

Somerset Bridge Group Limited

Consolidated Directors' Report and Financial Statements

For the year ended 31 December 2022

Company Registration No. 11737836



Somerset Bridge Group Limited
Consolidated Directors' Report and Financial Statements
For the year ended 31 December 2022

Company information

Company registration number: 11737836

Registered office: Lysander House
Catbrain Lane, Cribbs Causeway
Bristol
BS10 7TQ

Directors: Damian Arnold
Damien Duffy
Martyn Holman
William Soares
Julia Mansfield
Christine Oldridge
Alistair Stewart

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

Somerset Bridge Group Limited
Consolidated Directors' Report and Financial Statements
For the year ended 31 December 2022

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**Somerset Bridge Group Limited
Directors' report**

For the year ended 31 December 2022

The directors present their report and the audited financial statements for the period ended 31 December 2022.

Somerset Bridge Group Limited ("the Company") is a limited company incorporated in the UK on 21 December 2018. The Company holds the subsidiaries Somerset Bridge Limited (SBL), Somerset Bridge Shared Services Limited (SBSSL) and Somerset Bridge Insurance Services Limited (SBISL). Together, these companies form the Somerset Bridge Group Limited Group ("the Group").

The Strategic report sets out a review of the business including the Group's and Company's principal activities, the performance of the business during the year, the principal risks and uncertainties facing the business and future developments.

Results and dividends

The consolidated loss for the year after taxation was £31,967,000 (2021: loss of £49,121,000). The tax charge for the Group is based on the profit of each company before consolidation adjustments.

No dividends were paid by the Group in 2022 (2021: £nil). The Company did not pay a dividend in 2022 (2021: £nil).

Directors

The directors who served during the period and to the date of signing the accounts were:

William Soares	(appointed 1 November 2022)
Julia Mansfield	(appointed 10 March 2023)
Damian Arnold	(appointed 10 March 2023)
Damien Duffy	(appointed 10 March 2023)
Martyn Holman	(appointed 10 March 2023)
Christine Oldridge	(appointed 10 March 2023)
Alistair Stewart	(appointed 10 March 2023)
Allison Marshall	(resigned 1 November 2022)
Christopher Gillighan	(resigned 23 January 2023)
Martin Robinson	(appointed 5 August 2021, resigned 10 March 2023)
David Taylor	(appointed 20 August 2021, resigned 10 March 2023)

Equal opportunities

As an equal opportunities employer, the Group is committed to the equal treatment of all current and prospective employees and does not condone discrimination on the basis of age, disability, sex, sexual orientation, pregnancy and maternity, race or ethnicity, religion or belief, gender identity, gender reassignment, or marriage and civil partnership. Equal employment opportunities are available to all persons, having full regard to their particular skills and abilities. The Group is committed to promoting an inclusive culture that values difference and recognises that people from different backgrounds and experiences bring valuable insights to the workplace and contribute to the organisation's success.

Employee involvement

The directors believe in encouraging employees to become fully informed of the Group's activities and to be more closely involved in the business and provide ongoing training as necessary.

The Group has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the Group through presentations, consultations, forums and the use of the Group intranet.

Somerset Bridge Group Limited
Directors' report (continued)
For the year ended 31 December 2022

Directors' indemnities

Directors' and officers' insurance cover has been established for all Directors to provide appropriate cover for their reasonable actions on behalf of the Company. This constitutes a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006. The policy was in force during the 2022 financial year and remains in force for all current and past Directors of the Group and Company.

Stakeholder matters

The Strategic Report lays out the ways in which Directors have engaged with key stakeholders including customers, employees, suppliers and other partners.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

The directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law.

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 Group and 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 apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Provision of information to the auditor

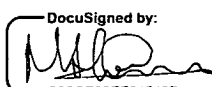
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Group and Company's auditor are unaware, and;
- the directors have taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Group and Company's auditors in connection with preparing their report and to establish that the Group and Company's auditor is aware of that information.

Auditors

The auditors are BDO LLP, who are eligible for re-appointment.

This report was approved by the Board and signed on its behalf by:

DocuSigned by:

C88CE22FF245497...
M Holman
Director
Date: 7/1/2023

Somerset Bridge Group Limited
Strategic report
For the year ended 31 December 2022

Somerset Bridge Group Limited ("the Company") is a limited company incorporated in the UK on 21 December 2018. The Company holds the subsidiaries Somerset Bridge Limited (SBL), Somerset Bridge Shared Services Limited (SBSSL) and Somerset Bridge Insurance Services Limited (SBISL). Together, these companies form the Somerset Bridge Group Limited Group ("the Group").

Principal activity

The Group provides a comprehensive suite of insurance services including a personal lines brokerage business, a managing general agent providing capacity to the brokerage and backed by A+ rated insurers, a claims handling operation and a shared service centre providing support services for the Group.

The principal activity of the Company is that of a holding company. In addition, the Company holds the rights to the Go Skippy brand for insurance products and generates a royalty income stream from its subsidiary, SBISL, charged at an arms-length fee per policy.

Business review

In August 2021, the Group was acquired by Arch Reinsurance Ltd ("Arch Re"), a subsidiary of Arch Capital Group Ltd, an American, Bermuda based insurance and reinsurance group. Arch Re and its associates have worked closely with the Group since its formation providing underwriting capacity and support to the Group for more than 10 years. The acquisition provides security to the Group's underwriting capacity into the future and provides a robust financial foundation, to provide an enhanced proposition to our customers, stakeholders and third-party partners.

As part of the acquisition process, the Group undertook a corporate reorganisation which saw the transfer out of its 49% holding in Outworx Pty and its 100% holding in ICS Risk Solutions Limited. The transfers were made at net book value and created a consolidated loss on disposal of £16m in 2021, which was recorded below Operating Profit in the Statement of Consolidated Income.

In addition, the Company made a statutory transfer from its Share Premium account to its Profit and Loss account of £133m. This had £nil net impact on Shareholders' Equity as is shown in the Statement of Consolidated Equity.

Following the acquisition, the Group received a Capital Contribution of £11.7m from its immediate parent entity. Further capital injections of £35m have been received in 2022 and 2023 to the date of signing these accounts.

