

# **K2 Group Holdings Limited**

## **Annual Report and Financial Statements**

For the year ended 31 December 2022

Registered No: 12492816

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COMPANIES HOUSE

## K2 Group Holdings Limited

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Registered No: 12492816

### **Directors**

N Hunter

R Kimmel

### **Independent Auditor**

Grant Thornton UK LLP

30 Finsbury Square

London

EC2A 1AG

### **Registered Office**

5th Floor

35 Great St. Helen's

London

EC3A 6AP

## K2 Group Holdings Limited

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## K2 Group Holdings Limited

# Strategic report

The Directors present their Strategic Report for the year ended 31 December 2022.

## Principal activities

The principal activity of K2 Group Holdings Limited ('the Company') is that of an investment holding company. The principal activity of its subsidiaries ('the Group') are that of a service company, an insurance general agent and a provider of insurance broking services.

## Results and dividends

The financial results are set out in the profit and loss account on page 12.

At the year end the Company had a shareholder surplus of £0.8m (2020: £6.2m). No dividends were paid during the year (2020: £nil).

## Key performance indicators

	2022	2021
	£m	£m
Turnover	0.4	-
Loss before tax	5.6	-

During the year, the Company received £0.4m in dividends from a subsidiary company (2021: £nil). The loss before tax is driven by an impairment (£2.0m) in the carrying value of an investment due to lost capacity thereby reducing income flows in that company moving into 2023. In addition, during January 2023, a separate subsidiary was sold. The inter-company receivable (£3.0m) from this company was impaired in its entirety at year end.

## Principal Risks and Uncertainties

A review of the principal risks and uncertainties faced by the Company, and how it mitigates against them, is set out in the Directors' Report.

## Greenhouse Gas Emissions

The Company has assessed its energy consumption for the year ended 31 December 2022 to be less than 40,000 KHW and is therefore categorised as a Low Energy User and exempt from the greenhouse gas emission disclosure requirements under The Companies Act 2006.

## Supplier Payment Policy and performance

It is the Company's policy to agree appropriate terms and conditions in advance with its suppliers and to make payment in accordance with those terms and conditions, provided that the supplier has complied with them.

## Shareholders

Engagement with shareholders is essential for the long-term success of the Company. Shareholders are engaged through board meetings and regular monthly updates on business performance. The discussions covered include performance of the Company, corporate governance, employee compensation and the strategic direction of the Company.

## K2 Group Holdings Limited

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### Strategic report (continued)

#### Employment policies and diversity

During the year the Company did not have any employees however there were an average of 41 employees across the group (2021: 39).

The Board recognises that the continuing success of the Company through its subsidiaries depends on its employees and is adopting policies designed to retain, attract, develop and train talented individuals and teams.

The Company and its subsidiaries are an equal opportunities employer and bases decisions on an individual's ability regardless of race, religion, gender, age or disability.

#### Customers

Customer care is within the Board's main area of interest. Listening to our customers' needs and acting in their best interest is our priority. Working with the international markets, we bring innovative and tailored solutions to our customers, and once built, we maintain long lasting relationships with them. The Company's engagement with customers is routinely discussed in monthly meetings.

#### Regulatory relationships

The Company is not regulated however its subsidiaries which act as insurance general agents are appointed representatives of Pioneer whilst its subsidiary which provides brokerage services is an appointed representative of Ambant Limited ('Ambant'). The Company and its subsidiaries engage with Pioneer and Ambant in a transparent manner, facilitated by the legal and compliance team which reports on a regular basis to the board and deals with any ad hoc queries.

Approved by the Board of Directors on 17 May 2023 and signed on its behalf by:



Robert Kimmel

Director

K2 Group Holdings Limited

## K2 Group Holdings Limited

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### Directors' report

The directors present their report together with the financial statements and auditor's report for the year ended 31 December 2022.

#### Directors

The current directors of the Company are listed on page 1.

The directors of the Company who served during the year under review and up to the date of this report were:

N Hunter

R Kimmel

M K Gormley (resigned 28 April 2023)

#### Directors' liabilities

The Company has granted an indemnity to all directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provision remains in force at the date of approving the directors' report.

