

Arch Europe Insurance Services Ltd
Registered number 06645619

*Annual Report and Financial Statements
for the year ended 31 December 2021*

Arch Europe Insurance Services Ltd

(Registered number: 06645619)

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Contents	Page
Strategic Report	1
Directors' Report	7
Statement of Directors' Responsibilities	8
Independent Auditors' Report to the Members of Arch Europe Insurance Services Ltd	9
Profit and Loss account for the year ended 31 December 2021	12
Statement of Comprehensive Income for the year ended 31 December 2021	12
Balance Sheet as at 31 December 2021	13
Statement of Changes in Equity for the year ended 31 December 2021	14
Notes to the Financial Statements	15
Directors and Administration	29

Arch Europe Insurance Services Ltd
Registered number 06645619

*Annual Report and Financial Statements
for the year ended 31 December 2021*

Strategic Report

The Directors present their strategic report of Arch Europe Insurance Services Ltd (“the Company”) for the year ended 31 December 2021.

Principal Activities

The Company was formed to provide services in the form of staff and facilities to Arch Insurance (UK) Limited (“AIUK”), and Arch Insurance (EU) DAC (“AIEU”) P&C division and Arch Managing Agency Limited (“AMAL”) and other entities within the group.

The Company incurs all significant staff and facility costs and pays suppliers on behalf of these entities. It has a policy for re-charging these costs except executive costs, including a margin, to the companies as a secondment and service charge which is recognised as turnover.

Business Review

Results and Dividends

Results

Operating profit decreased by £5.5m to an operating loss of £2.6m (2020: £2.9m profit) mainly due to one-off costs associated with the Barbican Group integration which were not recharged too other group companies. Overall profit decreased by £4.0m to a loss of £1.4m (2020: £2.6m profit).

Turnover

Turnover increased by £48.6m to £132.7m (2020: £84.1m), due to both, an increase in the number of entities to which services were provided in the year, as well as an increase in the amount of services provided to the previously serviced entities, which have both seen substantial growth in the year.

The Company did not pay any dividends during the year (2020: nil).

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

	2021	2020
Turnover	£132.7m	£84.1m
Operating (Loss)/Profit	(£2.6m)	£2.9m
(Loss)/Profit for the year	(£1.4m)	£2.6m
Net Assets	£55.6m	£43.2m

Corporate and Social Responsibility

Our success is anchored by our culture of ethics and compliance. The Board recognises the pivotal role it plays in promoting ethical standards and integrity in the conduct of our business and is committed to maintaining a reputation for high standards of business conduct.

As part of Arch Capital Group Ltd (“ACGL”), we maintain a Code of Business Conduct (the “Code”) which sets expectations and provides guidance to our employees in key areas, including honest and fair dealing, anti-bribery and corruption, potential conflicts of interest, gifts, safety, harassment and discrimination prevention, antitrust and competition and document retention. Our Code applies to everyone, including the Board, and is reviewed regularly to remain current with changing laws, regulations and industry best practices.

To reinforce our commitment to these standards, the Company provides training to all employees on the Code and makes other resources available, including a 24-hour ethics hotline.

Strategic Report *(continued)***Corporate and Social Responsibility** *(continued)*

The Company is committed to providing equal opportunities to potential and actual staff. Our policy states that all of our employment related decisions must be based on an individual's job qualifications and performance and not based on any characteristic protected by law, such as age, gender assignment, marital status, being pregnant or on maternity leave, disability, race, religions, sex or sexual orientation.

Our success also depends on developing our employees so they can grow with the Company. We provide high calibre learning and engagement programs to foster meaningful career development for all employees and encourage employees to execute a personal development plan with their managers.

Directors' Duties

The Directors of the Company, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006, which is summarised as follows:

'A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term,
- the interests of the company's employees,
- the need to foster the company's business relationships with suppliers, customers and others,
- the impact of the company's operations on the community and the environment,
- the desirability of the company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the company.'

The following paragraphs summarise how the Directors have fulfilled their duties as detailed in section 172 of the UK Companies Act 2006:

Decision Making

The Company's ultimate mission is to generate a positive contribution to the growth in the Tangible Book Value of our ultimate parent company. It does so by supporting the underwriting entities of the Group by providing staffing and facility services. The Directors support the CEO in this mission by considering any growth opportunities, process efficiencies and changes in the Company's strategic direction carefully against the Company's risk appetite.

Long-term strategic decisions, are made in consultation with key internal stakeholders, such as the senior management team and ACGL and considered against applicable regulatory frameworks.

Any risks associated with achieving the Company's mission are mitigated through the risk management strategy set out in the "Principal Risks and Uncertainties" section below.

Employees

The Company provides staffing services to AIUK, AIEU, AMAL and entities within the group and is therefore responsible for ensuring that all staff adhere to the Arch Capital Group Ltd ("ACGL") Code of Business Conduct and have the ability to continue their professional development as described in the corporate and social responsibility section above.

We remain committed to safeguarding our colleagues' health and wellbeing during the ongoing COVID-19 pandemic. In addition to expanding our existing financial, medical and mental health benefits to address the unique challenges of COVID-19, we offered several initiatives for employees to bolster their mental and emotional wellbeing during these unprecedented times.

