under which there is a probability or possibility that the final commission income the Group will receive from the insurance company is based on the underwriting loss ratio achieved by the insurance company. Income from variable commission arrangements is recognised where the Group has a contractual right to a variable commission, and the directors have strong evidence of the ultimate underwriting position for policies written with the insurance company. The underwriting position of the policies sold and variable commission due from insurers where applicable is continually reviewed by the directors and the variable commission adjusted accordingly.

ii) Income deferred on premium finance contracts

As described in note 3, income on premium finance arranged during the financial year which the directors estimate will be cancelled after the balance sheet date is deferred and included within 'Accruals deferred income' at the balance sheet date. In calculating the income to be deferred the directors have made estimates of the value of premium finance which is likely to be cancelled after the balance sheet date based on historic trends of the cancellation of premium finance.

iii) Onerous contracts

A contract which meets the definition of onerous requires the directors to exercise judgement to determine whether the unavoidable costs of a contract exceed the economic benefit expected to be received from it, and the level of provision to be made for the present value of the obligations under the contract.

iv) Impairments

The directors exercise judgement in determining whether there are indicators of impairment of the Group's tangible and intangible assets, including Goodwill. Factors taken into consideration in reaching a decision on impairment include economic viability and expected future financial performance of the asset, and where it is a component of a larger cash-generating unit the viability and expected future performance of that unit.

5 Turnover

Turnover for the Group comprised income from the following activities:

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Sale of insurance policies	28,219	28,602
Provision of administration services	2,417	2,631
Income from insurance contracts	36	-
Total Turnover	30,672	31,233

Notes to the Financial Statements for the period ended 31 December 2020 (continued)

The income from insurance contracts for the year comprised:

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Gross written premium	1,220	-
Acquisition costs on gross premiums written	(419)	-
Net written premium	801	-
Unearned premium	(1,091)	-
Deferred acquisition costs	374	-
Net earned written premium	84	-
Cost of claims for the period	(48)	-
Income from insurance contracts	36	-

Insurance contract activity commenced on 1 October 2020 and relates to the insurance contracts described in note 24 to the financial statements. The acquisition costs incurred during the period relates to commissions payable by Right Cover to RCIB in respect of the financial period.

Turnover for the Group was derived from the following geographical areas:

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
United Kingdom	29,451	30,388
Rest of Europe	1,221	845
Total Turnover	30,672	31,233

6 Administration expenses

The Loss on ordinary activities before taxation is stated after charging the following items (exclusive of VAT):

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Exceptional item: set up costs of insurance undertakings	209	-
Exceptional item: reorganisation provision	93	-
Exceptional item: increase in provision for onerous contract	-	1,952
Fees payable to the Group's auditor for the audit of the Company's annual financial statements	6	5
Fees payable to the Group's auditor for other services to the Group:		
- the audit of the Group's subsidiaries pursuant to legislation	46	43
- taxation compliance services	7	11
- taxation advisory services	3	21

Exceptional items are material items of an unusual or non-recurring nature which represent gains or losses.

Notes to the Financial Statements for the period ended 31 December 2020 (continued)

7 Staff costs

Staff costs for the financial period comprised:

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Wages and salaries	10,253	10,585
Social security costs	1,160	1,062
Contributions to defined contribution pension scheme	270	241
Other payments to staff	13	12
Total staff costs	11,696	11,900
Amounts received from the UK Government Job Retention Scheme	346	-

The Group operates a defined contribution pension scheme on behalf of its UK employees. The assets of the scheme are held separately from those of the Company. The charge for pension contributions relates to employer contributions payable by the Company to the pension scheme. Pension contributions payable by the Group, and deducted from the pay of employees, amounting to £47,421 (2019: £41,130) were outstanding to be paid to the pension scheme at the balance sheet date.