The Group reports a consolidated loss before interest, tax, depreciation and amortisation (EBITDA) of £19.9m (2021: loss of £25.8m) which includes operating profits of £2.7m generated by SBISL (2021: profit of £3.3m) and losses of £22.7m generated by SBL (2021: loss of £34.4m). Each of the operating areas are considered in more detail below.

The consolidated net loss for the year stands at £32.0m (2021: £49.1m) which includes a number of non-operating items including amortisation of £14.5m. The 2021 net loss of £49.1m included amortisation of £15.0m and £16.2m non-recurring loss related to disposal of associate.

Non-operating items include amortisation of intangibles, a non-cash accounting item which reduces the Goodwill on incorporation of the new group over 10 years. This is not reflective of the underlying performance of the Group and therefore the Board considers EBITDA to be the key performance indicator for the Group.

In 2022 SBISL achieved turnover of £38.5m (2021: £50.0m) and operating profit of £2.7m (2021: £3.3m). The reduction in turnover was driven by reduced policy volumes due to market conditions post Covid-19 pandemic and competitor behaviour in preparation for the new FCA regulations which came into effect in early 2022. This was an expected outcome given the Group's strategy to focus on profitable underwriting over volume during this difficult part of the UK motor insurance economic cycle. This strategy saw sister company, SBL, an MGA (the main underwriter of the Company's policies) move to a single pricing model and a temporary narrowing of underwriting footprint while the foundations of the new model were built. This led to a short term reduction in volumes, and associated broker income, with a view to increased profitability and growth into 2023 and beyond.

Somerset Bridge Group Limited**Strategic report (continued)**For the year ended 31 December 2022

Business review (continued)

SBISL's priorities in 2022 were to build on the successes achieved since the launch of the brokerage division in 2013 and to focus on controlled, profitable growth, recognising market conditions. SBISL continues to offer leading insurance products at competitive prices, working with leading specialist insurer partners, including sister company SBL and its A-rated panel of insurers.

The Group's objective is to maintain controlled and profitable growth supported by actuarial-led pricing and customer selection techniques, using cutting edge technology with a focus on keeping our operating costs low, to support consistently attractive prices for our customers. This objective means that the Group will price according to risk and may need to reduce volumes or income in order to protect profits both in the short and longer term. This controlled approach is essential for the Group to achieve its objective of building a sustainable business for the long term. As described above, the Group reported a reduction in broking income for 2022 with a 22% decrease year on year.

SBISL sold 163,000 renewal policies during 2022 compared to 158,000 in 2021, a testament to the Company's approach to treating its customers fairly and offering value for money on its policies at both new business and renewal, as well as reflecting the customer's trust in our brands. New business policies fell to 229,000 (2021: 270,000). Total policies in force at the end of 2022 stood at 310,000 (2021: 334,000).

The Group distributes private motor policies under the GoSkippy and Vavista trading styles. Up until March 2021, the Group also sold policies under an affinity partnership with Debenhams. The diversity of trading styles enhances the Group's customer appeal and customer reach which in turn provides a diverse client portfolio to our panel of insurers.

SBL's MGA business aligns with the Group objective on controlled and profitable growth. The MGA reported GWP of £255m in 2022 compared to £264m in 2021.

SBL reports a net loss of £18.9m (2021: loss of £25.8m). The loss includes commission income related to both the 2022 underwriting year in addition to adjustments to commission related to the 2021 and prior underwriting years (£1.6m negative commission recorded in relation to 2021 and prior and reflected in the 2022 financial statements due to a change in loss ratio estimates). Variable insurer commission income is based on ultimate loss ratio and is recorded in the financial statements based on insurers' actuarial best estimate at the balance sheet date and revalued annually. Pricing adjustments and continued development of the underwriting models supported loss ratio and risk mitigation in 2022 which resulted in lower premium written during the year.

SBL distributes underwriting capacity to SBISL, its sister company, and 25 broking brands across the UK. SBL has also expanded the lines of business written to include short-term car and van, courier car and van, and private hire car offerings. The Speciality Risk division provides bespoke insurance for fleets, covering haulage, courier, taxi and specialist vehicles.

The claims handling function of the Group is a key contributor to the business, and, the function continues to develop and improve the efficiency of its processes, including on-going strategic improvements to its claims processing systems and is recognised as market leading in its field. SBL reports income of £7.6m in 2022 (2021: £10.8m) related to the Claims division, which includes both commissions received for provision of claims handling services to the Company's insurance panel as well as third party fee income for claims related activities. SBL was shortlisted with British Claims Awards for fraud investigation and counter fraud awards in 2021 and 2022.

The Group is committed to treating its customers fairly through such measures as providing excellent value for money to its customers, and as a consequence continued to focus on costs during 2022. This ongoing process focuses on streamlining processes and reducing fixed costs as a means of eliminating inefficient practices and increasing efficiency across all parts of the business.

Somerset Bridge Group Limited
Strategic report (continued)
For the year ended 31 December 2022

Key performance indicators ("KPIs")

The Group uses a variety of KPIs to measure the performance of its business units. These include daily and monthly financial and non-financial KPIs. Examples of such KPIs are policy count, quote to sale conversion rate, renewal retention rate and income per policy, all of which vary across the brands. For the claims handling business, the key KPIs include monthly average cost per claim, which is a measure of the efficiency of its operations. For the managing general agent business, the key performance indicators are loss ratio and combined ratio.

Principal risks and uncertainties

The Board has an established governance and risk management framework including risk management, compliance and internal audit functions. The principal risks and uncertainties facing the Group are described below:

Financial risk

The Group uses financial instruments such as cash, loans, debtors and creditors in order to finance the Group's operations. The existence of these instruments exposes the Group to financial risks detailed below.

- Liquidity risk and cash flow risk. The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet its foreseeable needs and to invest cash assets safely and profitably. The cash flow is monitored using forecasting techniques to ensure that all liabilities are met when due.
- Credit risk. The principal credit risk for the Company arises from its trade debtors. In order to manage credit risk the directors have incorporated a range of credit control procedures to monitor debt levels and to collect debts as soon as reasonably possible.
- Interest risk. The Group monitors its loans to minimise interest charges.

Information Security Risk

The Company allocates significant resources to controls that enable it to prevent, identify, detect and correct potential cyber-related issues and works proactively to put measures in place to prevent any cyber attacks. This includes regular training of all staff on information security and cyber awareness.