To show appreciation for the excellent work our employees are doing every day, we rolled out a peer-to-peer recognition platform in 2021 to recognise colleagues for demonstrating Arch's core values.

Strategic Report *(continued)***Directors' Duties** *(continued)**Employees (continued)*

We also conducted an employee survey in 2021 to help gather ideas of where we can have the most impact and created focus groups consisting of employees across the Company to lead initiatives arising from the survey results in the coming year. To support company growth and improve efficiencies across HR processes, we also implemented a human capital management system in 2021.

Business Relationships

The Company's principle activity is to provide services in the form of staff and facilities to other group entities who form the Company's customers. Whilst the customers are internal to the Arch Group, the Company still adheres to the "Customer Conduct Standards Framework", which has been developed to enforce the win-win concept of a culture aimed at supporting fair customer outcomes. Monitoring of the customer conduct standards is steered by the Conduct Risk Taskforce and any pertinent issues are passed to the Product Group and escalated to the Risk Committee and to the Board as appropriate.

The Company has built good working relationships with its suppliers, the majority of which are long-standing. All new suppliers are required to go through a due diligence process before any transactions occur.

Relationships with service providers, to which processes have been outsourced, are governed by the Company's Outsourcing Policy. Prior to entering into any third party business relationships, a detailed due diligence process is undertaken to ensure that the services provided comply with the Company's existing business strategy and overall risk profile. Ongoing management of these relationships is based on monitoring and reporting guidelines as set out in the Company's Outsourcing Policy, as well as on open conversations with the service providers.

By following the Outsourcing Policy, the Company ensures that robust relationships are built with its service providers, which contribute to the overall strategy and risk profile.

Community and Environment

Sustainability at Arch is not a stand-alone initiative. Instead, it is an element of our business ethos and strategy that weaves throughout our day-to-day operations, decision-making and consistent efforts to support and build resilience in the communities where we live and work.

Arch has a group wide Environmental, Social and Governance ("ESG") programme led by the Arch Chief ESG Officer, Marcy Rathman. The ESG function is part of the Arch legal department and reports to Arch's General Counsel. Much of the corporate sustainability work led by ESG involves ongoing collaboration with other Arch departments and business segments to drive the integration — and disclosure — of sustainability best practices. Since 2019, ACGL sustainability strategic initiatives have been reviewed and approved by an executive-level ESG Steering Committee made up of leaders from across the business. Additionally, there are a range of ESG sub-committees across relevant business groups focused on driving underwriting and investment integration and consideration of prominent E, S or G risks.

Ultimately, the Nominating and Governance Committee of the Board reviews the output and recommendations of the ESG Steering Committee and oversees the implementation of the group strategy. In addition, the Company's Chief Risk Officer is responsible for identifying and managing financial risks arising from climate change and other climate-related risks and shares these findings with the Finance, Investment and Risk Committee of the Board on a quarterly basis. Please refer to "ESG Climate Risk Integration" below for more information on risks relating to climate change.

Standards of Business Conduct

To ensure the Company maintains a high standard of business conduct, the Directors of the Company have reviewed and adopted the Code of Business Conduct as set by ACGL. To ensure staff act in accordance with the Code of Business Conduct, Arch UK provides regular training courses to staff providing services to the Company.

Strategic Report *(continued)***Directors' Duties** *(continued)**Standards of Business Conduct (continued)*

In addition, the Company annually reviews and reissues internal whistleblowing and fit and proper policies to ensure that all staff providing services to the Company are and continue to be competent, capable and of good repute.

The Company Chairman is responsible for overseeing the assessment of fitness and propriety of all Non-Executive Directors in conjunction with leading the development and monitoring effective implementation of policies and procedures for the induction, training and professional development of all members of the firm's governing body. The assessment of these matters is facilitated by the Company Secretarial, Human Resources and Compliance Functions and considered by the Nominations Committee of the Board in conjunction with Non-Executive Director performance and the appropriate balance of experience and skill sets in the Board as a whole.

The Company's Risk Management and Compliance and Legal Frameworks have been designed to meet its business management and regulatory obligations. Management has formulated relevant risk policies for the Company's key risks and these support the risk philosophy and corresponding controls.

The Board has delegated the responsibility relating to controls to the Arch UK Risk Committee. The Risk Committee is responsible for assessing all risks facing the Company and for installing appropriate controls to manage and or mitigate each risk. The Risk Committee assesses the level of each risk classification and identifies where additional controls or changes to the systems, processes and or controls may be required. Qualitative and quantitative risk assessments are performed, both before and after allowance for existing controls.

Engaging with our Shareholder

The Board is committed to openly engaging with our shareholder, our parent Arch Insurance (UK) Limited, as we recognise the importance of a continuing effective dialogue. It is important to us that the shareholder understands our strategy and objectives, so these must be explained clearly, feedback heard and any issues or questions raised properly considered.

To achieve effective communication with our shareholder, we have quarterly review meetings in place, where the Company's quarterly performance is discussed in detail. These meetings are led by the CFO and attended by the management of our shareholder.

Any decisions materially impacting the ultimate parent company's financial results are discussed with our shareholder and ultimate parent prior to execution.

Principal Risks and Uncertainties

The Company's operations expose it to a variety of risks that include operational risk, credit risk, liquidity risk, interest rate cash flow risk and capital risk.