The average number of employees of the Group during the year was:

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Directors	9	8
Direct staff	252	269
Administration	99	94
Total average number of employees	360	371

8 Directors' remuneration

The remuneration of the directors during the year comprised:

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Directors' emoluments for executive directors	771	615
Directors' fees for non-executive directors	30	30
Contributions to defined contribution pension scheme	63	57
Total directors' remuneration	864	702

During the financial period contributions to the defined contribution pension scheme were paid on behalf of 4 directors (2019: 3 directors).

The remuneration of the highest paid director during the financial period amounted to £303,568 (2019: £314,091).

Notes to the Financial Statements for the period ended 31 December 2020 (continued)

9 Interest payable and similar charges

Interest payable and similar charges for the year comprise:

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Bank and other loans	2,242	2,253
Loan notes	5,312	4,897
Amortisation of debt issue costs	225	225
Other interest	-	1
Interest payable and similar charges	7,779	7,376

10 Taxation

The charge for taxation for the year comprised:

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Corporation tax – current year charge	267	426
Corporation tax – prior period adjustment	125	(162)
Deferred taxation	174	164
Tax on loss on ordinary activities	566	428

The factors affecting the charge for taxation for the year comprised:

	Year to 31 December 2020 £000	Year to 31 December 2019 £000
Loss on ordinary activities before taxation	(12,331)	(11,535)
Tax on the loss on ordinary activities before taxation at the effective corporation tax rate of 19% (2019: 19%)	(2,343)	(2,192)
Tax effect of profits taxable at different tax rate	14	-
Tax effect of expenses not allowable for tax purposes	2,612	2,930
Research and development allowance	(159)	(124)
Unutilised losses not recognised in deferred tax	325	(5)
Adjustments to deferred tax provision made at December 2019	(8)	-
Effect of change in corporation tax rate on deferred tax	-	(19)
Current year charge (including deferred tax)	441	590
Prior period adjustment	125	(162)
Tax on loss on ordinary activities	566	428

Notes to the Financial Statements for the period ended 31 December 2020 (continued)

11 Intangible fixed assets

Group

	Computer software £000	Goodwill £000	Total £000
Cost			
At 1 January 2020	928	105,166	106,094
Additions	1,212	-	1,212
Foreign exchange retranslation	19	-	19
At 31 December 2020	2,159	105,166	107,325
Amortisation			
At 1 January 2020	341	16,651	16,992
Charge for the year	215	10,517	10,732
Foreign exchange retranslation	7	-	7
At 31 December 2020	563	27,168	27,731
Net book amount			
At 31 December 2020	1,596	77,998	79,594
At 31 December 2019	587	88,515	89,102

12 Tangible fixed assets

Group

	Leasehold expenditure £000	Computer hardware £000	Furniture & equipment £000	Total £000
Cost				
At 1 January 2020	50	899	310	1,259
Additions	13	62	17	92
Foreign exchange adjustments	-	2	(5)	(3)
At 31 December 2020	63	963	322	1,348
Depreciation				
At 1 January 2020	8	541	208	757
Charge for year	12	95	31	138
Foreign exchange adjustments	-	3	(6)	(3)
At 31 December 2020	20	639	233	892
Net book amount				
At 31 December 2020	43	324	89	456
At 31 December 2019	42	358	102	502

The net book amount of tangible fixed assets for the Group includes £64,866 (2019: £86,488) in respect of assets held under finance leases and hire purchase contracts. The Company had no assets held under finance leases and hire purchase contracts and either balance sheet date.

Notes to the Financial Statements for the period ended 31 December 2020 (continued)

13 Investments

Investments held by the Company and the Group comprised the following:

Group

	Associated undertakings £000	Total £000
Cost		
As at 1 January 2020 and 31 December 2020	167	167
Share of retained profits		
As at 1 January 2020 and 31 December 2020	-	-
Net book amounts		
At 31 December 2020	167	167
At 31 December 2019	167	167

Company

	Subsidiary undertakings £000	Total £000
Cost		
At 1 January 2020	107,370	107,370
Additions	3,000	3,000
At 31 December 2020	110,368	110,368
Impairment provision		
As at 1 January 2020 and 31 December 2020	-	-
Net book amounts		
At 31 December 2020	110,368	110,368
At 31 December 2019	107,368	107,368

On 14 July 2020 the Company incorporated Right Choice Insurance Company ("Right Cover") based in Guernsey as a wholly owned subsidiary of the Company with an initial share capital of £1. On 25 September 2020 the Company subscribed and paid in cash for a further 2,999,999 ordinary £1 shares in Right Cover, and on the same date Right Cover was licenced by the Guernsey Financial Services Commission as a general insurance company. Right Cover commenced trading as a general insurance company on 1 October 2020.