Data risk

The Group monitors and mitigates this risk by having formal Data Privacy Impact Assessment processes and a Data Protection Officer with technical expertise who is responsible for overseeing the Group's data protection strategy and implementation by informing and providing advice on the data protection obligations in compliance with GDPR.

Future developments

The directors consider the Group to be well positioned to build a sustainable and innovative business that offers transparent insurance products and an efficient and fair service to policy holders.

The Group is determined to bring back controlled growth in the brokerage, SBISL, during 2023 as part of the strategy to build a strong renewals book and customer loyalty. As part of this focus on the customer, the Group continues to consider product enhancements and has developed new tiered products for GoSkippy car brand which were launched in early 2023. This is expected to improve sales volumes and increase market share. The Group continues to draw on its experience to continuously focus and improve the customer journey, a strategy that is establishing a loyal customer base. This strategy will continue to be balanced with the underwriting performance targets of SBL.

Somerset Bridge Group Limited
Strategic report (continued)
For the year ended 31 December 2022

Future developments (continued)

For SBL, the directors intend to continue its current operations and build on its foundations by expanding underwriting capacity provided by its panel of highly rated insurers and reinsurers producing favourable loss ratios and increasing gross profit margin. Its main objective is to achieve controlled and profitable growth supported by actuarial-led pricing and customer selection techniques, using cutting-edge technology with a strong focus on keeping our operating costs low, to support consistently attractive prices for our customers.

Together with the relatively fixed operating cost base, the increase in capacity and improved loss ratios are expected to continue to improve profitability in 2023 and beyond. Therefore, as the business grows and expands its capacity, it is fully anticipated that SBL will generate profits and move into a net assets position.

Furthermore, the Group intends to focus on its market-leading claims handling division and to develop and improve the efficiency of its processes, including ongoing strategic improvements to its claims processing systems.

Section 172(1) Statement

Somerset Bridge Group Limited and its subsidiaries depend on the trust and confidence of its stakeholders to operate sustainably in the long-term. The Group seeks to put its customers' best interests first, invests in its employees, works closely with its suppliers and partners, supports the communities in which it operates and strives to generate sustainable profits for shareholders.

The Directors of the Company have acted in accordance with their duties codified in law, which include their duty to act in the way in which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in section 172(1) of the Companies Act 2006. Section 172 considerations are embedded in decision making at Board and Board Committee level and throughout the Company and Group. Issues, factors and stakeholders which the Directors have considered when discharging their duty under section 172(1) are detailed throughout this Strategic Report. Our mission, objectives and values are set out below. The Directors have engaged and have had regard to our stakeholders and the effect of doing so on principal decisions taken by the Company during the financial year. A summary of stakeholder matters is laid out within this Strategic Report.

The Group's mission is to build a sustainable and innovative business that offers transparent insurance products and an efficient and fair service to policy holders. The Group places customers at the core of everything it does and is focused on continuous improvement; we are committed to developing products and services that best meet policyholder needs at affordable prices. The Group provides an exceptional customer experience by optimising technology and customer interaction, recognising the need to provide flexible and quick customer contact solutions in today's fast-paced environment.

The Group draws on its five core values in all aspects of its strategy and operations. The Group recognises the value of its people and culture in achieving its mission and purpose. The core values are:

Innovative – Approaching work with a creative mindset and a passion to do things differently;

Collaborative – Developing an environment of harmony and equality where best practices and ideas are shared;

Knowledgeable – Demonstrating expertise and curiosity in an environment that nurtures employee development;

Fair and Transparent – Building an honest, open and respectful environment where a consistent approach is adopted;

Efficient – Striving for success through a culture of continuous improvement.

Somerset Bridge Group Limited
Strategic report (continued)
For the year ended 31 December 2022

Section 172(1) Statement (continued)

Stakeholder matters

The Group's strategy, endorsed by the Board, aims to deliver long term sustainability for all of our stakeholders. In taking decisions, the Directors carefully consider the balance of interests of the stakeholders who might be affected and any impact on the environment and the Group's reputation. Examples of stakeholder matters to which the Directors have had regard and, where relevant, the effect of their considerations on principal decisions taken by the Board and the Group during 2022 are set out below.

Customers: The Group puts customers at the centre of everything it does. The Board believes that the Group's long-term sustainability is driven by understanding customers' needs and acting in their best interests. The Board monitors customer engagement through ongoing monitoring of customer feedback through its social media platforms, review websites and by actively seeking customer scoring post sale. The Group also benchmarks its performance against industry best practise and standards as well as against regulatory benchmarks.

The Group undertakes quality assurance on any complaints and customer interactions and seeks to identify any emerging patterns through a rigorous root cause analysis process with outcomes reported in a monthly report to Senior Managers. The Risk and Compliance Committee receives data on complaints and provides challenge to management on any trends identified.

Employees: The Board encourages a culture that seeks to empower our people and embraces diversity, inclusion and wellbeing. The Directors believe in encouraging employees to become fully informed of the Group's activities and performance and to be more closely involved in the business. We encourage talented people to join us and help them realise their potential by giving them great opportunities to develop personally, professionally, and technically supported by a broad training provision.

The Group has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the Group through presentations including frequent CEO Update and roadshow, as well as consultations, forums and the use of the Group intranet.

The Group regularly gathers feedback from staff and performed an Employee Engagement survey in both 2022 and 2021. An Employee Focus Group was created to collect and discuss suggestions from all the companies within SBG group following the initial survey. In 2022, the Group scored 84% for positive engagement, a 5% improvement on last year as well as 5% above industry average. In addition, the Group has invested in the Investors in People framework and was delighted to achieve a Silver Accreditation in 2022. Staff are also encouraged to share their ideas and suggestions throughout the year via the Group intranet, or staff forums locally in each office. Details of the suggestions that have been implemented are fed back to employees via intranet. Further to the outputs of the surveys, the group announced some enhancements to benefits offerings in 2022, including an enhanced pensions offering, a healthcare cash back scheme, enhanced parental leave and a more flexible annual leave structure, including the ability to take leave for public holidays on alternative days.

The Board is committed to the Group's Diversity and Inclusion policy and has a detailed program of activities scheduled for 2023 to improve D&I within the group, supported by key targets and measures. The Company intends to follow the ABI's framework for D&I through 2023 and beyond.