The Board of Directors has ultimate responsibility for the Company's risk management. This includes approval of the business plan, the maintenance of financial resources and for ensuring the adequacy of the systems and internal controls, including risk governance arrangements. The Board gains assurance from a number of sources that include Internal Audit, Legal & Compliance and internal controls testing.

The Company has a defined strategy and system of governance to define its risk policies and to manage these. The Board of Directors holds ultimate responsibility for the risk management strategy, the business plan and the maintenance and management of financial resources. The Board of Directors is responsible for ensuring the adequacy of the systems and controls including:

- risk governance arrangements and an appropriate business plan;
- overseeing the development of appropriate systems for the management of potential risks;

Strategic Report *(continued)*

Principal Risks and Uncertainties *(continued)*

- establishing adequate internal controls; and
- ensuring that the firm maintains adequate financial resources.

The following paragraphs describe the principal risks and uncertainties facing the Company and any mitigation taken to limit those risks:

Operational Risk

Most operational risks are addressed through the Company's business disaster scenario planning, including remediation measures. The Company has an outsourcing policy and separately monitors its outsourcing risks.

The Company outsources many of its non-core services, including I.T. support, operating systems maintenance and legal services. The Company's largest outsource service provider is Arch Global Services Inc.

Outsourcing risk is managed through service agreements which define service standards. These may be supported by periodic audits and the Company takes steps to satisfy itself as to the outsource provider's continuity and competence to provide the service being outsourced. Controls reports are obtained when applicable.

The Company seeks to limit exposure to operational risks through ensuring that an effective infrastructure, robust systems and controls, and appropriately experienced and qualified individuals are in place throughout the organisation.

The operational risk profile is reviewed by the Risk Committee and the controls to mitigate risks are included in Risk Register.

Credit Risk

The Company's exposure to credit risk is limited to the risk that the group companies will be unable to pay amounts when due. This risk is mitigated by internal financial and capital commitments to those companies from companies forming part of the Arch Capital Group Ltd ("ACGL") group of companies. ACGL has an S&P credit rating A+.

Liquidity Risk

Liquidity risk arises where cash may not be available to pay obligations when due. Regular cash flow monitoring ensures that sufficient deposits are available to meet payments. Intercompany balances are also cleared regularly to facilitate this.

Capital Risk

The Company maintains a capital level required to meet its obligations to continue on a going concern basis. There is minimal pressure on the capital of the Company due to the nature of the operations of the Company and the support available from the ACGL group of companies.

Interest Rate Risk

The Company has interest bearing assets. Interest bearing assets include cash balances on a short-term deposit, which earn interest at a fixed rate.

Arch Europe Insurance Services Ltd
Registered number 06645619

*Annual Report and Financial Statements
for the year ended 31 December 2021*

Strategic Report *(continued)*

Outlook and Future Development

The Company expects to generate an operating profit in future years as it charges a margin on service and secondment agreements in line with Arch Group policy.

Whilst the COVID-19 pandemic has led to an increase in uncertainty in the markets and has led to employees substantially working from home, the Company has been able to adapt its operations quickly and effectively and is well placed to continue to provide staff and facility services to its customers.

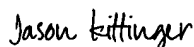
Arch is fully cognisant of the emerging importance of climate change as a fundamental societal issue and is actively investigating opportunities in underwriting, investments and its operational organisation and supply chains to act responsibly and to support the trend towards a sustainable transition to the post-Carbon society.

Climate change

Throughout the year, there has been continued focus on the impact of the Company's operations on the community and the environment. Environmental, Social and Governance (ESG) has entered the mainstream in recent years as stakeholders evaluate organisations not only to gauge their money-making ability, but also their commitment to making positive change in the world and their ability to manage risks arising out of environmental and social changes.

The Company, as part of the wider ACGL group, is governed by the ESG Steering Committee, which is chaired by Chief ESG Officer, who has responsibility for coordinating and managing the oversight of ACGL's growing ESG programme. The Directors of the Company review the output of the ESG Steering Committee, and where deemed appropriate incorporate its recommendations in their management of the Company.

Approved by the Board and signed on behalf of the Board



Jason Kittinger
Chief Financial Officer
Arch Europe Insurance Services Ltd
19 May 2022

Arch Europe Insurance Services Ltd
Registered number 06645619

*Annual Report and Financial Statements
for the year ended 31 December 2021*

Directors' Report

The Directors present their annual report of Arch Europe Insurance Services Ltd ("the Company") and the audited financial statements for the year ended 31 December 2021.

General Information

Arch Europe Insurance Services Ltd is a UK-incorporated company domiciled in England and Wales. The address of the registered office is provided on the Directors and Administration page of the financial statements.

The Company has no foreign branches.

The auditors, PricewaterhouseCoopers LLP, have been reappointed for 2022.

Ownership

The Company is directly owned by Arch Insurance (UK) Limited ("AIUK"), a Prudential Regulation Authority ("PRA") and a Financial Conduct Authority ("FCA") regulated insurance company that underwrites Energy, Property and Casualty insurance business including, but not limited to, Specialty lines of insurance. AIUK operates from its head office in London and its UK Regional offices.