The investments of the Company at 31 December 2020 comprised the companies listed below.

<u>Name</u>	<u>Country of incorporation or registration</u>	<u>Proportion of voting rights and ordinary share capital held</u>	<u>Nature of business</u>
<i>Subsidiary undertakings</i>			
Right Choice Insurance Brokers Limited	England	100%	Insurance broking
Bike Devil Limited	England	100%	Dormant company
Right Cover Insurance Limited	Guernsey	100%	Insurance company
You Assur	France	50.1%	Insurance broking

Notes to the Financial Statements for the period ended 31 December 2020 (continued)

Associate undertakings

Digilog UK Limited	England	23.5%	Software development
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The financial statements of Digilog UK Limited have not been consolidated into these financial statements under the equity method of accounting as the Group does not participate in the operating and financial policy decisions of the company.

14 Debtors

Debtors at the balance sheet date comprised:

	31 December 2020		31 December 2019	
	Group	Company	Group	Company
	£000	£000	£000	£000
Amounts receivable relating to insurance intermediary activities	6,799	-	7,217	-
Other trade debtors	373	26	358	-
Amount due by subsidiary undertaking	-	15	-	-
Corporation tax recoverable	357	-	747	-
Other debtors	191	5	167	-
Prepayments and accrued income	1,263	34	1,064	34
Total debtors	8,983	80	9,553	34

15 Cash at bank and in hand

Cash at bank and in hand at the balance sheet date comprised:

	31 December 2020		31 December 2019	
	Group	Company	Group	Company
	£000	£000	£000	£000
Cash held relating to insurance intermediary transactions	2,709	-	1,694	-
Cash held with insurers	7,679	-	2,728	-
Unrestricted cash balance	5,274	2,461	4,250	485
Cash at bank and in hand	15,662	2,461	8,672	485

The cash held relating to insurance transactions and with insurers is restricted and not available to pay the general debts of the Group or the Company.

Cash held with insurers at 31 December 2020 includes £3,394,000 owned by the Group and held by Right Cover for solvency purposes (31 December 2019: nil).

16 Creditors: Amounts falling due within one year

Creditors falling due within one year at the balance sheet date comprised:

	31 December 2020		31 December 2019	
	Group	Company	Group	Company
	£000	£000	£000	£000
Amounts payable relating to insurance intermediary activities	7,330	-	7,257	-
Other trade creditors	545	66	382	27
Amounts due to subsidiary undertakings	-	11,000	-	4,000
Other taxation and social security	598	-	366	-
Obligations under finance lease and hire purchase contracts	37	-	37	-
Other creditors	655	-	794	6
Unearned premium on insurance contracts	1,091	-	-	-
Accruals and deferred income	7,477	718	4,597	246
Creditors: amounts falling due within one year	17,733	11,784	13,433	4,279

Notes to the Financial Statements for the period ended 31 December 2020 (continued)

17 Creditors: Amounts falling due after one year

Creditors falling due after one year at the balance sheet date comprised:

	31 December 2020		31 December 2019	
	Group £000	Company £000	Group £000	Company £000
Borrowings (note 19)	86,837	86,612	86,387	86,387
Obligations under finance lease and hire purchase contracts	3	-	40	-
Interest payable on Loan Stock (note 19)	12,837	12,837	7,526	7,526
Other creditors	44	-	-	-
Creditors: amounts falling due after one year	99,721	99,449	93,953	93,913

18 Provision for liabilities and charges

Provision for liabilities and charges at the balance sheet date comprised:

	Deferred taxation £000	Onerous contract provision £000	Total £000
Balance at 1 January 2020	102	2,047	2,149
Utilised in the financial year	-	(37)	(37)
Charge/(release) for financial year	174	(58)	116
Balance at 31 December 2020	276	1,952	2,228

The provision for onerous contract relates to the cost of contractual commitments entered into at the balance sheet date which would be incurred in future periods. The increase in the provision relates to the inclusion of commission payable by the Company under the terms of the onerous contract.