The Company supports talent development through its Future Leaders program and comprehensive training offering which aims to develop talent across all areas of the business and to support our colleagues to learn and grow at all stages in the employee life cycle. This is underpinned by a robust appraisal and objectives setting process which ensures all of our people are treated fairly and targets are measured consistently across the Group.

Partners and Suppliers: The Group aims to maintain highest possible standards of integrity in business relationships and partnerships with suppliers. The Group relies on certain key strategic suppliers and a large number of other suppliers to conduct its business and performs ongoing due diligence on those suppliers, with developments and renewals of arrangements with those suppliers reviewed and approved at Board level where applicable.

Somerset Bridge Group Limited
Strategic report (continued)
For the year ended 31 December 2022

Stakeholder matters (continued)

Regulators: We have transparent communication with our regulators which is facilitated through our compliance team. The business teams of our regulated entities have ongoing engagement with our regulators on an ad hoc basis, including when requested to discuss specific matters. Any significant regulatory engagements are reported to the board.

Shareholders: The Group believes that engagement with its shareholders is critical to its success. The board engages with shareholders and associated company Directors to communicate on strategy, performance and to receive feedback. Regular Board reporting is provided to the Company board of directors covering all key stakeholder matters which generates ongoing dialogue between the shareholders and the Company/Group.

Community and environment: The Group is conscious of its role in society and the importance of supporting the local community. The Group through its employee forum supports local and national charities and encourages and enables our people to contribute and engage with the communities in which the Company operates. The Group supports employees who wish to take part in volunteering work within their local community and they are free to choose the cause they support. The Group has a chosen charity every year for each of its locations and these partners are supported with both financial donations and by granting our employees time to support the chosen charity.

Climate change: The Group is conscious of the risks and opportunities of climate change including the impact of the business on the environment and potential risks to the business from climate change which is receiving increased scrutiny from regulators and investors. The Board takes due consideration and care for the environment and works across the business to reduce waste, limit non-essential travel and support green initiatives to reduce carbon footprint, including a green travel policy for staff.

Our Vavista insurance trading style used by Somerset Bridge Insurance Services Ltd, has a strong focus on care for the planet and has partnered with Eden Reforestation Projects to plant a tree for every insurance policy sold. This initiative does not only help offset carbon emissions, but it also supports local communities who are employed to plant and protect the trees planted. Various recycling initiatives have been implemented across our offices and travel reduction has been encouraged between the Group's locations by promoting video and telephone conferencing systems. Our office buildings are finished to a high specification having regard to the need for sustainability. Bristol office has BREEAM Excellent rating and has roof mounted solar panels and energy efficient air conditioning units. Furthermore, in 2023, the Bristol office was reduced from three floors to one floor, a move which should see a further improvement on our environmental impact.

The Group is part of the government Energy Savings Opportunity Scheme. ESOS Energy reviewed the environmental impact of the Group and provided cost and energy saving adjustments that could be made. The Group is also implementing the government's policy on Streamlined Energy and Carbon Reporting (SECR) and reports accordingly. The information provided as part of the SECR reporting is used to better understand and tackle our carbon emissions.

Currently the energy consumption used by the Group is in line with the average business consumption in UK and has fallen slightly in 2022. The total number of kWh used by the Group in 2022 was 869k (2021: 902k). Most of the energy consumption relates to the office buildings.

	2022	2021
Scope 1 (mains gas, kWh)	236,203	264,974
Scope 2 (electricity, kWh)	596,443	608,688
Scope 3 (transport fuels, kWh)	36,393	28,694
	869,039	902,356
Kg CO ₂ equivalent	190,983	197,330
Emissions intensity (kg CO ₂ e/no. employees)	397	441

Somerset Bridge Group Limited
Strategic report (continued)
For the year ended 31 December 2022

Governance framework

The stakeholder matters described above are managed by the Board's robust governance structure, overseen by the Board. The Board's risk management system separates risk management into three lines of defence incorporating the responsibilities of the Board and executive team, risk management and internal audit functions. The Board approves the high level system of governance, the risk appetite statements and group policies where appropriate. The core elements of this include the Matters Reserved to the Board and the Board's Terms of reference. Group policies reflect minimum standards and requirements which are implemented throughout the Group.

This report was approved by the Board and signed on its behalf by:

DocuSigned by:

M. Holman
Director

Date: 7/1/2023

Somerset Bridge Group Limited

Independent auditor's report to the members of Somerset Bridge Group Limited

For the year ended 31 December 2022

Opinion on the financial statements

In our opinion:

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

We have audited the financial statements of Somerset Bridge Group Limited ("the Company") for the year ended 31 December 2022 which comprise the Consolidated statement of comprehensive income, Consolidated statement of financial position, Company statement of financial position, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Conclusions relating to going concern

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

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

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

Somerset Bridge Group Limited

Independent auditor's report to the members of Somerset Bridge Group Limited (continued)

For the year ended 31 December 2022

Other information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Directors' Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Parent Company and Group's or to cease operations, or have no realistic alternative but to do so.

Somerset Bridge Group Limited

Independent auditor's report to the members of Somerset Bridge Group Limited (continued)

For the year ended 31 December 2022

Auditor's responsibilities for the audit of the financial statements

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

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

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

- reviewed significant audit risks areas (revenue recognition, management override of controls, impairment of
- enquiries of management;
- review of minutes of board meetings throughout the period; and
- review a sample of journal entries made throughout the year.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Directors and other management, and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

Legal and regulatory frameworks determined most significant are:

- Companies Act of 2006
- FRS 102
- Financial Conduct Authority (FCA).

Non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We performed procedures including:

- obtaining an understanding of the legal and regulatory framework applicable to the Company's operations;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- inspecting correspondence with then FCA;
- enquiring of the Directors and other management of instances of non-compliance.

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

A further description of our responsibilities is available on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Somerset Bridge Group Limited

Independent auditor's report to the members of Somerset Bridge Group Limited (continued)

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

Use of our report

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

DocuSigned by:

Tom Reed

640B8C5462F7445...