The Company is a wholly owned subsidiary of Arch Capital Group Ltd ("ACGL"), a Bermuda-based company with \$16.3 billion of shareholder capital at 31 December 2021 (2020: \$15.8 billion). ACGL provides insurance, reinsurance and mortgage insurance on a worldwide basis through its operations in Bermuda, the United States of America, Europe, Canada, and Australia. ACGL is listed on the Nasdaq Stock Market.

Directors

The Directors of the Company during the year and up to the date of signing the financial statements are:

J. Kittinger
H. Sturgess

As permitted by S233 of the Companies Act 2006, the Directors have been provided with appropriate insurance cover.

Outlook and Future Developments

Please refer to Strategic Report on page 6.

Donations

The company made charitable contributions during the year of £382,074 (2020: £123,716). During this year no political contributions were made (2020: nil).

Financial Risk Management

The Company is exposed to a wide variety of risks in the normal course of business. The Company has comprehensive arrangements in place for the management of risks that seek to mitigate the adverse effects risk can have on the Company's performance and position. The principal risks and uncertainties and the mechanism by which these risks and uncertainties are managed are addressed in the strategic report on pages 4-5.

Dividend

The Directors do not propose a dividend for the year (2020: nil).

Arch Europe Insurance Services Ltd
Registered number 06645619

*Annual Report and Financial Statements
for the year ended 31 December 2021*

Directors' Report *(continued)*

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 Generally Accepted Accounting Practice (United Kingdom Accounting Standard, comprising FRS102 "*The Financial Reporting Standard applicable in the UK and Republic of Ireland*", and applicable law).

In preparing the Company annual accounts, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable United Kingdom 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.

The Directors are 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 also responsible for keeping adequate accounting records that are sufficient to show and explain the companies 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.

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 information of which the Company's Auditors are unaware; and
- They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board and signed on behalf of the Board

Jason Kittinger

Jason Kittinger
Chief Financial Officer
Arch Europe Insurance Services Ltd
19 May 2022

Independent auditors' report to the members of Arch Europe Insurance Service Ltd

Report on the audit of the financial statements

Opinion

In our opinion, Arch Europe Insurance Service Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- 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 Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2021; the Profit and Loss account, the Statement of Comprehensive Income and the Statement of Changes in Equity for the year 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. 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 Directors' Report, 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 Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 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 Directors' Report.

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 UK Employment law requirements, 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 posting inappropriate journals. Audit procedures performed by the engagement team included:

- discussions with the Audit Committee, management and Internal Audit, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- identifying and testing journal entries based on selected fraud risk criteria, in particular journal entries with unusual account combinations or posted by unexpected users;
- evaluating the business rationale for any significant transactions identified outside the normal course of business; and
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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.



Sean Forster (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19 May 2022

Arch Europe Insurance Services Ltd
Registered number 06645619

*Annual Report and Financial Statements
for the year ended 31 December 2021*

Profit and Loss Account

For the year ended 31 December 2021

	Notes	2021 £000	2020 £000
Turnover	5	132,660	84,112
Administrative expenses		(135,285)	(81,227)
Operating (loss)/profit	6	(2,625)	2,885
Interest receivable and similar income		1,481	1,410
(Loss)/profit before taxation		(1,144)	4,295
Tax on (loss)/profit	11	(291)	(1,685)
(Loss)/profit for the financial year		(1,435)	2,610

Statement of Comprehensive Income

For the year ended 31 December 2021

		2021 £000	2020 £000
(Loss)/profit for the financial year		(1,435)	2,610
Other comprehensive income - Tax	11	227	-
Other comprehensive (loss)/profit for the year, net of tax		(1,208)	2,610
Total comprehensive (loss)/profit for the year		(1,208)	2,610

All amounts reflect continuing operations.

The notes on pages 15 to 28 form part of these financial statements.

Arch Europe Insurance Services Ltd
Registered number 06645619

*Annual Report and Financial Statements
for the year ended 31 December 2021*

Balance Sheet

As at 31 December 2021

	Notes	2021 £000	2020 £000
Fixed assets			
Intangible assets	13	5,337	2,245
Tangible assets	14	3,070	3,720
		8,407	5,965
Current assets			
Trade and other receivables	15	76,012	50,822
Prepayments and accrued income		3,303	1,906
Cash at bank and in hand		2,925	807
Deferred tax	12	1,188	788
		83,428	54,323
Creditors: amounts falling due within one year	16	(36,199)	(17,121)
Net current assets		47,229	37,202
Total assets less current liabilities		55,636	43,167
Net assets		55,636	43,167
Equity			
Called up share capital	17	5,000	5,000
Capital Contribution		35,500	25,500
Retained earnings		15,136	12,667
Total equity		55,636	43,167

The notes on pages 15 to 28 are an integral part of these financial statements.