Deferred tax at the balance sheet date comprised the following:

	Onerous contract provision £'000	Accelerated capital allowances £'000	Total £'000
Balance at 1 January 2020 (restated)	124	(22)	102
Charge for financial year	157	17	174
Balance at 31 December 2020	281	(5)	276

19 Borrowings

Total Borrowings

The borrowings of the Group and the Company is as set out below.

	31 December 2020		31 December 2019	
	Group £000	Company £000	Group £000	Company £000
Bank and other loans	29,453	29,228	29,003	29,003
Loan Stock	57,384	57,384	57,384	57,384
Total Borrowings	86,837	86,612	86,387	86,387

Notes to the Financial Statements for the period ended 31 December 2020 (continued)

The borrowings of the Group and the Company are repayable as follows:

	31 December 2020		31 December 2019	
	Group £000	Company £000	Group £000	Company £000
Within one year	-	-	-	-
Between 1 and 5 years	86,837	86,612	86,387	86,387
After five years	-	-	-	-
Total Borrowings	86,837	86,612	86,387	86,387

Bank and other loans

Bank and other loans are repayable as set out below:

	31 December 2020		31 December 2019	
	Group £000	Company £000	Group £000	Company £000
Within one year	-	-	-	-
Between 1 and 5 years	29,453	29,228	29,003	29,003
After five years	-	-	-	-
Bank loan and other loans	29,453	29,228	29,003	29,003

During the year, You Assur, a subsidiary undertaking of the Company, secured a loan of €250,000 (£224,861) from a bank in France. The bank loan is repayable in instalments by May 2025 and has an interest rate of 1%.

The remaining bank and other loans relate to a term loan repayable on maturity in June 2024. Interest on the term loan accrued daily during the financial year at the annual rate of 6.50% (2019: 6.5%) plus the minimum of LIBOR or 0.75%.

The amount stated in respect of Bank and other loans is as set out below:

	31 December 2020		31 December 2019	
	Group £000	Company £000	Group £000	Company £000
Loans received	30,225	30,000	30,000	30,000
Unamortised debt issue costs	(772)	(772)	(997)	(997)
Bank loan and other loans	29,453	29,228	29,003	29,003

Subsequent to the year end, and to the date of these financial statements, the Company increased its bank and other borrowings by £8,000,000 in relation to the purchase of business undertakings described in note 27 to the financial statements.

Loan Stock

Loan stock issued by the Company comprises:

	31 December 2020		31 December 2019	
	Group £000	Company £000	Group £000	Company £000
Fixed Rate A1 Secured Loan Stock 2024	22,500	22,500	22,500	22,500
Fixed Rate A2 Unsecured Loan Stock 2024	5,107	5,107	5,107	5,107
Fixed Rate A3 Unsecured Loan Stock 2024	977	977	977	977
Fixed Rate B Unsecured Loan Stock 2024	28,800	28,800	28,800	28,800
Loan Stock	57,384	57,384	57,384	57,384

The Company had issued Loan Stock amounting to £57,384,000 at 31 December 2020 which is repayable in December 2024. Interest on the Loan Stock accrues daily at the rate of 8% per annum which is compounded each 30 June and 31 December. Interest accrued on the Loan Stock at 31 December 2020 amounted to £12,837,109 (2019: £7,526,685) and is payable on repayment of the Loan Stock.