Thomas Reed (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

London

United Kingdom

Date 04 July 2023

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

Somerset Bridge Group Limited
Consolidated statement of comprehensive income
For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Turnover	3	55,948	55,648
Administrative expenses		(75,865)	(81,490)
Earnings (loss) before interest, tax, depreciation and amortisation (EBITDA)		(19,917)	(25,842)
Amortisation and depreciation	4	(14,482)	(14,953)
Unrealised changes in fair value of financial instruments		(327)	839
Interest payable and finance charges	7	(1,442)	(1,724)
Profit/(loss) on ordinary activities before tax	4	(36,168)	(41,680)
Tax on profit/(loss) on ordinary activities	8	4,201	8,770
Profit/(loss) on disposal of subsidiary/associate	11	-	(16,211)
Profit/(loss) for the financial period, being total comprehensive income		(31,967)	(49,121)

The notes on pages 23 to 34 are an integral part of these financial statements.

Somerset Bridge Group Limited
Consolidated statement of financial position
As at 31 December 2022

		2022		2021	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	9	83,311		97,792	
Tangible assets	10	1,270		1,021	
Investments	11	201		570	
			84,782		99,383
Current assets					
Debtors	12	44,829		36,484	
Cash at bank		29,573		21,158	
		74,402		57,642	
Creditors					
Amounts falling due within one year	14	(96,004)		(84,528)	
Variable Commission Provision		(32,352)		(19,860)	
Net current liabilities			(53,954)		(46,746)
Total assets less net current liabilities			30,828		52,637
Creditors:					
Amounts falling due after one year	15		(28,966)		(43,028)
Financial instrument liability	16		(743)		(5,523)
Net assets			1,119		4,086
Capital and reserves					
Share capital	18		-		-
Capital contribution			40,700		11,700
Profit and loss account			(39,581)		(7,614)
Shareholders' funds			1,119		4,086

The notes on pages 23 to 34 are an integral part of these financial statements.

The financial statements were approved by the board of directors and were signed on its behalf by:

DocuSigned by:

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M Holman
Director

Date: 7/1/2023

Company registration number: 11737836

Somerset Bridge Group Limited
Company statement of financial position
As at 31 December 2022

		2022	2021
	Note	£'000	£'000
Fixed assets			
Intangible assets	9	10,742	13,129
Investments	11	101,901	102,270
		112,643	115,399
Current assets			
Debtors	12	2,352	3,666
Cash at bank		104	1
		2,456	3,667
Creditors			
Amounts falling due within one year	14	(43,563)	(49,868)
Net current liabilities		(41,107)	(46,201)
Total assets less net current liabilities		71,536	69,198
Creditors:			
Amounts falling due after one year	15	(28,393)	(44,760)
Financial instrument liability	16	(743)	(5,523)
Net assets		42,400	18,915
Capital and reserves			
Share capital	18	-	-
Capital contribution		40,700	11,700
Profit and loss account		1,700	7,215
Shareholders' funds		42,400	18,915

The notes on pages 23 to 34 are an integral part of these financial statements.

The financial statements were approved by the board of directors and were signed on its behalf by:

DocuSigned by:

C88CE22FF245497...
M Holman
Director

Date: 7/1/2023

Company registration number: 11737836

Somerset Bridge Group Limited
Consolidated statement of changes in equity
For the year ended 31 December 2022

	Share capital & premium £'000	Capital contribution on £'000	Profit & loss account £'000	Equity attributable to the owners of the parent company £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2022	-	11,700	(1,320)	4,086	-	4,086
Comprehensive income for the year						
Profit/(Loss) for the year			(31,967)	(31,967)	-	(31,967)
Total comprehensive income			(31,967)	(31,967)	-	(31,967)
Contributions from/(distributions to) owners		29,000		29,000		29,000
As at 31 December 2022	-	40,700	(33,287)	1,119	-	1,119

	Share capital & premium £'000	Capital contribution on £'000	Profit & loss account £'000	Equity attributable to the owners of the parent company £'000	Non-controlling interest £'000	Total equity £'000
At 1 December 2021	133,100		(85,299)	41,507	519	42,026
Comprehensive income for the period						
Profit for the period			(49,121)	(49,121)		(49,121)
Total comprehensive income		-	(49,121)	(49,121)	-	(49,121)
Contributions from/(distributions to) owners		11,700		11,700		11,700
Transfer share premium to retained earnings	(133,100)		133,100			-
Disposal of subsidiary					(519)	(519)
As at 31 December 2021	-	11,700	(1,320)	4,086	-	4,086

The notes on pages 23 to 34 are an integral part of these financial statements.

Somerset Bridge Group Limited
Company statement of changes in equity
For the year ended 31 December 2022

	Share capital £'000	Capital contribution £'000	Share Premium £'000	Profit & loss account £'000	Total equity £'000
At 1 January 2022	-	11,700	-	7,215	18,915
Comprehensive income for the year					
Profit/(Loss) for the year				(5,515)	(5,515)
Total comprehensive income				(5,515)	(5,515)
Contributions from/(distributions to) owners		29,000		-	29,000
As at 31 December 2022	-	40,700	-	1,700	42,400

	Share capital £'000	Capital contribution £'000	Share Premium £'000	Profit & loss account £'000	Total equity £'000
At 1 January 2021	-	-	133,100	(113,637)	19,463
Comprehensive income for the period					
Profit/(Loss) for the period				(12,248)	(12,248)
Total comprehensive income				(12,248)	(12,248)
Contributions from/(distributions to) owners		11,700		-	11,700
Transfer share premium to retained earnings			(133,100)	133,100	-
As at 31 December 2021	-	11,700	-	7,215	18,915

The notes on pages 23 to 34 are an integral part of these financial statements.

Somerset Bridge Group Limited
Consolidated statement of cash flows
For the year ended 31 December 2022

	2022 £'000	2021 £'000
Cash flow from operating activities		
Profit/(loss) on ordinary activities before tax	(36,168)	(41,680)
Adjustments for:		
Depreciation charge	727	472
Amortisation of intangible fixed assets	14,482	14,482
Unrealised (gains)/losses	327	(839)
Interest paid	1,442	1,724
Decrease/(increase) in debtors	(5,065)	25,141
Increase/(decrease) in creditors	9,906	(741)
Tax paid	706	(925)
Cash generated from / (used in) operating activities	(13,643)	(2,367)
 Purchase of tangible fixed assets	 (1,048)	 (760)
Disposal of tangible fixed assets		14
Disposal of investments	(4,451)	(2,163)
Capital contribution from parent company	29,000	11,700
Net cash used in investing activities	23,501	8,791
 Cash flows from financing activities		
Interest paid	(1,442)	(1,724)
Net cash used in financing activities	(1,442)	(1,724)
 Net increase/(decrease) in cash and cash equivalents	8,416	4,700
Cash and cash equivalents at the beginning of the year	21,158	16,458
 Cash and cash equivalents at the end of the year	29,574	21,158

The notes on pages 23 to 34 are an integral part of these financial statements.