The financial statements on pages 12 to 14 were authorised for issue by the Board of Directors on 19 May 2022 and were signed on its behalf by:

Jason Kittinger

Jason Kittinger
Chief Financial Officer
Arch Europe Insurance Services Ltd
19 May 2022

Arch Europe Insurance Services Ltd
Registered number 06645619

*Annual Report and Financial Statements
for the year ended 31 December 2021*

Statement of Changes in Equity

For the year ended 31 December 2021

	Notes	Called up share capital £000	Capital Contribution £000	Retained earnings £000	Total £000
Balance at 1 January 2020		5,000	25,500	6,745	37,245
Profit for the financial year		-	-	2,610	2,610
Capital contribution		-	-	-	-
Share-based payments	10	-	-	3,312	3,312
Other comprehensive income		-	-	-	-
Balance at 31 December 2020		5,000	25,500	12,667	43,167
Loss for the financial year		-	-	(1,435)	(1,435)
Capital contribution		-	10,000	-	10,000
Share-based payments	10	-	-	3,677	3,677
Other comprehensive income		-	-	227	227
Balance at 31 December 2021		5,000	35,500	15,136	55,636

The notes on pages 15 to 28 form part of these financial statements.

Notes to the Financial Statements

1 General information

Arch Europe Insurance Services Ltd is a UK-incorporated private company domiciled in England and Wales. The Company was formed to provide services in the form of staff and facilities to Arch Insurance (UK) Limited ("AIUK"), Arch Insurance (EU) DAC ("AIEU") and Arch Managing Agency Limited ("AMAL"). The Company incurs all significant staff and facility costs and pays suppliers on behalf of AIUK and AMAL and recharges these costs at a margin, to the aforementioned companies as a secondment and service charge which is recognised as turnover.

The company is a private company limited by shares and is incorporated and registered in England and Wales. The address of the Company's registered office is 60 Great Tower Street, London, EC3R 5AZ.

2 Statement of Compliance

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Significant accounting policies

The principle 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.

(a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit and loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

(b) Going concern

The Directors have an expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

(c) Exemptions for qualifying entities under FRS 102

The Company's financial results are included in the consolidated financial statements of Arch Capital Group Ltd. As permitted by FRS 102, the Company has taken advantage of some of the disclosure exemptions available under the FRS 102 section 1.12. The following exemptions have been applied in the preparation of these financial statements, in accordance with FRS 102:

- The requirements of Section 7 'Statement of Cash Flows' and Section 3 'Financial Statement Presentation' paragraph 3.17(d), on the basis that the Company is a qualifying entity and the consolidated statement of cash flows included in the consolidated financial statements of its ultimate parent company includes the Company's cash flows.
- The requirements of Section 26 'Share-based Payment' paragraphs, 26.18(b), 26.19 to 26.21 and 26.23 (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined), on the basis that it is a qualifying entity that is:

- (i) a subsidiary, the share-based payment arrangement concerns equity instruments of another group entity;

Notes to the Financial Statements *(continued)*

3 Significant accounting policies *(continued)*

Exemptions for qualifying entities under FRS 102 *(continued)*

(ii) an ultimate parent, the share-based payment arrangement concerns its own equity instruments and its separate financial statements are presented alongside the consolidated financial statements of the group;

and, in both cases, on the basis that the equivalent disclosures required by this FRS are included in the consolidated financial statements of the group in which the entity is consolidated.

- The requirement of Section 33 'Related Party Disclosures' paragraph 33.7 (key management compensation).

(d) Foreign Currency

(i) Functional and presentation currency

The Company's functional and reporting currency is pounds sterling.

These financial statements are presented in pounds sterling ("pounds" or "GBP"), which is the functional currency of the Company, and are rounded to the nearest thousand unless otherwise stated.

(ii) Foreign currency

The results and financial positions of the non-functional currencies are retranslated into the functional currency as follows:

- monetary assets and liabilities are retranslated at the closing rate at the balance sheet date;
- income and expenses are retranslated at the average rate of exchange during the year; and
- all resulting exchange differences are recognised through the non-technical account.

(e) Secondment and service charge

Secondment and service charge are calculated on a cost incurred plus mark-up basis, which is defined in the service and secondment agreement. The revenues arising from the secondment and service charge are credited over the period in which they are earned or incurred.

(f) Trade and other receivables

Trade receivables are amounts due for services performed in the ordinary course of business. These are recognised initially at transaction price on the trade date at which the Company becomes a party to the contract and where applicable are subsequently measured at amortised cost using the effective interest rate method.

Where trade and other receivables are due within one year they are classified as current assets. Otherwise they are presented as non-current assets.

(g) Creditors

Creditors represent obligations to pay for goods or services that have been acquired in the ordinary course of business. These are recognised initially at transaction price on the trade date at which the Company becomes a party to the contract and where applicable are subsequently measured at amortised cost using the effective interest rate method.

Where creditors fall due within one year or less they are classified as current liabilities. Otherwise they are presented as non-current liabilities.

Notes to the Financial Statements *(continued)*

3 Summary of significant accounting policies *(continued)*

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents.

(i) Financial Instruments

The Company has accounted for financial instruments using Sections 11 and 12 of FRS 102.

(i) Financial assets

Basic financial assets, including loans, trade receivables and cash and cash equivalents, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at market rate of interest.

Loans, receivables, cash and cash equivalents are initially recognised on the date that they are originated. All other basic financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Basic financial assets are recognised initially at cost and subsequently measured at amortised cost.

At the end of each reporting period, the Company's basic financial assets are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the assets' original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed and the reversal recognised in the profit or loss.