The Fixed Rate A1 Secured Loan Stock 2024 and Fixed Rate A2 Unsecured Loan Stock 2024 were admitted to the Official List of The International Stock Exchange based in Jersey on 15 November 2019.

Notes to the Financial Statements for the period ended 31 December 2020 (continued)

Subsequent to the year end, and to the date of these financial statements, the Company issued £7,730,900 new C1 Unsecured Loan Stock in relation to the purchase of business undertakings described in note 27 to the financial statements. Interest on the C1 Unsecured Loan Stock accrues daily at the rate of 10% per annum which is compounded each 30 June and 31 December.

20 Net debt reconciliation

Company

	As at 1 January 2019 £000	Cash flows £000	New borrowings £000	Other non-cash charges £000	As at 31 December 2020 £000
Cash at bank and in hand	485	1,976	-	-	2,461
Bank and other loans	(29,003)	-	-	(225)	(29,228)
Loan stock	(57,384)	-	-	-	(57,384)
Net debt	(85,902)	1,976	-	(225)	(84,151)

The other non-cash charges stated above relates to the amortisation of debt issue costs for the financial period charged to the Statement of Comprehensive Income.

Group

	As at 1 January 2020 £000	Cash flows £000	New borrowings £000	Other non-cash charges £000	As at 31 December 2020 £000
Cash at bank and in hand (note 14)	8,672	6,990	-	-	15,662
Bank and other loans	(29,003)	(225)	-	(225)	(29,453)
Loan stock	(57,384)	-	-	-	(57,384)
Obligations under finance leases	(77)	37	-	-	(40)
Other creditors	-	54	(156)	-	(102)
Net debt	(77,792)	6,856	(156)	(225)	(71,317)

As stated in note 15, cash at bank in hand includes cash held relating to insurance transactions, and held with insurers, which is restricted and not available to pay the general expenses of the Company.

21 Issued share capital

The issue share capital of the Company is as follows:

	31 December 2020		31 December 2019	
	Shares	£	Shares	£
A Ordinary shares of £0.15 each	24,132	3,620	24,132	3,620
B1 Ordinary shares of £0.10 each	40,202	4,020	40,202	4,020
B2 Ordinary shares of £0.10 each	19,864	1,986	19,864	1,986
B3 Ordinary shares of £0.20 each	3,176	635	3,176	635
C Ordinary shares of £0.10 each	1,555	156	1,555	156
D Ordinary shares of £0.10 each	1,203	120	1,203	120
E Ordinary shares of £0.25 each	2,868	717	2,868	717
F Ordinary shares of £0.10 each	4,246	425	1,500	150
Ordinary shares allotted, called up and fully paid	97,246	11,679	94,500	11,404

On 16 March 2020 a further 2,746 F Ordinary shares were issued by the Company for a cash consideration amounting to £21,968 including share premium.

Subsequent to the year end, and to the date of these financial statements, the Company issued 2,421 new Growth 1 shares of £0.10 each for a consideration of £242,100 including share premium. The Growth 1 shares entitle the holder to a fixed dividend on 10% per annum which accrues daily until 26 March 2022 at the latest.

Notes to the Financial Statements for the period ended 31 December 2020 (continued)

22 Commitments under operating leases

At 31 December 2020 the Group had minimum lease commitments, excluding VAT, under non-cancellable operating leases as follows:

	Land and Buildings		Other operating leases	
	31 December 2020 £000	31 December 2019 £000	31 December 2020 £000	31 December 2019 £000
Expiry date:				
Within 1 year	426	426	787	374
Between 1 year and 5 years	1,066	1,492	1,381	1,120

23 Financial risk management and instruments

The Company and the Group is exposed to credit and liquidity risks in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

Financial assets

The financial assets of the Company and the Group comprise trade and other debtors. These assets are stated at cost less provision made for credit risk. At 31 December 2020 the Company had no interest-bearing financial assets except those relating to insurance activities which are described in note 24.

Financial liabilities

The financial liabilities of the Company and the Group comprise trade and other creditors, and borrowings. Financial liabilities are stated at the amount due to the counterparty of the liability.

