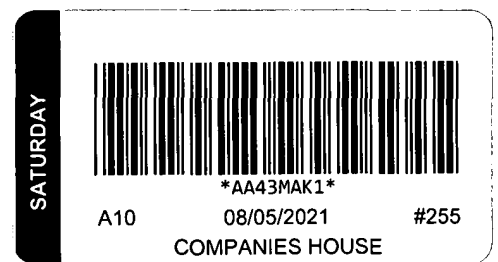


KI FINANCIAL LIMITED

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL
STATEMENTS

31 DECEMBER 2020



Registered Number: 12594708

KI FINANCIAL LIMITED

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KI FINANCIAL LIMITED

Company Information

Directors

D Miller (Appointed on 23 September 2020)
M Allan (Appointed on 2 September 2020)
M Wallace (Appointed on 23 October 2020)
M Wilson (Appointed on 2 September 2020)
P Clarke (Appointed on 23 September 2020, resigned on 23 October 2020)
Q Abbas (Appointed on 23 September 2020)
S Dartford (Appointed on 11 May 2020, resigned on 2 September 2020)

Registered Office

The Leadenhall Building
122 Leadenhall Street
London
EC3V 4AB

Independent Auditor

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditor
7 More London Riverside
London
SE1 2RT

KI FINANCIAL LIMITED

Strategic Report

The Directors present their Strategic Report on the Company for the period ended 31 December 2020.

Review of the business

Ki Financial Limited and its subsidiaries (collectively, Ki Group) is a standalone business, launched for 2021, and the first fully digital and algorithmically-driven Lloyd's of London syndicate (Syndicate 1618) that will be accessible anywhere, at any time. We believe Ki will redefine the commercial insurance market with its digital and data-first model.

The Company is the principal holding company of the Ki group and an intermediate holding company within the Brit Limited Group and a direct subsidiary of Brit Limited.

Ki marks a step change for an industry that is yet to face the disruption seen across the rest of financial services and other industries. It aims to significantly reduce the amount of time and effort taken for brokers to place their follow capacity, creating greater efficiency, responsiveness and competitiveness.

With Ki, we have re-imagined how follow business can be transacted in Lloyd's, reducing the time to respond to a quote from 2-3 weeks to an average of 10 seconds. We have done this with leading technology - Google Cloud brings to Ki enterprise-grade cloud solutions powered by innovative technologies that enable rapid transformation at scale whilst Ki's algorithm is able to evaluate Lloyd's policies and automatically quote for business through a digital platform that brokers can access directly. The underwriting process is performed using a proprietary algorithm developed with support from University College London and their Computer Science department. Ki follows several 'nominated lead' syndicates across the Lloyd's market, including Brit. Ki offers brokers a line on every risk led by these markets in a broad range of classes of business.

Ki truly embraces all that is represented in 'The Future at Lloyd's' by bringing data, technology, innovation and artificial intelligence to the fore in the complex world of corporate and specialty underwriting. With Lloyd's focus on e-placement and the ever-increasing adoption of electronic trading, we expect the transition in how the Lloyd's market transacts business to accelerate and drive increasing adoption of digital trading.

Ki completed one of the largest fundraises of any start-up in Europe in 2020 with US\$500m of committed capital invested by Blackstone Tactical Opportunities (Blackstone) and Fairfax. This capital commitment has funded Ki's launch and will enable the business to grow rapidly to significant scale.

Securing support from Blackstone, one of the world's leading investment firms, is a significant statement of confidence in Ki and the vision we have set out. With its investors, Ki has the financial firepower to rapidly scale the business and support its plan to provide a truly differentiated offering to brokers and clients.

Ki has also onboarded its first trading partners, a leading group of Lloyd's brokers including Aon, Aon Re, BGCI, including Ed and Besso, Bishopsgate, BMS, Gallagher, Guy Carpenter, Howden, Lockton, Lockton Re, Marsh, Miller, Price Forbes, AmWins/THB, Tysers, Willis, and Willis Re. Ki has agreed to provide valuable capacity to each trading partner in 2021, giving their clients confidence in the availability of insurance capacity well ahead of the renewal of their policy.