The Company does not hold any financial assets classified as fair value through profit and loss.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

(ii) Financial Liabilities

Financial liabilities, including trade and other payables, bank loans, and loans from fellow group companies are recognised initially at transaction price on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Subsequent measurement is at amortised cost, using the effective interest rate method.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

(iii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the Financial Statements *(continued)*

3 Summary of significant accounting policies *(continued)*

(j) Taxation

The tax expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in equity, in which case tax is also recognised directly in equity, as the case may be.

Current or deferred tax assets and liabilities are not discounted.

Current tax

Current tax is the amount of income tax payable or receivable in respect of the taxable profit for the year or prior years. Current tax liabilities (assets) are measured at the amount of tax expected to be paid (recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Management periodically evaluates the positions taken in tax returns with regard to situations in which applicable tax regulation is subject to interpretation and, where appropriate, establishes provisions on the basis of the amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax arises from timing differences that are differences between an entity's taxable profits and its total comprehensive income as stated in the financial statements. Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised in respect of all timing differences at the balance sheet date, with certain exceptions. For instance, unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of each timing difference.

(k) Tangible Assets

Tangible assets consists of leasehold improvements, fixture and fittings and computer hardware.

(i) Recognition and measurement

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalised.

(ii) Depreciation and residual values

Depreciation is calculated, using the straight-line method over the estimated useful lives of each part of an asset and recognised in the profit and loss account. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for the current and comparative periods are as follows:

- | | |
|--------------------------|---|
| • Leasehold improvements | Over the term of the lease (currently 10 years) |
| • Furniture and fixtures | 5 years |
| • Computer hardware | 3 years |

Notes to the Financial Statements *(continued)***3 Summary of significant accounting policies** *(continued)***(k) Tangible Assets** *(continued)*

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if the conditions of the assets have changed. The effect of any change is accounted for prospectively.

(iii) Subsequent additions and major components

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

The carrying amount of any replaced components is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over their useful life.

Repairs, maintenance and minor inspection costs are charged to the profit and loss account during the financial period in which they are incurred.

(iv) Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised within 'other operating losses/gains' in the profit and loss account.

(l) Intangible assets

Intangible assets comprise computer software, which is measured at cost or deemed cost less accumulated depreciation and accumulated impairment losses. Amortisation is recognised within the profit and loss account on a straight-line basis over the estimated useful life of the computer software, which is 5 years.

Where factors, such as technological advancement or changes in market price, indicate that the residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

(m) Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and a defined contribution pension plan.

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which service is received.

Defined contribution pension plan

All employees are eligible to become members of a defined contribution Group Personal Pension Plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligation. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet.

The assets of the scheme are held separately from those of the Company in an independently administered fund.

Notes to the Financial Statements (continued)**3 Summary of significant accounting policies (continued)****(m) Employee benefits (continued)***Annual bonus plan*

The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

(n) Leases

All leases entered into by the Company are classified as operating leases. Payments under the operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

(o) Share-based payments

Share-based payment awards are granted by ACGL and recharges to the Company are expensed. The grant date fair value of the Long-Term Incentive and Share Award Plan is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

In all schemes offered, the employees are granted or purchase the shares of ACGL, and the Company has no obligation to settle the share-based payment. Therefore, all schemes are accounted for as equity-settled share-based payment transactions.

(p) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

(q) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, that can be measured reliably and it is probable that an outflow of economic benefits will be required to settle that obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(r) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's Directors. These amounts are recognised in the statement of changes in equity.

4 Critical accounting estimates and judgments

The preparation of the financial statements in conformity with UK GAAP, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Notes to the Financial Statements (continued)**4 Critical accounting estimates and judgements (continued)**

The areas of the Company's business containing key sources of estimation uncertainty are the estimation of useful economic lives for both tangible and intangible assets.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See Note 14 for the carrying amount of the property plant and equipment, and note 3(k) for the useful economic lives of this asset.

(ii) Useful economic lives of intangible assets

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired. See Note 13 for the carrying amount of the intangible assets, and note 3(l) for the useful life of this asset.

5 Turnover

	2021 £000	2020 £000
Secondment and service charge	132,660	84,112
	<u>132,660</u>	<u>84,112</u>

6 Operating (Loss)/profit

	2021 £000	2020 £000
Operating (loss)/profit is arrived at after charging:		
Depreciation	1,591	912
Amortisation	2,395	861
Operating lease rentals:		
- Land and buildings	2,979	1,791

7 Auditors' Remuneration

During the year, the Company obtained the following services from the parent company's auditors at costs detailed below.

	2021 £000	2020 £000
Fees payable to the Company's auditors and their associates for the audit of the Company's annual financial statements	75	53
	<u>75</u>	<u>53</u>

Notes to the Financial Statements (continued)**8 Directors' and Employees' Costs***(a) Directors' remuneration*

All staff costs are recharged to either the parent company or fellow subsidiary companies. There were no transactions between the Company and its Directors and Officers during the year ended 31 December 2021, which require disclosure.