24 Management of insurance risk

Right Cover issues contracts that transfer insurance risk to the Group. It is also exposed to a range of financial risks through its financial assets, financial liabilities and policyholder liabilities. The directors of Right Cover seek to mitigate these risks as summarised below.

i) Insurance risk

The risk under an insurance contract is the possibility that the insured event occurs, and uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable.

Right Cover provides insurance contracts related to the risks of its policyholders to a mechanical breakdown of their motor car as a single portfolio of contracts. The principal risk that Right Cover faces under the insurance contracts is that the average cost of claims exceeds that which is implicit in the fixed price it determines for the insurance contracts.

Claims are payable by Right Cover under insurance contracts in respect of claims which occur during the twelve month term of the insurance contracts. The cost of each claim is known to Right Cover within a short period of time of being incurred as it relates to the cost of attendance at a mechanical breakdown by a recovery agent. The cost of repairing the vehicle to a roadworthy condition is not covered by the insurance contracts provided by Right Cover.

The principal risk to Right Cover is that the level of claims frequency is higher than anticipated and assumed within the pricing of the insurance contracts. The directors of Right Cover continually monitor claims frequency and adjust pricing as required in the event that frequency is higher than expected. The directors of Right Cover also carry out root cause analysis to identify other areas to ensure that the pricing of the insurance contracts are appropriate for the risk covered.

In addition, given that the existence of an event resulting in an insurance claim is known at the time of the mechanical breakdown for which recovery is provided, there is no need for Right Cover to maintain reserves for claims incurred but not reported (known as IBNR reserves). Therefore, changes in the frequency or severity of claims do not have an effect on reserves maintained by Right Cover.

Given the control over pricing exercised by the directors of Right Cover, and the lack of variability in the cost of claims, Right Cover has not sought to reinsure any of the insurance risks which it underwrites.

Notes to the Financial Statements for the period ended 31 December 2020 (continued)

Sensitivity testing relating to the frequency of claims is performed as part of the regulatory reporting required for insurance companies regulated in Guernsey. Through a combination of the business model of Right Cover, the short-tail nature of the insurance contracts written by Right Cover, and the relative certainty over the severity of claims, the directors consider that insurance risk is an area of low risk for the Group.

ii) Market risk

Market risk relates to the risks faced by Right Cover to movements in interest rates and equity prices.

Right Cover seeks to mitigate interest rate risk by adopting a low risk approach to investments. All investments of Right Cover are held in cash with normal regulated banks.

Right Cover does not hold any investments in fixed or floating rate securities, or in equity investments.

iii) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The key areas where Right Cover is exposed to credit risk are:

- amounts due from insurance intermediaries in respect of amounts collected from policyholders and held for the benefit of Right Cover; and
- cash and cash equivalents.

The insurance contracts provided by Right Cover are introduced by RCIB, who also collect the premium from policyholders on behalf of Right Cover under the terms of a Business Introduction Agreement agreed between the two fellow group undertakings. The amounts collected by RCIB on behalf of Right Cover, net of commission payable to RCIB, is paid to Right Cover within 25 days of the end of each calendar month. The contract between RCIB and Right Cover also includes provisions relating to any delays in payment by RCIB. No amounts were overdue to Right Cover at 31 December 2020.

The credit risk for Right Cover relating to cash and cash equivalents is mitigated by holding the funds in highly rated banks.

The table below provides information on the credit risk exposure of Right Cover at 31 December 2020 by classifying assets according to the credit ratings of the counterparties. Assets which fall outside the range of AAA to BBB are classified as not rated.

	A rated £'000	Not rated £'000	Total £'000
Debtors in respect of insurance operations		441	441
Cash at bank and in hand	3,394	-	3,394
Total financial assets	3,394	441	3,835

iv) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk is the obligation to pay claims to policyholders as they fall due. The investment strategy of Right Cover is to retain investments in cash balances to ensure that it has sufficient cash resources available to pay claims as they fall due.