Ki is continuously developing and responding to user feedback, with two upgrades to the platform deployed in the first 60 days following launch. In 2021, Ki will deliver additional platform functionality, broaden out the use of nominated lead markets and is planning to integrate directly with broker platforms.

These developments are Lloyd's firsts, enabling seamless and instantaneous commitment of follow capacity in the market and bring to life the potential of a digital future for the Lloyd's follow market.

We recognise the critical importance of our broker partners and have invested in a leading underwriting team to manage these relationships, within the Portfolio Underwriting team led by Dan Hearsum. Our mission is to improve the broker's experience of placing follow business in Lloyd's and we deliver this with our leading technology being partnered with our talented underwriting team.

Fundamental to our business are the platform and algorithm, so we have recruited leading technology, data science and actuarial skills in the Portfolio Management and Development functions, led by Alan Tua and James Birch respectively. We have looked outside of our immediate market for technology, data and algorithm expertise and strive to attract the best talent to our marketplace. It is early days but the potential of this team to deliver our vision and continue to push the boundaries is already evident.

KI FINANCIAL LIMITED

In October 2020, Ki Syndicate 1618 achieved 'permission to underwrite' from Lloyd's, and in November it bound its first risk, with its line having been generated by its proprietary algorithm, a first in the Lloyd's market. Ki plans to write cUS\$400m of GWP in its first year, which would make it the largest ever start-up in Lloyd's.

In the opinion of the Directors, the state of affairs of the Company and its subsidiaries at the end of the financial period was satisfactory and in line with expectations. The Directors do not envisage any changes to the current business model in 2021.

Further information can be found at www.ki-insurance.com and <https://youtu.be/gZUqDGjTrI>.

Principal risks and uncertainties

The principal risk confronting the Company is that its subsidiary investments could become impaired. This is monitored by management, and impairments are made when necessary.

Coronavirus (COVID-19) outbreak

Overview

The COVID-19 pandemic is a global crisis, the like of which has not been seen for generations. As well as the devastating human cost, it has created an extraordinarily significant amount of global disruption and economic uncertainty, with the impact on the global economy likely to be felt for many years to come.

Ki's operational response

Operational processes of the Company are outsourced to other companies within the Brit Limited group. Brit Group's immediate priorities as the crisis emerged were to ensure the safety of its employees and continuity of its service to its clients, including Ki. All its staff were quickly and successfully able to move to remote working using its robust IT estate and systems and have maintained a continuity of service, remaining fully open for business throughout the lockdown period.

Impact on the Ki Financial Limited

Ki Financial Limited management has undertaken work to assess the potential financial impact of COVID-19 on the company. The company has not experienced any significant impact from COVID-19. Ki Financial Limited management continues to monitor the situation, including considering the valuation of investments in subsidiaries, and will adapt its plans as necessary to ensure it acts in the best interests of its stakeholders.

United Kingdom's exit from the European Union (Brexit)

Ki Financial Limited has not experienced any significant impact from Brexit. The Directors note the Trade and Cooperation Agreement (TCA) between the UK and the EU, which governs the UK and EU's economic and trading relationship from 1 January 2021. The Directors also note the areas on which further agreement still needs to be reached, including financial services and data adequacy. Developments continue to be monitored closely.

Result and dividend

The loss for the financial period after taxation is US\$4,127k.

Section 172(1) Statement

Introduction

As Directors, our key responsibility is to promote the success of the Company. This principle is the cornerstone of our discussions and our decision making. Each Director is cognisant that in discharging this key responsibility, they must have regard to matters set out in s172(1)(a-f) of the Companies' Act. The Directors consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company.

Our strategy

The Board is responsible for a number of key strategic decisions and on-going performance monitoring. The Directors' assessment of long-term value creation considers the Company's resilience. They determine and

monitor risk appetites and tolerances, and they ensure the Company has an effective risk management framework in place.

KI FINANCIAL LIMITED

Strategic Report (continued)

Section 172(1) Statement (continued)

Board information

The Board receives information on a range of relevant topics and receives information on other areas as requested by the Directors from time to time.

Our policies and practices

All relevant factors are appropriately addressed by the Board when considering matters. It ensures that all relevant considerations to assist it discharge its responsibilities are embedded in the key operations of the business, in order to help promote the long-term success of the Company.