	2021 £000	2020 £000
Directors' Emoluments		
Aggregate emoluments	1,805	1,855
Company pension contributions to money purchase schemes	8	24
	1,813	1,879

	2021 £000	2020 £000
Highest paid Director (included above)		
Aggregate of emoluments and awards under long term incentive schemes	1,385	1,431
Directors' pension contributions	4	10
	1,389	1,441

	2021 Number	2020 Number
Number of Directors who received shares in ACGL	2	2
Number of Directors participating in money purchase scheme	2	2
Number of Directors who exercised share options	2	2

The highest paid Director received share allocations during the year under a long-term incentive scheme and also exercised options.

(b) Staff Costs

The monthly average number of persons employed by the Company (including Executive Directors) during the year, analysed by category, was as follows:

	2021 Number	2020 Number
Underwriting	278	284
Administration and Finance	328	184
Claims	62	36
	668	504

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
- Wages and salaries	55,797	35,018
- Social security costs	8,801	5,247
- Other pension costs	5,113	3,416
- Share-based payments	3,677	3,293
	73,388	46,974

Notes to the Financial Statements (continued)**9 Pensions**

The Company contributes to a defined contribution Group Personal Pension Plan. The assets of the scheme are held separately from those of the Company in an independently administered fund. There were no unpaid contributions outstanding at the end of the year (2020: nil).

10 Share-Based Payments

The Company has a Share Award Plan intended to provide for competitive compensation opportunities, to encourage long-term service, to recognise individual contributions and to reward achievement of performance goals. The Plan is intended to promote the creation of long-term value for shareholders by aligning the interests of valued staff with those of shareholders. The Plan provides for eligible employees and Directors to be granted stock options, stock appreciation rights, restricted shares, restricted share units payable in common shares or cash, share awards in lieu of cash awards, dividend equivalents and other share-based awards. These are awarded by ACGL not the Company.

The share awards generally vest over a 3 year period with one third vesting on the first, second and third anniversaries of the grant date. In addition, in November 2012 the Company issued off-cycle stock options and stock appreciation rights to certain employees, which will cliff vest on the fifth anniversary of the grant date. Option awards have a 10 year contractual life.

The share awards outstanding at 31 December 2021 have an exercise price in the range of \$12.86 to \$42.42 (2020: \$11.30 to \$42.42) and a weighted average contractual life of 4.99 years (2020: 5.35 years).

The weighted average share price at the date of exercise for share awards exercised in 2021 was \$41.44 (2020: \$37.00).

The Company also has an Employee Share Purchase Plan (the "ESPP"). The purpose of the ESPP is to give employees of ACGL and its subsidiaries an opportunity to purchase common shares through payroll deductions, thereby encouraging employees to share in the economic growth and success of ACGL and its subsidiaries. The ESPP provides for consecutive six-month offering periods under which participating employees can elect to have up to 20% of their total compensation withheld and applied to the purchase of common shares of the Company at the end of the period. The purchase price will be 85% of the fair market value of the common shares at the beginning of the offering period. The maximum number of shares that may be purchased by an employee in any offering period is 3,000 shares. In addition, a participant's right to purchase stock under the ESPP cannot accumulate at a rate in excess of USD \$25,000 per calendar year.

The charge to the Profit and Loss account in respect of share-based payment transactions and the corresponding credit to equity was £3.677m (2020: £3.293m).

Notes to the Financial Statements (continued)**11 Tax on (loss)/profit**

Tax (income) / expense included in profit or loss:	2021 £000	2020 £000
Current tax:		
- UK corporation tax on income for the year	118	393
- Adjustments in respect of prior years	346	-
Total current tax income	<u>464</u>	<u>393</u>
Deferred tax (Note 12):		
- Origination and reversal of timing differences	(88)	495
- Adjustments in respect of prior years	(312)	932
- Impact of change in UK tax rate	-	(135)
Total deferred tax (income) / expense	<u>(400)</u>	<u>1,292</u>
Tax on profit on ordinary activities	<u>64</u>	<u>1,685</u>

Tax on profit is charged between the current year expense (£291k) and OCI income (£227k).

Reconciliation of tax charge

The tax (income) / expense for the year is lower (2020: lower) than the standard rate of corporation tax in the United Kingdom for the year ended 31 December 2021 of 19% (2020: 19%).

The differences are explained below:	2021 £000	2020 £000
Profit on ordinary activities before taxation	(1,144)	4,295
Profit at the standard rate of UK corporation tax	(217)	816
Effects of:		
- Expenses not deductible for tax purposes	114	65
- Impact of change in UK tax rate	-	(135)
- Adjustments in respect of prior years	33	932
- Permanent differences on share options and restricted stock	134	(267)
- Deferred tax not recognised on share options and restricted stock	-	338
- Foreign exchange differences	-	(64)
Total tax (income) / expense for the year	<u>64</u>	<u>1,685</u>

Tax rate changes

The UK corporation tax rate applicable for the year is 19% (2020:19%).

On 3 March 2021, the UK government announced that it intended to increase the main rate of corporation tax to 25% for the financial years beginning 1 April 2023. This new rate was substantively enacted by Finance Act 2021 on 10 June 2021.

Deferred taxes at the balance sheet date have been measured using the enacted tax rates, and are reflected in these financial statements.