Right Cover had cash balances of £3,393,563 at 31 December 2020. The table below summaries the estimated timing of net cash outflows from recognised insurance liabilities at 31 December 2020.

	Carrying amount £'000	Undiscounted Cash flow £'000	Payable within one year £'000
Claims outstanding	2	2	2
Other amounts due in respect of insurance operations	146	146	146
Recognised insurance liabilities	148	148	148

v) Capital risk

The objective of the Company and of the Group is to ensure that the Company and its subsidiary undertakings are able to continue as going concerns and comply with all regulatory capital requirements in the markets in which they operate, whilst maximising the return to stakeholders by seeking an optimal balance between of debt and equity. The capital structure of the Company consists of equity (comprising issued share capital, reserves and retained earnings), loan notes and borrowings.

Notes to the Financial Statements for the period ended 31 December 2020 (continued)

The capital requirements of the Company and of its subsidiary undertakings is determined by its exposure to risk and the solvency criteria established by management and statutory regulations. The Company and its subsidiary undertakings manage their capital structures and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company or its subsidiary undertakings may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Right Cover is subject to the solvency regime established by the Guernsey Financial Services Commission (The Insurance Business (Solvency) Rules 2015) ("the Solvency Rules"). Right Cover is required under the Solvency Rules to maintain, at all times, capital resources which are greater than both the Minimum Capital Requirement and Prescribed Capital Requirement as defined in the Solvency Rules. The directors of Right Cover ensure that the management and decision-making activities of Right Cover are carried out whilst ensuring adherence to the Solvency Rules at all times. The position at the balance sheet date is summarised below.

	As at 31 December 2020 £000	As at 31 December 2019 £000
Minimum Capital Requirement (MCR)	131	-
Prescribed Capital Requirement (PCR)	1,371	-
Capital Resources	2,927	-
Ratio of Capital Resources to MCR	2,234%	-
Ratio of Capital Resources to PCR	213%	-

The assets and liabilities held by Right Cover relating to insurance contracts and comprising the Capital Resources stated above were as follows at the balance sheet dates shown:

	As at 31 December 2020 £000	As at 31 December 2019 £000
Cash held at bank	3,394	-
Premiums receivable	441	-
Deferred acquisition costs	374	-
Unearned premium	(1,091)	-
Provision for outstanding claims	(2)	-
Other creditors and accruals	(189)	-
Capital Resources	2,927	-

Claims outstanding at the balance sheet date represents an estimate of the value of claims incurred but not yet paid by the Group. The estimation of the ultimate liability from claims under the insurance contracts written by the Group is not considered to be a key area of risk or estimation as there is a very short period of time between the claim arising (i.e. motor breakdown) and the settling of that claim. As a consequence, there are no significant provisions made for unsettled claims.

The provision for outstanding claims in respect of the insurance contracts is set on an individual claims basis, and is based on the ultimate cost of all claims notified but not settled. No separate provision is held for claims incurred but not reported as the provision for outstanding claims includes the cost of all claims incurred to the balance sheet date. As a result, the directors consider that there is minimal risk in the estimation of claims outstanding at the balance sheet date.

Claim development tables have not been presented within these financial statements as there is insufficient historical data at the balance sheet date.

vi) Foreign exchange risk

Right Cover is not exposed to foreign currency risk as the insurance transactions, assets and liabilities are all denominated in Sterling.

25 Controlling party

In the opinion of the directors the Company was not under the effective control of an individual or company.

Notes to the Financial Statements for the period ended 31 December 2020 (continued)

26 Related party transactions

All directors who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. Their remuneration is disclosed in note 8 to the financial statements on Directors's remuneration.

The Company has taken advantage of the exemption available in section 33.1A of FRS 102 not to disclose transactions with other companies within the Group.

The directors of the Company have acquired loan notes totalling £22.9m (2019: £22.9m). Of the remaining loan notes in issue, £27.6m (2019: £27.6m) was acquired by a shareholder of the Company. All of the loan notes accrue interest at 8% per annum. Interest of £5.3m (2018: £4.3m) has been accrued on these loan notes for the year.