Somerset Bridge Group Limited
Notes to the financial statements
For the year ended 31 December 2022

1. Accounting policies

1.1 General information

Somerset Bridge Group Limited ("the Company") is a limited company incorporated in England and Wales under the Companies Act. The Company Registration no. is 11737836 and the address of the registered office is Lysander House Catbrain Lane, Cribbs Causeway, Bristol, BS10 7TQ.

The Company holds the subsidiaries Somerset Bridge Limited (SBL), Somerset Bridge Shared Services Limited and Somerset Bridge Insurance Services Limited (SBISL). Together, these companies form the Somerset Bridge Group Limited Group ("the Group").

1.2 Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 ("FRS 102"), the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, and the Companies Act 2006.

1.3 Basis of consolidation

The consolidated results present the results of the Company and its subsidiaries as if they formed a single entity (see note 11). Intercompany transactions and balances between Group companies are therefore eliminated in full.

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

1.4 Going concern basis

The directors have a reasonable expectation that the Group and Company have adequate resources to continue operating for the foreseeable future. In assessing the appropriateness of the going concern basis, the directors prepared and reviewed full financial forecasts up to 31 December 2024. It was concluded that the Group is expected to continue as a going concern, and that no material uncertainty exists around the going concern basis of preparation.

1.5 Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies; the directors consider the critical accounting estimate associated with variable commission income to have a significant level of uncertainty, as described below.

Variable commission provision

The managing general agent commission income earned is based on a variable commission rate determined by reference to the loss ratio for the underwriting period agreed between the Company and the insurer. Prior to final calculation of the loss ratio, management uses techniques to evaluate the best estimate at the year end.

Estimation techniques are used in the calculation of the loss ratio, which represents a projection of the ultimate cost of settling claims that have occurred prior to the balance sheet date and remain unsettled at the balance sheet date. These estimations are revised periodically as underwriting years develop.

Somerset Bridge Group Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

Critical accounting estimates and judgements in applying accounting policies (continued)

Claims Handling Income

Management is required to exercise judgement in the recognition of its income related to claims handling income. The recognition of commission received for the handling of claims is deferred over the amount of time that the claims are expected to settle. The deferral period is an estimate of the length of future claims settlement process based on historical experience.

In preparing these accounts the directors also made judgements in the process of estimating the values used in the acquisition accounting, and regarding the valuation supporting the fair values of the shares issued.

1.6 Income recognition

Turnover for the Group arises in the UK and comprises insurance broking income, commission income and claims handling income.

Income recognised in respect of insurance broking services supplied, exclusive of value added tax, insurance premium tax and trade discounts, is based on the effective commencement or renewal date of the policy. Commission income is included based on agreed initial commission rates less a provision for changes in commission rate, based on management's best estimate at the reporting date and corroborated against external actuarial review. Income is recognised in respect of services supplied, exclusive of value added tax, insurance premium tax and trade discounts. Recognition of commission received for the handling of claims is deferred over the amount of time that the claims are expected to settle. The deferral period is based on estimated length of the claims settlement process based on historical experience.

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on a straight line basis at rates calculated to expense the cost of each asset, less their estimated residual value, over the expected useful lives on the following basis:

- Office equipment	5 years
- Fixtures and fitting	3 years
- Motor vehicles	3 years
- Computer equipment	3 years

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted prospectively, if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income statement.

1.8 Intangible fixed assets

Intangible fixed assets are stated at cost less amortisation. Amortisation for the assets below is provided on a straight line basis at rates calculated to expense the cost of each asset, less their estimated residual value, over the expected useful lives on the following basis:

- Goodwill	10 years
- Software development costs	3 years
- IPR asset	8.5 years

Somerset Bridge Group Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

1.9 Investments

An entity is treated as an associated undertaking where the group exercises significant influence; it has the power to participate in the operating and financial policy decisions.

An entity is treated as a joint venture where the group is party to a contractual agreement with one or more parties from outside the group to undertake an economic activity that is subject to joint control.

In the consolidated accounts, interests in associated undertakings and joint ventures are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss, other comprehensive income and equity of the associate, or joint venture. The consolidated Statement of comprehensive income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with the Group. In the consolidated Statement of financial position, the interests in associated undertakings and joint ventures are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

The interests in associated undertakings and joint ventures are recognised at the transaction price (including transaction costs) and reviewed for impairment. Investments in subsidiaries are measured at cost less accumulated impairment. Other investments comprise shares in listed and unlisted UK companies.

1.10 Leases

Lease agreements are classified as finance leases if the lease agreements transfer substantially all the risks and rewards of ownership to the lessee; all other leases are classified as operating leases.

Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

1.11 Financial instruments

The Company enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities.

Financial assets are initially recognised at transaction price, unless the arrangement constitutes a financing transaction; in which case the transaction is measured at the present value of the future receipts discounted at market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period, financial assets that are measured at cost and amortised cost are assessed for objective evidence of impairment. If evidence is found, an impairment loss is recognised in the income statement.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount the Company would receive for the asset if it were to be sold at the reporting date.

Financial liabilities are initially recognised at transaction price, unless the arrangement constitutes a financing transaction; therefore, the liability is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities are derecognised when the contractual obligation is discharged, cancelled or expires.

Financial asset and liabilities are offset, and the net amount reported in the Statement of financial position where there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Somerset Bridge Group Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

1.12 Taxation, including deferred income taxes

The tax expense for the period recognised in the income statement comprises current tax and deferred tax.

Current tax which is payable or receivable on taxable profits or losses is recognised as an expense or credit in the period in which the profits or losses arise. The current income tax charge is calculated on the basis of the tax rates enacted or substantially enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which timing differences can be utilised.