Training

To assist the Directors discharge their responsibilities, they are provided with on-going training and development opportunities. For the wider workforce who provide operational services under outsourcing arrangements with other Brit Group companies, there is a comprehensive staff development program tailored to meet individual needs. Elements of this training are mandatory, with all staff required to successfully complete e-learning modules on key areas such as money laundering, bribery and corruption, data protection, fraud and cyber risk.

Our culture

Building and maintaining the Company's reputation and its high standards of business conduct are essential to the future success of the Company. This is embedded in our culture. The wider workforce is subject to a 'Code of Conduct' setting out the standard we expect from all of our staff. This is regularly reviewed and updated, and compliance is attested to by each employee on an annual basis.

Our stakeholders

The Board recognises the importance of engaging with both its shareholders, Blackstone Tactical Opportunities (Blackstone) and Brit Limited, and its broader stakeholder base. The broader stakeholder base includes Lloyd's of London, Fairfax, Google Cloud, University College London, its clients, broking partners, reinsurers, investment managers, bankers and suppliers.

Key decisions made by the Directors during the year

- **Fund raising and capital structure**

The Board approved the plans for a capital raising in 2020, including the investment proposition, the amounts to be raised and the potential investors to be approached. The Board also approved the final capital structure of the Group and the rights of each investor. The Board concluded that the final capital structure and the agreement between shareholders best considered the needs and expectations of the Company's shareholders and broader stakeholder base.

- **The structure of the Ki group**

The Board approved the legal structure of the Ki Group. The Board considered various proposals before agreeing the final structure which included the establishing Lloyd's Syndicate 1618, the use of a dedicated Lloyd's corporate member, and investments in two segregated accounts of a Bermuda-based structured entity. The Board determined that the chosen structure was most aligned to it achieving its long-term strategic objectives.

- **Board and Officer appointments**

During the year, the Company made a number of Board appointments, as set out on the 'Company Information' page of this report. It has also appointed a number of key executive officers of the Company, including Mark Allan (CEO), Dan Hearsum (Managing Director), Alan Tua (Portfolio Director), James Birch (Development Director) and Keith Parker (Operations Director). In approving these appointments, the Board was mindful of the skillsets required to enable it to deliver on its strategic objectives, in both the short and longer terms.

KI FINANCIAL LIMITED

Strategic Report (continued)

- **Outsourcing agreements with Brit group companies**

During the year, the Company entered into agreements with various Brit Group company to provided services to the Ki Group. These agreements included:

- A management agreement with Brit Syndicates Limited to act as managing agent for Ki Syndicate 1618 for the 2021 underwriting year; and
- An agreement with Brit Group Services Limited to provide a range of administration services.

In entering into these agreements, the Board considered the most efficient manner in which the Ki business model could be serviced, together with the skills and experience embedded within the Brit Group companies' proposals.

- **Appointment of investment managers**

During 2020, the Directors appointed two investment managers, Goldman Sachs Asset Management International to manage the Funds at Lloyd's supporting Ki's underwriting and PIMCO Europe Ltd to manage the assets of Syndicate 1618. In making these appointments, the Board considered each manager's experience and expertise in relevant asset classes and in managing environmental, social and governance (ESG) orientated portfolios.

- **2021 business plan and capital requirements**

On 7 November 2020, the Directors approved the 2021 business plan, together with the capital needed to support that plan. This plan included the Group's underwriting and investment strategies. The Directors considered the Company's immediate and longer-term strategic priorities, together with the risks facing the business. They also considered the needs and expectations of the Company's shareholders. After due discussion, the Directors concluded that the business plan, and attaching capital requirements, positioned the Company well for 2021 and the longer term.

On behalf of the Board



M Allan
Chief Executive Officer
28 April 2021

KI FINANCIAL LIMITED

Report of the Directors

Registered number: 12594708

The Directors present their report and audited financial statements for the period ended 31 December 2020.

Principal activities

The Company is an intermediate holding company.

Result and dividend

The loss for the financial period is US\$4,127k.

The Directors do not recommend the payment of a final dividend for the period ended 31 December 2020.

The Directors do not envisage any changes to the current business model in 2021.

Going concern

The Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Disclosure in respect of the on-going Coronavirus outbreak, and the impact it has had on the Company is included in the Strategic Report.