#### Future developments

The Company expects to continue to as a holding company for the UK branch of the wider K2 Group for the foreseeable future. There are currently no adverse future developments.

The Company has not been, nor expects to be impacted by Covid-19. The carrying value of its investments have not been impacted by Covid-19 as income has been earned as expected, receivables are collected in a timely manner and the Company and its subsidiaries have been able to effectively work remotely. The Directors have therefore determined that there are no material items to be disclosed as a result of Covid-19.

The Company has not been, nor expects to be impacted by the Ukraine conflict. The Directors have therefore determined that there are no material items to be disclosed as a result of this.

#### Going concern

The directors are confident the Company is a going concern and has adequate resources to continue in operational existence for the 12-month period from the signing of these accounts. The parent company in the US has provided assurance that the Company and all its subsidiaries will be supported financially to enable it to meet all its liabilities as they fall due and will not call back the intercompany receivable due from the Company for at least 12 months from the date of the approval of the statutory financial statements for the year ended date 31 December 2022.

#### Principal risks and uncertainties

The management of the business and the execution of the strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company and its subsidiaries are considered to relate to:

- competition from other MGAs and insurers;
- retaining capacity to enable revenue to be earned;
- the relative value of sterling against our key currencies, notably the US Dollar; and
- claims and claims costs, which can affect the level of profit commission that the Group receives, (although the underwriting agency operations are not directly responsible for claims).

There are regular leadership group meetings to review strategic risks, a strategic planning process and due diligence and risk assessments to help mitigate against the above risks. The Company does not expect the risks going forward to differ to those currently faced.

## K2 Group Holdings Limited

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### Directors' report (continued)

#### Financial instruments

The Company through its investment in its subsidiaries is exposed to a number of financial risks including credit risk, cash flow risk and liquidity risk.

#### Cash flow risk

The Company through its investment in its subsidiaries expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. A subsidiary company, K2 Group Services Limited, has entered into derivative contracts to provide a commercial hedge against these exposures. The hedge is essentially forward contract enabling the Company to achieve an exchange rate for a stipulated amount of US Dollars thereby reducing volatility in the financial statements and providing a worst-case exchange rate for cash management. Foreign exchange is continually monitored and assessed and where deemed necessary, plans put in place.

#### Credit risk

The Company through its investment in its subsidiaries is exposed to credit risk on its trade receivables. The Company and its subsidiaries have no significant concentration of credit risk, with exposure spread over a number of counterparties.

#### Liquidity risk

The Company and its subsidiaries liquidity are managed by K2 Group Services Limited which continuously monitors forecast and actual cash flows. The Company and its subsidiaries have access to funds from the ultimate parent if required.

#### Events after the balance sheet date

Refer to note 17 for further detail on events after the balance sheet date.

#### Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102, "the financial reporting standard applicable in the UK and Republic of Ireland". 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 and of the loss of the Company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; 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 transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## K2 Group Holdings Limited

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### Directors' report (continued)

#### Directors' confirmations

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

#### Independent auditors

The auditors, Grant Thornton UK LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Approved by the Board of Directors on 17 May 2023 and signed on its behalf by:



Robert Kimmel

Director

K2 Group Holdings Limited



**K2 Group Holdings Limited**

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**Independent Auditor's report****Opinion**

We have audited the financial statements of K2 Group Holdings Limited (the 'company') for the year ended 31 December 2022, which comprise the Profit and Loss account, Balance Sheet and Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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

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

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

## K2 Group Holdings Limited

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### Independent Auditor's report (continued)

#### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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 there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Opinions 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.

#### Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

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

#### Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis

of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**K2 Group Holdings Limited****Independent Auditor's report (continued)****Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Explanation as to what extent the audit was considered 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. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and the industry in which it operates. We determined that the most significant laws and regulations that relate to the reporting frameworks; United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland, UK Corporation tax and the Companies Act 2006;
- We enquired of the directors and management to obtain an understanding of how the Company is complying with those legal and regulatory frameworks and whether there were any instances of non-compliance with laws and regulations and whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through our review of the minutes of the Company's board meetings;
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included an evaluation of the risk of management override of controls. Audit procedures performed by the engagement team in connection with the risks identified included:
  - evaluation of the design and implementation of controls that management has put in place to prevent and detect fraud;
  - testing journal entries, including manual journal entries processed at the year-end for financial statements preparation and journals with unusual account combinations; and
  - *challenging the assumptions and judgements made by management in its significant accounting estimates.*
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;

## K2 Group Holdings Limited

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### Independent Auditor's report (continued)

- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with, audit engagements of a similar nature and complexity, through appropriate training and participation;
  - knowledge of the industry in which the Company operates; and
  - understanding of the legal and regulatory frameworks applicable to the Company.

#### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Grant Thornton UK LLP*

**Zoe Hutton-Priscott**

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

17 May 2023

## K2 Group Holdings Limited

**Profit and Loss Account**

For the year ended 31 December 2022

		2022	2021
	Notes	£'000	£'000
<b>Turnover</b>	2	364	-
Administrative expenses		(925)	(46)
Impairment in subsidiary investment		(2,035)	-
Impairment subsidiary loan		(3,023)	-
<b>Loss before taxation</b>		<b>(5,619)</b>	<b>(46)</b>
Tax credit on loss	5	233	9
<b>Loss for the year</b>		<b>(5,386)</b>	<b>(37)</b>

All operations derive from continuing activities.

A statement of comprehensive income has not been prepared as there is no other comprehensive income for the current financial year other than as stated in the profit and loss account.

The accompanying notes form an integral part of the financial statements.

## K2 Group Holdings Limited

**Balance Sheet**

As at 31 December 2022

	Notes	2022 £'000	2021 £'000
<b>Fixed assets</b>			
Investments in subsidiaries	6	8,527	10,562
<b>Current assets</b>			
Debtors:			
- due within one year	7	1,132	3,794
Cash		195	195
Deferred tax asset	8	236	-
		<u>1,563</u>	<u>3,989</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(9,264)</u>	<u>(8,339)</u>
<b>Net current liabilities</b>		<u>(7,701)</u>	<u>(4,350)</u>
<b>Net assets</b>		<u>826</u>	<u>6,212</u>
<b>Capital and reserves</b>			
Called up share capital	10	1	1
Share premium account	11	11,229	11,229
Other reserve	12	(916)	(916)
Profit and loss account		<u>(9,488)</u>	<u>(4,102)</u>
<b>Equity shareholders' funds</b>		<u>826</u>	<u>6,212</u>

The accompanying notes form an integral part of the financial statements for K2 Group Holdings Limited (registered number: 12492816), which were approved by the Board of Directors on 17 May 2023 and signed on its behalf.



Robert Kimmel

Director

K2 Group Holdings Limited

## K2 Group Holdings Limited

**Statement of changes in equity**

For the year ended 31 December 2022

	Called up share capital	Share premium account	Other reserve	Profit and loss account	Total equity shareholders' funds
	£'000	£'000	£'000	£'000	£'000
<i>As at 31 December 2020</i>	1	11,229	(916)	(4,065)	6,249
Total comprehensive loss for the year	–	–	–	(37)	(37)
<i>As at 31 December 2021</i>	1	11,229	(916)	(4,102)	6,212
Total comprehensive loss for the year	–	–	–	(5,386)	(5,386)
<i>As at 31 December 2022</i>	1	11,229	(916)	(9,488)	826

The accompanying notes form an integral part of the financial statements.

## K2 Group Holdings Limited

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# Notes to the accounts

For the year ended 31 December 2022

## 1. Accounting policies

### Company information

The Company is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and registered in 2020. The address of the Company's registered office is shown on page 1.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year.

The financial statements do not contain consolidated information as the parent of a group. The Company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements, as it and its subsidiary undertakings are included in the consolidated financial statements of its ultimate parent, K2 Hold Co LP.

### General information and basis of accounting

The accounts are prepared under the historical cost convention and in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

The functional currency of the Company is pounds sterling because that is the currency of the primary economic environment in which the Company operates. The financial statements are also presented in pounds sterling.

As permitted by FRS 102, the Company has taken advantage of disclosure exemptions available related to the statement of cash flows.