Deferred tax income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

1.13 Pensions

The Group makes a non-contributory stakeholder pension available to all employees. The employer contributions are recognised as an expense in the Statement of comprehensive income when they fall due.

1.14 Equity

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable net of the direct cost of issuing the equity instrument. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

1.15 Goodwill

Goodwill arising on consolidation is amortised over the estimate of its useful life of 10 years. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

The estimates used in the valuation of assets are based on current market estimates and internal transfer pricing review based on available market comparables.

2. Parent company

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The loss after taxation of the Company was £5.5m (2021: loss of £12.2m).

3. Turnover - consolidated

	2022	2021
	£'000	£'000
Insurance broking	37,966	48,913
Claims handling	8,080	11,798
Other income	71	508
Insurance MGA income (net of provision for variable commission)	1,347	(17,816)
Recharges to related parties	8,484	12,245
	55,948	55,648

Somerset Bridge Group Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

4. Operating profit/(loss) - consolidated

The operating profit/(loss) is stated after charging:

	2022 £'000	2021 £'000
Depreciation of tangible assets	727	471
Amortisation of intangible assets	14,482	14,482
Operating lease charges	911	382

5. Auditor's remuneration - consolidated

	2022 £'000	2021 £'000
For the audit of the parent company	24	22
For the audit of the parent company's subsidiaries	135	121
For other assurance services	20	18
	179	161

6. Staff costs - consolidated

	2022 £'000	2021 £'000
Wages, salaries and bonus	18,658	17,816
Social security costs	1,726	1,855
Other pension costs	312	286
	20,696	19,957

The average number of Group's employees including Directors during the year was 509 (2021: 447 employees).

7. Interest and similar items - consolidated

	2022 £'000	2021 £'000
Interest income	197	2
Interest expense	(1,639)	(1,726)
	(1,442)	(1,724)

Somerset Bridge Group Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

8. Taxation - consolidated

	2022 £'000	2021 £'000
Current tax		
- UK corporation tax on profit on ordinary activities	-	-
- Adjustment in respect of previous years	-	-
Current tax charge	-	-
Deferred tax		
- Origination and reversal of timing differences	(6,081)	(8,735)
- Adjustment in respect of previous years	1,876	-
- Effect of tax rate change on opening balance	4	(35)
Deferred tax charge/(credit)	(4,201)	(8,770)
Tax charge/(credit)	(4,201)	(8,770)

The tax charge on the profit for the year is lower (2021: lower) than would arise using the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £'000	2021 £'000
Factors affecting the tax charge for the year:		
Profit/(loss) before tax (before consolidation adjustments)	(36,168)	(43,184)
Profit/(loss) before tax multiplied by the UK corporation tax rate	(6,872)	(8,205)
Effects of:		
- Expenses not deductible for tax purposes	2,314	2,592
- Effect of tax rate change	4	(30)
- Adjustments in respect of prior periods	1,876	57
- Remeasurement of deferred tax for changes in tax rates	(1,463)	(3,185)
- Fixed assets difference	(60)	-
	(4,201)	(8,770)

The corporation tax will increase to 25% from 1 April 2023.

Somerset Bridge Group Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

9. Intangible fixed assets

Group

	Goodwill £'000	IPR Asset £'000	Total £'000
Cost			
At 1 January 2022	164,680	18,500	183,180
At 31 December 2022	164,680	18,500	183,180
Depreciation			
At 1 January 2022	80,017	5,371	85,388
Charge for the year	12,095	2,387	14,482
At 31 December 2022	92,112	7,758	99,870
Net book value			
At 31 December 2021	84,663	13,129	97,792
At 31 December 2022	72,569	10,742	83,310

Company

	IPR Asset £'000	Total £'000
Cost		
At 1 January 2022	18,500	18,500
At 31 December 2022	18,500	18,500
Amortisation		
At 1 January 2022	5,371	5,371
Charge for the year	2,387	2,387
At 31 December 2022	7,758	7,758
Net book value		
At 31 December 2021	13,129	13,129
At 31 December 2022	10,742	10,742

Somerset Bridge Group Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

10. Tangible fixed assets

Group	Office equipment £'000	Fixtures and fittings £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2022	124	186	1,766	9	2,085
Additions	15	-	1,034	-	1,048
Disposals	(1)	-	(110)	-	(111)
At 31 December 2022	137	186	2,690	9	3,022
Depreciation					
At 1 January 2022	97	186	772	9	1,064
Charge for the year	16	-	711	-	727
Disposals	(1)	-	(37)	-	(39)
At 31 December 2022	112	186	1,446	9	1,753
Net book value					
At 31 December 2021	27	-	995	-	1,021
At 31 December 2022	25	-	1,244	-	1,270

Company

The Company does not own any Tangible fixed assets.

11. Investments

Group		Other investments £'000	Total £'000
At 1 January 2022		570	570
Disposals		(329)	(329)
Unrealised gains/(losses)		(40)	(40)
At 31 December 2022		201	201
Company			
	Investment in subsidiaries £'000	Other investments £'000	Total £'000
At 1 January 2022	101,700	570	102,270
Additions/(Disposals)	-	(329)	(329)
Unrealised gains/(losses)	-	(40)	(40)
At 31 December 2022	101,700	201	101,901

Somerset Bridge Group Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

11. Investments (continued)

Details of the investments that the Group hold 20% or more of the nominal value of any class of share capital at the end of 2021 are as follows. All companies are registered in England and Wales:

Name of company	Profit before tax £'000	Net Assets £'000	Results for the year ended	Proportion of voting rights and shares held	Registered Post Code	Nature of business
<u>Subsidiary undertakings</u>						
Somerset Bridge Limited <i>Company number:</i> 10427946	(22,906)	(40,050)	31/12/21	100% Ordinary shares	BS10 7TQ	Insurance agents and brokers
Somerset Bridge Insurance Services Limited <i>Company number:</i> 06334001	2,778	27,279	31/12/21	100% Ordinary shares	BS10 7TQ	Insurance agents and brokers
Somerset Bridge Shared Services Limited <i>Company number:</i> 12252319	256	620	31/12/21	100% Ordinary shares	BS10 7TQ	Other service activities

As part of a corporate reorganisation that took place prior to the sale of the Group to Arch Re Limited in August 2021, the Company's holding in Outworx Pty (49% equity holding) and the Company's holding in ICS Risk Solutions Limited (100% subsidiary) were transferred to related parties at their net asset value. This created a consolidated loss on disposal of £16m which is recorded in the Statement of Consolidated Income in 2021.

