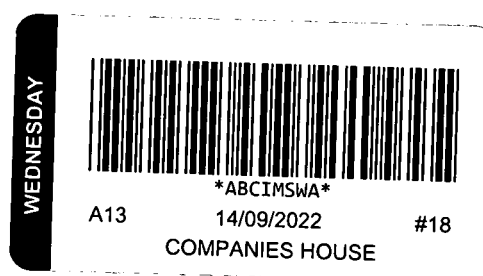


# Somerset Bridge Limited

## Directors' Report and Financial Statements

For the year ended 31 December 2021

Company Registration No. 10427946



**Somerset Bridge Limited**  
**Report and financial statements**  
For the year ended 31 December 2021

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**Company information**

Company registration number:	10427946
Registered office:	Lysander House Catbrain Lane Cribbs Causeway Bristol BS10 7TQ
Directors:	A Marshall C J Gillighan T McGiffen L Allan (appointed 5 August 2021) M Bebbington (appointed 5 August 2021) A J Khadim (appointed 5 August 2021) C Rendell (appointed 5 August 2021)
Secretary:	S Frites
Auditors:	BDO LLP Registered Auditors and Chartered Accountants 55 Baker Street London W1U 7EU

## Contents

### Page:

1	Directors' report
3	Strategic report
8	Independent auditor's report
11	Statement of comprehensive income
12	Statement of financial position
13	Statement of changes in equity
14	Statement of cash flow
15	Notes to the financial statements

The directors present their report and financial statements for the year ended 31 December 2021.

Somerset Bridge Limited ("the Company") is a limited company incorporated in England and Wales on 14 October 2016 (registered number 10427946) and is a member of the Somerset Bridge Group Limited group.

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

### **Results and dividends**

The result for the period after taxation was a loss of £25,811,000 (2020: profit of £14,519,000). No dividends have been paid for the period (2020: nil).

### **Directors**

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

A Marshall	
C J Gillighan	
T McGiffen	
L Allan	(appointed 5 August 2021)
M Bebbington	(appointed 5 August 2021)
A J Khadim	(appointed 5 August 2021)
C Rendell	(appointed 5 August 2021)
E Bilney	(resigned 5 August 2021)
M F Robinson	(resigned 5 August 2021)

### **Equal opportunities**

The Company supports the principle of equal opportunities. Its policy is that there should be no discrimination on the grounds of sex, age, religion, or race. Equal employment opportunities are available to all persons, including the disabled, having full regard to their particular skills and abilities.

### **Employee Involvement**

The directors believe in encouraging employees to become fully informed of the Company's activities and to be more closely involved in the business and provide ongoing training as necessary. We encourage talented people to join us and help them realise their potential by giving them great opportunities to develop personally, professionally and technically.

The Company 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 Company through presentations, consultations, forums and the use of the Company intranet.

### **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 2021 financial year and remains in force for all current and past Directors of the 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.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and 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;
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

### Provision of information to the auditor

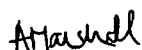
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

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



A Marshall  
Director

Date: 01/09/2022

Somerset Bridge Limited ("the Company") is a limited company incorporated in England and Wales on 14 October 2016 and is a member of the Somerset Bridge Group Ltd group.

The Company is a part of the UK registered insurance services group, Somerset Bridge Group Limited ("SBG") together with sister companies Somerset Bridge Insurance Services Ltd ("SBISL") providing brokerage services under the Go Skippy and Vavista trading styles and Somerset Bridge Shared Services Ltd (SBSS) providing group wide support functions. Together these Companies are referred to the Somerset Bridge Group ("SBG" or "the Group").

### **Principal activity**

The Company's principal activity is that of a managing general agent for the provision of insurance, mainly motor insurance, on behalf of a panel of insurers and reinsurers together with a claims handling business on behalf of those same insurers.

The Group's vision is to be the trusted provider of choice for all our customer needs year after year. In accordance with our mission, we strive to be an innovative, customer focused business that provides and excellent experience through collaboration and consistently delivering value. We offer 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; it is 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.

SBL distributes policies on behalf of SBISL, its sister company, together with 20 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. In 2021 the Company established the Speciality Risk division to diversify its product lines. This provides bespoke insurance for fleets, covering haulage, courier, taxi and specialist vehicles.