Directors

The names of the Directors of the Company who held office during the financial year and up to the date of signing the financial statements are listed on page 2.

Employee and environmental matters

All staff in the United Kingdom are employed by the Brit Group services company, Brit Group Services Limited, and the full staff cost disclosures are included in the notes to those financial statements. Further information on the Brit Group's employment policies can be found in the financial statements of Brit Group Services Limited.

Brit Group is committed to managing and reducing its environmental impact in a cost effective and responsible way.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' (FRS 102), and applicable company law (UK Generally Accepted Accounting Practice).

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;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

KI FINANCIAL LIMITED

Report of the Directors (continued)

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 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.

Statement of disclosure of information to the auditor

In accordance with the provisions of section 418 of the Companies Act 2006, each of the persons who are Directors of the Company at the date of approval of this report confirms that:

- So far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- Each Director has taken all the steps that ought to have been taken in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Political donations

Neither the Company nor any of its subsidiaries made any political donations during the year.

Independent Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to have been reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

The review of the business and principal risks and uncertainties information is not shown in the Report of the Directors because it is shown in the strategic report instead under s414C(11).

On behalf of the Board



M Allan
Chief Executive Officer
28 April 2021

KI FINANCIAL LIMITED

Independent Auditors' Report to the members of Ki Financial Limited

Report on the audit of the financial statements

Opinion

In our opinion, Ki Financial Limited's company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the period from 11 May 2020 to 31 December 2020;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic report, Directors' Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2020; the income statement, and the statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information.

KI FINANCIAL LIMITED

Independent Auditors' Report to the Member of Ki Financial Limited (continued)

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 based on these responsibilities. With respect to the Strategic report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the period ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of regulatory principles, such as those governed by the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the risk of management override of controls. Audit procedures performed included:

KI FINANCIAL LIMITED

Independent Auditors' Report to the Member of Ki Financial Limited (continued)

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect irregularities;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations/narrative in journal description or posted by or on behalf of senior management;
- Reading key correspondence with regulatory authorities which included, the Council of Lloyd's, the FCA and the PRA in relation to compliance with laws and regulations (including meeting with the PRA); and
- Reviewing the company's list of litigation and claims, internal audit reports, compliance reports in so far as they related to non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Other matter

We have reported separately on the group financial statements of Ki Financial Limited for the period ended 31 December 2020.



Mark Bolton (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

28 April 2021

KI FINANCIAL LIMITED

Income Statement

For the financial period from 11 May 2020 to 31 December 2020

		Financial period ended 31 December 2020 US\$'000
	Note	
Other operating expenses	2	(227)
Administrative expenses	3	(3,900)
Operating loss		(4,127)
Loss before taxation		(4,127)
Tax on loss	6	-
Loss for the financial period		(4,127)

No other comprehensive income has been recognised and therefore no statement of other comprehensive income has been presented.

The notes on pages 15 to 19 form part of these financial statements.

KI FINANCIAL LIMITED

Statement of Financial Position

As at 31 December 2020

	Note	31 December 2020 US\$'000
Fixed assets		
Intangible assets	7	1,149
Investments in subsidiary undertakings	8	128,984
		<u>130,133</u>
Current assets		
Debtors	9	1,635
Cash at bank and in hand		24,400
		<u>26,035</u>
Creditors: Amounts falling due within one year	10	<u>(4,935)</u>
Net current assets		<u>21,100</u>
Total assets less current liabilities		<u>151,233</u>
Net assets		<u>151,233</u>
Capital and reserves		
Called up share capital	11	155,001
Share premium account		359
Retained earnings		(4,127)
Total equity		<u>151,233</u>

The financial statements on pages 12 to 19 were approved by the Board of Directors on 28 April 2021 and signed on their behalf by:



M Allan
Chief Executive Officer

The notes on pages 15 to 19 form part of these financial statements.

KI FINANCIAL LIMITED

Statement of Changes in Equity

For the financial period from 11 May 2020 to 31 December 2020

	Called up share capital US\$'000	Share premium account US\$'000	Retained earnings US\$'000	Total equity US\$'000
At 11 May 2020 (date of incorporation)	-	-	-	-
Issue of share capital	155,001	359	-	155,360
Loss for the financial year	-	-	(4,127)	(4,127)
At 31 December 2020	155,001	359	(4,127)	151,233

The notes on pages 15 to 19 form part of these financial statements.