### Going concern

The financial statements have been prepared under the going concern basis. After performing their assessment, the directors have a reasonable expectation that the Company and the group has adequate resources to continue in operational existence for the 12-month period from the signing of these accounts. These enquiries include Cashflow and Profit & Loss forecasts which have been sensitized to provide comfort sufficient resources are available.

Cashflow for the UK group is managed by K2 Group Services Limited. Sensitivity analysis has therefore been prepared at group level which includes stress testing cash receipts by up to 40% with no compensating reduction in expenses. The output supports the preparation of the accounts under a going concern basis.

In addition, across the UK group, income is generated from a diverse portfolio of insurance carriers thereby reducing any potential concentration risk.

The Directors have a reasonable expectation that the Company has adequate support from its ultimate parent, K2 Hold Co LP, to continue in operational existence for the foreseeable future or until such point that they are no longer owned by K2 Hold Co LP. A letter of support has been provided by the US to confirm they have the resources to support the Company and will not call back the intercompany receivable due from the Company for the 12-month period from the signing of these accounts.

Covid-19 has not had a significant impact on the Company and it is not expected to have a material impact going forward.

The Company has not been, nor expects to be impacted by the Ukraine conflict.



**K2 Group Holdings Limited**

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**Notes to the accounts**  
**For the year ended 31 December 2022****1. Accounting policies (continued)****Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rules and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in years different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future year in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**Equity instruments**

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

**Foreign exchange**

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the end of the month. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting year end date. Gains and losses arising on translation are included in the income statement for the year.

**Investment in subsidiaries**

Investment in subsidiary undertakings are recognised at cost less impairment.

**Cash and cash equivalents**

Cash and cash equivalents include cash in hand and deposits held with banks. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

**Other financial liabilities**

Other financial liabilities, including intercompany borrowing and other short-term monetary liabilities, are measured at cost.

## K2 Group Holdings Limited

**Notes to the accounts (continued)**

For the year ended 31 December 2022

**1. Accounting policies (continued)****Financial instruments**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

**Reserves**

The Company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- The share premium account includes the premium on issue of equity shares, net of any issue costs.
- *The other reserve is the difference between the final capital injected into the Company and what was expected at the time of the transaction.*
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

**(i) Financial assets and liabilities**

The Company enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors. All financial assets and liabilities are initially measured at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Company has adopted the disclosure and presentation requirements of Sections 11 and 12 of FRS 102.

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

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

**(ii) Impairment of financial assets**

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

## K2 Group Holdings Limited

**Notes to the accounts (continued)**

For the year ended 31 December 2022

**1. Accounting policies (continued)****Significant judgements and estimates**

There are no judgements (apart from those involving estimates) that have had a significant effect on amounts recognised in the financial statements.

**Investment in subsidiaries**

At each reporting date investment in subsidiaries are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying value. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is immediately recognised in the profit and loss account.

**2. Geographical analysis of turnover by source**

	2022	2021
	£'000	£'000
United Kingdom		
Dividends	364	-

The business activities of the Company are based in the United Kingdom where the Company's operating profits are generated and its net assets are held. The turnover arises from the Company's principal activity.

**3. Operating loss**

	2022	2021
	£'000	£'000
<b>Operating loss is stated after charging:</b>		
Net foreign exchange losses/ (gains)	925	(46)
Impairment in subsidiary loan	3,023	-
Impairment in subsidiary investment	2,035	-

The audit fee of £5,000 (2021: £5,000) was borne by another group company.

In addition to the above audit fee, non-audit tax services totalling £26,000 were received from Grant Thornton during the year. These were paid for and borne by its subsidiary, K2 Group Services Limited, on behalf of the Company.

The average number of employees during the year was nil.

**4. Directors' remuneration**

The directors received no remuneration for the year.

## K2 Group Holdings Limited

**Notes to the accounts (continued)**

For the year ended 31 December 2022

**5. Tax on loss on ordinary activities**

	2022 £'000	2021 £'000
Taxation credit comprises:		
<b>Current tax</b>		
UK corporation tax at 19%	3	(9)
Total current tax charge/ (credit)	3	(9)
<b>Deferred tax</b>		
Origination and reversal of timing differences	(236)	-
Total deferred tax (note 9)	(236)	-
Tax credit on loss on ordinary activities	(233)	(9)

There is no expiry date on timing differences or tax credits.