12. Debtors

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Trade debtors	21,348	11,876	-	-
Amount owed by related parties (see note 19)	1,151	5,628	-	-
Prepayments and accrued income	3,322	3,336	46	46
Deferred tax	17,525	14,262	2,305	3,620
Current tax	754	737	-	-
Other loans and receivables	729	645	-	47
	44,829	36,484	2,351	3,713

Amounts owed by related parties are unsecured, interest free and repayable on demand.

Somerset Bridge Group Limited
Notes to the financial statements (continued)
For the year ended 31 December 2022

13. Deferred tax asset

	Group	Group	Company	Company
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Brought forward	14,262	5,492	3,620	3,620
Credit for the year - Income statement	4,201	8,770	(1,314)	-
Adjustment in respect of prior periods	(938)	-	-	-
	17,525	14,262	2,306	3,620

14. Creditors: Amounts falling due within one year

	Group	Group	Company	Company
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Amounts owed to group undertakings (see note 19)	-	-	32,285	42,590
Amounts owed to related parties (see note 19)	36,973	48,174	11,229	7,229
Trade creditors	51,860	30,080	-	-
Accruals and deferred income	6,280	5,338	49	48
Other creditors	891	935	-	-
	96,004	84,528	43,563	49,868

Details of loans with related parties and group companies are included in note 19.

Trade creditors includes amounts due to insurers including amounts held on behalf of reinsurers with funds withheld arrangements where the Company holds premium on behalf of the reinsurer and pays claims out of those funds.

In addition, a separate provision has been made for movements in sliding scale commission income based on loss ratio projections at the year end date. This is included as a separate line on the balance sheet at £32.4m at 31 December 2022 (2021: £19.9m). Sliding scale commissions are received based on an initial loss ratio target and recalculated based on final loss ratios once the underwriting year has fully developed. The Company makes a provision for commission based on external actuarial estimates at each balance sheet date; the provision is adjusted annually when those estimates are revised.

15. Creditors: Amounts falling due after one year

	Group	Group	Company	Company
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Amounts owed to group undertakings (see note 19)	-	-	-	2,767
Amounts owed to related parties (see note 19)	28,393	42,393	28,393	48,393
Accruals and deferred income	573	635	-	-
	28,966	43,028	28,393	51,160

Details of loans with related parties and group companies are included in note 19.

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16. Financial instruments	Group	Group	Company	Company
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Financial assets				
- measured at amortised cost	74,403	68,576	2,455	4,017
- measured at fair value through profit and	201	490	201	490
	Group	Group	Company	Company
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Financial liabilities				
- measured at amortised cost	124,970	131,560	71,956	95,551
- measured at fair value through profit and	743	8,445	743	8,445

Financial assets measured at amortised cost comprise Cash at bank and Other loans and receivables. Liabilities measured at amortised cost comprise Amounts owed to related parties, Trade creditors and Accruals. Liabilities measured at fair value through profit and loss comprise put option agreements for listed shares, held with parties sharing key management. The Group recognises the unrealised cost of the obligation to purchase the assets under the option, and the unrealised gain or loss with reference to the market value of the shares at the balance sheet date. The movement in value is recognised in the income statement.

The Group uses financial instruments that arise directly from its operations. The main purpose of these financial instruments is to finance the Group's operations. The Group has no interest in the trade of financial instruments, interest rate swaps or forward interest rate agreements.

The Group seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

17. Other financial commitments

The total future minimum lease payments to the end of each lease under non-cancellable operating leases are:

	Group	Group	Company	Company
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Expiring within one year	773	773	-	-
In more than one year, but not more than five	2,582	3,094	-	-
More than five years	-	1,036	-	-

18. Share capital

	2022	2021
	£'000	£'000
Allotted, called up and fully paid		
10,000 ordinary shares of £0.01 each	-	-

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19. Related party balances - consolidated

	2022 Income £'000	2022 Expense £'000	2021 Income £'000	2021 Expense £'000
Transactions with related undertakings				
Southern Rock Insurance Company Ltd	407	(46,396)	1,318	(6,521)
Southern Rock Holdings Limited	-	-	-	(32)
Alwyn Insurance Company Limited	342	-	-	(6,070)
	749	(46,396)	1,318	(12,623)
	2022 Receivable £'000	2022 Payable £'000	2022 Net £'000	2021 Net £'000
Year end balances arising from transactions with related undertakings				
Southern Rock Insurance Company Ltd	231	(48,235)	(48,004)	(68,931)
Southern Rock Holdings Limited	-	-	-	4,998
Alwyn Insurance Company Limited	-	(17,133)	(17,133)	-
Arch Intermediaries Group Ltd	138	-	-	-
Barbican Holdings (UK) Ltd	17	-	-	-
Arch Managing Agency Ltd	121	-	-	-
Thomas Underwriting Agency Ltd	6	-	-	-
Salt Insurance	10	-	-	-
Castel Underwriting Agencies	460	-	-	-
Castel Underwriting Europe BV	19	-	-	-
Arch Re Europe Underwriting DAC	87	-	-	-
Arch Underwriters Europe Ltd	64	-	-	-
	1,152	(65,367)	(65,136)	(63,933)

Transactions with related parties take place at arm's length.

Amounts owed to related parties are unsecured, interest free and repayable on demand, other than the following items:

As part of a simplification process as at 1st April 2020, various loan agreements between Southern Rock Insurance Company Ltd (SRICL) and the Company were consolidated into a single loan agreement with a balance of £54.4m repayable in monthly instalments beginning in January 2021 and ending in December 2025. The restructured loan pays interest at 3% per annum.

All receivable balances with related undertakings in 2022 (except SRICL) are the result of tax reliefs surrendered to other subsidiaries of Arch Capital Group Limited and are due to be settled in 2023.

20. Ultimate parent undertaking and controlling party

The ultimate controlling party of Somerset Bridge Group Limited is Arch Capital Group Limited by virtue of its majority shareholding. The immediate parent company is Arch Reinsurance Limited. The registered address of Arch Reinsurance Limited is Waterloo House, 100 Pitts Bay Road, Pembroke HM 08, Bermuda.