KI FINANCIAL LIMITED

Notes to the Financial Statements

For the financial period from 11 May to 31 December 2020

1. Accounting policies

(a) Basis of preparation and statement of compliance

The financial statements have been prepared 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 financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets measured at fair value. The financial statements are presented in US dollar (US\$) and all values are rounded to the nearest US\$'000 except where otherwise indicated.

The Company is a private company, limited by shares and is incorporated in England. The address of its registered office is The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AB.

The financial statements for the financial period ended 31 December 2020 were approved for issue by the Board of Directors on 28 April 2021.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(b) Investments in subsidiary undertakings

Investments in subsidiary undertakings are held at cost less accumulated impairment losses.

(c) Recognition and derecognition of financial assets and financial liabilities

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the contract and are initially recognised at transaction price and subsequently measured at either fair value or at amortised cost using the effective interest rate method.

A financial asset is derecognised when either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition under a combination of risks and rewards and control tests.

A financial liability is derecognised when it is extinguished which is when the obligation in the contract is discharged, cancelled or expired.

All 'regular way purchases and sales' of financial assets are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset. Regular way purchases and sales are purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

If the carrying value of such an asset is impaired, it is reduced to the recoverable amount by an immediate charge to the income statement. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(d) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position include cash in hand, deposits held at call with banks and other short-term, highly liquid investments with a maturity of three months or less at the date of acquisition.

(e) Expenses

All expenses are accounted for on an accruals basis.

KI FINANCIAL LIMITED

Notes to the Financial Statements (continued)

For the financial period from 11 May to 31 December 2020

1. Accounting policies (continued)

(f) Foreign currencies

In accordance with FRS102, the functional currency is the currency of the primary economic environment in which the Company operates. The functional currency for the Company is the United States dollar (US\$). Items included in the financial statements are measured using the functional currency which is also the Company's presentational currency.

Unless otherwise stated, transactions in Sterling, Canadian dollars and Euros are translated at the average rates of exchange for the period. Monetary assets and liabilities in currencies other than United States dollars are translated at the rate of exchange ruling at 31 December of each year. Transactions in foreign currencies other than Sterling, United States dollars, Canadian dollars and Euros are translated at the rate of exchange ruling at the date the transaction is processed. Exchange profits or losses arising on the translation of foreign currency amounts relating to underwriting activities are included within Other operating income/expense.

(g) Intangible fixed assets

Internal development costs that are directly associated with the production of identifiable and unique software products controlled by the Company are capitalised where the cost can be measured reliably, the Company intends to and has adequate resources to complete development and the computer software will generate future economic benefits. All computer software costs are finite life assets and amortised on a straight-line basis over their expected useful lives, not exceeding a period of five years.

(h) Current taxation

Current tax is the amount of income tax payable in respect of the taxable profit for the year. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

(i) Deferred taxation

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the statement of financial position date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

(j) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

2. Other operating expenses

	Period ended 31 December 2020 US\$'000
Foreign exchange losses	227

KI FINANCIAL LIMITED

Notes to the Financial Statements (continued)

For the financial period from 11 May to 31 December 2020

3. Administrative expenses

	Period ended 31 December 2020 US\$'000
Administrative costs	3,900

4. Auditor's remuneration

The auditor did not receive any remuneration in the current period in respect of the Company. A fee of £15,000 for the audit of the Ki Group for the financial period ended 31 December 2020 will be paid in 2021.

5. Directors' remuneration

The Directors did not receive any remuneration for their services to the Company during the year ended 31 December 2020.

6. Tax on loss

(a) Tax on loss

	Period ended 31 December 2020 US\$'000
Current tax:	
UK corporation tax at 19.00%	-
Total current tax charge	-
Tax charge for the year	-

(b) Factors affecting tax charge for the year

	Period ended 31 December 2020 US\$'000
Loss before taxation	(4,127)
Loss before taxation multiplied by standard rate of corporation tax in the UK of 19.00%	784
Effects of:	
Effect of temporary differences not recognised	(784)
Total charge for the year	-

(c) Post balance sheet rate changes

It was announced in the Budget statement on 3 March 2021 that the main rate of UK corporation tax will increase to 25% from 1 April 2023. As the increase in the UK tax rate has not yet been substantively enacted, the rate of 19% has been used in the calculation of the UK deferred tax assets and liabilities as at 31 December 2020, of which the Company currently has none.