**Factors affecting the tax charge for the loss**

The tax rate for the year is explained below:

	2022 £'000	2021 £'000
Loss on ordinary activities before tax	(5,619)	(46)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19%	(1,068)	(9)
Effects of:		
Intangible assets ineligible amortisation	-	-
Income not taxable for tax purposes	(70)	-
Adjustment to tax charge in respect of previous periods	9	-
Adjustment to deferred tax charge in respect of previous periods	(11)	-
Remeasurement of deferred tax for changes in tax rates	(54)	-
Non-deductible expenses	961	-
Total tax credit for the year	(233)	(9)

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. In the Autumn Statement in November 2022, the government confirmed the increase in corporation tax rate to 25% from April 2023 will go ahead. At the balance sheet date, the deferred tax asset has been provided for at rates at which management believe the assets will be utilised.

## K2 Group Holdings Limited

**Notes to the accounts (continued)**

For the year ended 31 December 2022

**6. Investment in subsidiary undertakings**

	<b>Total £'000</b>
<b>Cost</b>	
At 1 January 2022	<b>14,470</b>
At 31 December 2022	<b>14,470</b>
<b>Impairment</b>	
At 1 January 2022	<b>3,908</b>
Charged in the year	<b>2,035</b>
At 31 December 2022	<b>5,943</b>
<b>Carrying value</b>	
At 31 December 2022	<b>8,527</b>
At 31 December 2021	<b>10,562</b>

## K2 Group Holdings Limited

**Notes to the accounts (continued)**

For the year ended 31 December 2022

**6. Investment in subsidiary undertakings (continued)**

Details of the Company's principal subsidiaries are as follows:

Name of company	Country of registration (or incorporation)	Registered address	Proportion of voting rights and shares held	Nature of business
K2 CAT Limited	England and Wales	5 Floor, 35 Great St Helen's, London, EC3A 6AP	100% (ordinary shares)	Insurance underwriting agency
K2 Financial Limited	England and Wales	5 Floor, 35 Great St Helen's, London, EC3A 6AP	73% (ordinary shares)	Insurance underwriting agency
K2 Property D&F Limited	England and Wales	5 Floor, 35 Great St Helen's, London, EC3A 6AP	100% (ordinary shares)	Insurance underwriting agency
K2 Specialty Limited	England and Wales	5 Floor, 35 Great St Helen's, London, EC3A 6AP	100% (ordinary shares)	Insurance underwriting agency
K2 Group Services Limited	England and Wales	5 Floor, 35 Great St Helen's, London, EC3A 6AP	100% (ordinary shares)	Service Company
Ballantyne Brokers Limited	England and Wales	Warnford Court, Throgmorton Street, London, EC2N 2AT	100% (ordinary shares)	Insurance brokerage agency
K2 International Europe S.A.	Belgium	Silversquare Stéphanie Avenue Louise 54 1050 Bruxelles	100% (ordinary shares)	Insurance underwriting agency

The proportion of voting rights and shares held relates to class A shares.

The investment in K2 CAT Limited of £2,400,000 represents cost (£4,435,000) less impairment (£2,035,000).

The investment in K2 Financial Limited is held at a cost (£4,819,000).

The investment in K2 Property D&F Limited of £953,000 represents cost (£1,193,000) less impairment (£240,000).

The investment in K2 Specialty Limited of £200,000 represents cost (£3,869,000) less impairment (£3,669,000).

The investment in K2 Group Services Limited is held at a cost £92,000.

The investment in Ballantyne Brokers Limited is held at a cost £10.

The investment in K2 International Europe S.A. is held at a cost £63,000.

**Notes to the accounts (continued)**

For the year ended 31 December 2022

## K2 Group Holdings Limited

**7. Debtors – amounts falling due within one year**

	2022 £'000	2021 £'000
Amounts owed by subsidiary undertakings	1,132	3,794
<b>As at 31 December</b>	<b>1,132</b>	<b>3,794</b>

**8. Deferred tax asset**

	2022 £'000	2021 £'000
At 1 January	-	-
Movement in year	236	-
<b>As at 31 December</b>	<b>236</b>	<b>-</b>

The deferred tax asset recognised in 2022 relates to taxable losses.