A shareholder is entitled to a monitoring fee at the rate of £105,000 per annum which has been charged to the Statement of Comprehensive Income. The charge for the year was £105,000 (2019: £138,442). At 31 December 2020, an amount of £10,500 was due to the shareholder in respect of the monitoring fee (2019: £10,500).

Right Choice Insurance Brokers Limited ("RCIB"), a wholly owned subsidiary of the Company, leases the premises it occupies at St James House, Eastern Road, Romford, Essex from Right Choice Property Holdings Limited ("RCPH"), a company under the control of the Mr D Joseph, Mr M Joseph and Mr R Taberner. During the year the Group was charged £433,242 (2019: £414,484), exclusive of VAT, in respect of rent, service charges and buildings insurance under the terms of its lease with RCPH. At the year-end no amount (31 December 2019: nil) was owed by the Company to RCPH in respect of rent, service charges and buildings insurance.

27 Post balance sheet events – purchase of business undertakings

On 26 March 2021 the Company entered into a Sale and Purchase Agreement for the purchase of the entire issued share capital of Atlanta Investment Holdings C Limited, together with its wholly owned subsidiary Bennetts Motorcycling Services Limited ("Bennetts"). Bennetts is a leading distributor of motorcycle insurance to private customers in the UK. Completion of the Sale and Purchase Agreement took place on 13 May 2021 following regulatory approval from the Financial Conduct Authority and Competition & Markets Authority.

On 1 April 2021 RCIB entered into an Asset Purchase Agreement for the purchase by RCIB of the business, customer database and intellectual property relating to the insurance brands 'Ladybird', 'Autosaint' and 'First Van'. Completion of the Asset Purchase Agreement took place on 12 April 2021. The purchase also resulted in 64 staff transferring to the employment of RCIB under TUPE provisions.

On 17 May 2021 the Company entered into a Sale and Purchase Agreement for the purchase of the entire issued share capital of a group of companies engaged in the distribution of insurance products largely to the SME sector and commercial van drivers in the UK. Completion of the Sale and Purchase Agreement is subject to regulatory approval from the Financial Conduct Authority.

On 1 June 2021 the Company entered into a Sale and Purchase Agreement for the purchase of the parent undertaking of an insurance company located in Gibraltar and licenced by the Gibraltar Financial Services Commission ("Insurer"). In addition, and under the terms of the same Sale and Purchase Agreement, the Company agreed to purchase a company located in the UK and authorised by the Financial Conduct Authority acting as an Managing General Agent ("MGA"). The MGA arranges insurance capacity provided by Insurer to insurance intermediaries in the UK, including RCIB. Completion of the Sale and Purchase Agreement is subject to regulatory approval by both the Gibraltar Financial Services Commission and the Financial Conduct Authority, and the finalisation of the financing arrangements for the purchase.

28 Post balance sheet event – legal claim

On 6 May 2021, RCIB received a formal writ of claim from the trustee in bankruptcy of Alpha Insurance A/S ("Alpha") for an amount of £615,541. Alpha provided insurance capacity to RCIB until its bankruptcy on 8 May 2018, and the trustee in bankruptcy alleges that the amount is due to the Alpha in respect of unearned commission following the bankruptcy. The claim by the trustee in bankruptcy was made 3 days before the date on which any such claim would have been time barred.

The directors consider that the claim is without merit and contrary to a settlement agreement dated 24 September 2018 entered into between RCIB, the trustee in bankruptcy, the Financial Services Compensation Scheme Limited in the UK, and the Danish Guarantee Fund for Non-Life Insurance Undertakings. The directors of RCIB are rigorously defending the claim, and are also preparing a counterclaim against the trustee in respect of profit commission which the directors consider is due to RCIB and which they expect will exceed the amount stated in the writ issued by the trustee in bankruptcy.

No provision for the claim has been made as the directors consider that it is not probable that a liability on the Group will arise.