7. Intangible assets

	31 December 2020 US\$'000
Software – additions and net book value	1,149

KI FINANCIAL LIMITED

Notes to the Financial Statements (continued)

For the financial period from 11 May to 31 December 2020

7. Intangible assets (continued)

The software additions recorded in the financial period were internally developed and relate to the development of the Company's on-line platform to be used by brokers.

The software amortisation charge for the financial period is nil.

8. Investments in subsidiary undertakings

	Market value 2020 US\$'000	Cost 2020 US\$'000
Investments in subsidiary undertakings	128,984	128,984

The Company has invested in two segregated accounts of Sussex Re Limited, a Bermudan segregated account company ('SAC'), in exchange for preference shares issued by those accounts. The Company is the sole investor in each of these segregated accounts, which are consequently reported as subsidiary undertakings of Ki Financial Limited.

The registered address of Sussex Re Limited is Wessex House, 3rd Floor, 45 Reid Street, Hamilton HM 12, Bermuda.

9. Debtors

	31 December 2020 US\$'000
Amounts owed by Group undertakings	653
Prepayments and accrued income	622
Other debtors	360
	<u>1,635</u>

10. Creditors: Amounts falling due within one year

	31 December 2020 US\$'000
Amounts owed to Group undertakings	4,876
Accruals and deferred income	59
	<u>4,935</u>

Included in the Amounts owed to Group Undertakings is an amount of US\$4,876k, which is due to Brit Group Services Limited in respect of the recharge of expenses incurred in the period on behalf of the Company.

11. Called up share capital

	Shares in class Nominal value US\$	Shares in class No.	Share premium US\$'000	Share capital US\$'000
Allotted, called up and fully paid:				
Ordinary shares - Class A	1.000	31,000,000	-	31,000
Ordinary shares - Class B	1.000	46,500,000	-	46,500
Ordinary shares - Class C	1.000	77,500,000	-	77,500
Shares - Class G	0.001	800	359	1
At 31 December 2020		<u>155,000,800</u>	<u>359</u>	<u>155,001</u>

KI FINANCIAL LIMITED

Notes to the Financial Statements (continued)

For the financial period from 11 May to 31 December 2020

11. Called up share capital (continued)

A Ordinary shares are ranked *pari passu* with B Ordinary shares and G shares. C Ordinary shares rank ahead of the A Ordinary shares. G shares have limited rights to dividends and distributions.

12. Disclosure exemptions

The Company has taken advantage of the disclosure exemptions provided by paragraph 1.12 of FRS 102. Accordingly, these financial statements do not include the following:

- Statement of cash flows;
- A reconciliation of shares outstanding at the beginning and end of the year;
- Specific information relating to financial instruments that is included within equivalent disclosures for the Group;
- Specific information relating to share-based payments that is included within equivalent disclosures for the Group; and
- Disclosure of key management personnel compensation.

The Company has been consolidated into the group financial statements of Brit Limited, a company registered in the United Kingdom. The Brit Limited consolidated Financial Statements and accompanying notes provide further detail in respect of these areas, copies of whose financial statements can be obtained from The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AB.

13. Related party transactions

All transactions with related parties have been undertaken on an arm's-length basis. Transactions with related parties that require disclosure in accordance with FRS 102 were as follows:

a) Brit Group Services Limited

The company incurred US\$4,876k administrative expenses for the administration services provided by Brit Group Services Limited, including staff cost, consultancy fees and platform development fees.

b) Key management personnel

As at 31 December 2020, US\$0.4m was recorded in the statement of financial position in respect of unsecured loans to key management personnel. These loans were recognised during the year, are expected to be settled in cash, carry an annual interest charge of 2.25%, and have no fixed maturity date.

14. Controlling party

As at 31 December 2020, the ultimate controlling party was Fairfax Financial Holdings Limited a company registered in Canada. Copies of Fairfax consolidated financial statements can be obtained by writing to 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada, M5J 2N7, or from the website at www.fairfax.ca.