**9. Creditors – amounts falling due within one year**

	2022 £'000	2021 £'000
Amount due to parent undertaking	9,069	8,144
Other creditors	195	195
<b>As at 31 December</b>	<b>9,264</b>	<b>8,339</b>

**10. Called up share capital**

	2022 £	2021 £
Allotted, called up and fully paid: 1,020 Class A Ordinary Shares of £1 each	1,020	1,020
<b>As at 31 December</b>	<b>1,020</b>	<b>1,020</b>

Class A ordinary shareholders are entitled to attend and vote at general meetings of the company with one vote per A ordinary share held. Dividends shall be distributed among the holders of A ordinary shares. Class A ordinary shares carry no right of redemption.

**11. Share premium account**

	2022 £'000	2021 £'000
Class A share premium	11,229	11,229
<b>As at 31 December</b>	<b>11,229</b>	<b>11,229</b>

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

**Notes to the accounts (continued)**

For the year ended 31 December 2022

## K2 Group Holdings Limited

**12. Other reserve**

	<b>2022</b>	2021
	<b>£'000</b>	£'000
Other reserve	<b>(916)</b>	(916)
<b>As at 31 December</b>	<b>(916)</b>	(916)

Share capital and share premium represented the expected capital in the Company at the time of the transaction with Pioneer in May 2020. Following the completion of the opening balance sheet in April 2021, which included an adjustment to the consideration paid to Pioneer, the other reserve is the difference between the final capital injected into the Company and what was expected at the time of the transaction. This represents assets and liabilities contributed to the Company by its parent in the form of a capital contribution.

**13. Related party transactions**

At the year end, included within creditors was £9,069,000 (2021: £8,144,000) owed to the parent company, K2 Insurance Services LLC.

At the year end, included within debtors was £1,132,000 (2021: £3,794,000) owed by its subsidiaries.

**14. Capital risk management**

The company manages its capital to ensure that it will be able to continue as a going concern. Cash management is controlled by another group company. The capital structure of the company consists of an intra-group loan and equity comprising of share capital, share premium, other reserve and retained earnings.

The capital structure of the company is reviewed annually by management.

**15. Financial instruments**

The company has the following financial instruments held at amortised cost:

	<b>2022</b>	2021
	<b>£'000</b>	£'000
<b>Financial asset</b>		
Investment in subsidiaries	<b>8,527</b>	10,562
Amounts owed by subsidiary undertakings	<b>1,132</b>	3,794
Cash	<b>195</b>	195
	<b>9,854</b>	14,551
<b>Total financial assets</b>		
Amounts owed to parent undertaking	<b>(9,069)</b>	(8,144)
Other creditors	<b>(195)</b>	(195)
	<b>(9,264)</b>	(8,339)
<b>Total financial liabilities</b>		



## K2 Group Holdings Limited

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### **Notes to the accounts (continued)**

**For the year ended 31 December 2022**

#### **16. Ultimate parent undertaking**

The parent undertaking is K2 Insurance Services LLC, a company registered and operating in the United States of America.

The ultimate parent undertaking and controlling entity is K2 Hold Co LP a company registered and operating in the United States of America. The ultimate parent undertaking is the smallest and largest to consolidate these financial statements. Copies of the K2 Hold Co LP financial statements can be obtained from the Company Secretary at 11452 El Camino Real, Suite 250, San Diego, CA 92130.

#### **17. Post balance sheet events**

On the 18 January 2023, the Company disposed of Ballantyne Brokers Limited. Cash proceeds of £195,000 were received on completion of the transaction and will be recognised as a gain in the 2023 financial statements, net of any associated costs. At year end, £1,672,000 on the inter-company receivable due from Ballantyne Brokers Limited was written off, in line with the post year end sale agreement. A provision for the remaining receivable balance of £1,350,000 due from Ballantyne Brokers Limited was recognised due to the associated collectability risk.