Notes to the Financial Statements *(continued)***12 Deferred Tax**

Deferred tax consists of the following recognised deferred tax assets / (liabilities):

	2021	2020
	£000	£000
Trading losses	-	-
Decelerated capital allowances	311	88
Share-based payments	876	700
Deferred tax assets	1,188	788
Deferred tax liabilities	-	-
Net deferred tax assets	1,188	788

The movement in deferred tax assets and liabilities during the year is as follows:

	Unrelieved trading losses £000	Decelerated capital allowances £000	Share-based payments £000	Total £000
At 1 January 2021	-	88	700	788
Credited / (charged) to the profit and loss account	-	224	176	400
At 31 December 2021	-	312	876	1,188

The deferred tax assets are likely to be realised after more than one year as the timing differences reverse.

Notes to the Financial Statements (continued)**13 Intangible Assets**

	Computer software under service contract	Total
	£000	£000
Book cost:		
At 1 January 2021	9,432	9,432
Additions	5,487	5,487
At 31 December 2021	14,919	14,919
Accumulated amortisation:		
At 1 January 2021	7,187	7,187
Charge for the year	2,395	2,395
At 31 December 2021	9,582	9,582
Net book value:		
31 December 2021	5,337	5,337
31 December 2020	2,245	2,245

14 Tangible Assets

	Leasehold Improvements	Furniture and Fixtures	Computer Hardware	Total
	£000	£000	£000	£000
Book cost:				
At 1 January 2021	827	1,315	4,097	6,239
Additions	43	353	545	941
At 31 December 2021	870	1,668	4,642	7,180
Accumulated depreciation:				
At 1 January 2021	341	574	1,604	2,519
Charge for the year	52	238	1,301	1,591
At 31 December 2021	393	812	2,905	4,110
Net book value:				
31 December 2021	477	856	1,737	3,070
31 December 2020	486	741	2,493	3,720

The assets are capitalised and depreciated over their estimated useful life based on original cost.

15 Trade and Other Receivables

	2021	2020
	£000	£000
Due within one year:		
Amounts owed by group undertakings	40,420	15,525
Other Debtors	1,140	2,353
	41,560	17,878
Due after one year:		
Intercompany Loan	34,452	32,944
	34,452	32,944

Arch Europe Insurance Services Ltd
Registered number 06645619

Annual Report and Financial Statements
for the year ended 31 December 2021

Notes to the Financial Statements (continued)

15 Trade and Other Receivables (continued)

On 1 January 2019, the Company entered into a loan agreement with Arch Intermediaries Group Limited. The loan is repayable on 31 December 2028 and interest is charged at the rate of 5%.

16 Creditors: amounts falling due within one year

	2021 £000	2020 £000
Amounts falling due within one year:		
Amounts owed to group undertakings	14,212	4,207
Accruals and deferred income	21,987	12,914
	<u>36,199</u>	<u>17,121</u>

17 Called Up Share Capital

	2021 £000	2020 £000
Authorised		
5,000,000 (2020: 5,000,000) Ordinary shares of £1 each	5,000	5,000
Issued and fully paid		
5,000,000 (2020: 5,000,000) Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>

Capital contribution of £10m (2020: £nil) has been injected into the Company during the year from Arch Reinsurance Ltd.

18 Operating Lease Arrangements

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021 £000	2020 £000
Operating leases which expire:		
Within one year	39	145
Between one and five years	6,252	7,461
After five years	935	1,212
	<u>7,227</u>	<u>8,818</u>

Notes to the Financial Statements *(continued)*

19 Controlling Parties

The immediate parent undertaking is Arch Insurance (UK) Limited ("AIUK").

The ultimate parent undertaking and controlling party is Arch Capital Group Ltd., a company incorporated in Bermuda.

Arch Capital Group Ltd is also the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member.

Copies of the consolidated financial statements of Arch Capital Group Ltd can be obtained from The Secretary, Arch Capital Group Ltd., Waterloo House, Ground Floor, 100 Pitts Bay Road, Pembroke HM 08, Bermuda.

The smallest group of undertakings for which group financial statements are drawn up, and of which the Company is a member, is Arch Reinsurance Ltd, a Bermuda-based company.

20 Related Party Transactions

Key management personnel and Director transactions

There were no transactions between the Company and its Directors and Officers during the year ended 31 December 2021, which require disclosure other than those detailed in Note 8 (2020: nil).

Other related party transactions

The Company was formed to provide services in the form of staff and facilities to AIUK and AUAL. The Company incurs staff and facility costs and recharges them to AIUK and AUAL. The Company also has related party transactions with Arch Capital Group Ltd., Arch Insurance Group Inc., a US service company, Arch Investment Management Ltd., a Bermuda-based company providing investment management services, Arch International Services Inc., a US service company, Arch Underwriters Europe Limited UK branch, the UK establishment of an Irish company that acts as an intermediary and provides support staff to other Arch group companies, and Arch Reinsurance Ltd.

The Company has taken advantage of the exemption from disclosing the Company's related party transactions in paragraph 33.1A of FRS 102 therefor no further disclosure is required.

Arch Europe Insurance Services Ltd
Registered number 06645619

*Annual Report and Financial Statements
for the year ended 31 December 2021*

Directors and Administration

Directors as at 19 May 2022

J. Kittinger
H. Sturgess

Company Secretary

P. Ralph

Registered Number

06645619

Registered Office

60 Great Tower Street
London
EC3R 5AZ

Independent Auditors

PricewaterhouseCoopers LLP
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