### **Business review**

In August 2021 the entire Somerset Bridge Group Limited group was acquired by Arch Reinsurance Limited (Bermuda), a subsidiary of Arch Capital Group Ltd, with a view to expanding its UK motor insurance and reinsurance capabilities with a fully integrated platform. Arch Re is a leading, diversified reinsurer offering treaty and facultative property, casualty and specialty reinsurance around the world. Arch Re and its associates have worked closely with the SBG 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.

The result for the period after taxation was a loss of £25,811,000 (2020: profit of £14,519,000). No dividends have been paid for the period (2020: nil).

The loss includes commission income related to both the 2021 underwriting year in addition to adjustments to commission related to the 2020 and prior underwriting years (£11.7m negative commission recorded in relation to 2020 and prior and reflected in the 2021 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 external best estimate at the balance sheet date and revalued annually. Pricing adjustments and continued development of the underwriting models supported loss ratio whilst increasing premium written in 2021. The Company reports GWP of £264m in 2021 compared to £258m in 2020. The positive effect of Covid 19 on accident numbers was overestimated for 2020 underwriting year and this had an adverse effect included in 2021 accounts. The 2021 financial statements include an additional £8m provision for variable commission for 2018 - 2020 underwriting years reflecting the latest loss ratio estimates.

### **Business review (continued)**

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 £10.8m in 2021 (2020: £9.6m) 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.

### **Key performance indicators ("KPIs")**

The Company and Group uses a variety of KPIs to measure the performance of its business units. These include monthly financial and non-financial KPIs, measured against budgeted targets which are set annually. Examples of such KPIs are loss ratio, gross written premium. For the claims handling business, the key KPIs include monthly average cost per claim, which is a measure of the efficiency of its operations.

### **Financial risk management objectives and policies**

The parent company of the Group, Somerset Bridge Group Ltd ("SBG"), uses financial instruments such as cash, loans, debtors and creditors in order to raise finance for the Company's operations. The existence of these instruments exposes the Company to financial risks which are 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 Group as a whole monitors cash flow using sophisticated forecasting techniques to ensure that all liabilities are met when due.

#### ***Interest risk***

The Group monitors its banking facilities. Group monies are monitored to minimise interest charges on overdrafts and to ensure cash balances are used to offset overdrafts.

#### ***Credit risk***

The principal credit risk for the Company arises from its trade debtors and in relation to money lent across the Group. In order to manage credit risk the directors have incorporated a range of credit control procedures to monitor debt levels and to ensure that any debts are collected as soon as reasonably possible.

### **Future outlook**

The directors intend for the Company 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 profit margin. The Company's objective is to maintain 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. At the beginning of 2021 the Company established its speciality risk division, underwriting fleet insurance and commercial vehicles, and it expects this line of business to bring £30m GWP in 2022.

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

Together with the relatively fixed operating cost base, the increase in capacity and improved loss ratios are expected to continue to improve profitability in 2022 and beyond. Therefore, as the business grows and expands its capacity, it is fully anticipated that the Company will continue to generate profits and move into a net assets position.

### **Covid 19 pandemic**

During 2021 Covid-19 continued to impact on our customers and our people but the Group closely monitored the impacts and uncertainties arising out of the pandemic. The Group remained focused on its mission and objectives, targeting profitable and sustainable controlled growth. The Company's focus since the start of the pandemic has been on supporting the Group and protecting the staff, whilst maintaining efficient processes during a Disaster Recovery scenario. The Company maintained the remote working capability established in the previous year to keep strong levels of service for the Group. Throughout the year, we adapted the working pattern to reflect the government advice in place at that particular time. We have also provided extensive support for our people, focusing on wellbeing and mental health support, during the period of restrictions and in the subsequent return to office based activities. The company applied for government grants for the furloughed employees and the total grant received for 2021 was £16k (2020: £305k).

Following the implementation of the Covid-19 restrictions, motor trading saw fewer new business customers in the market following a slow-down in car transactions, although the Company was not significantly impacted by this. Retention remained strong and continues to perform well. The Company continued to track these trends closely as the UK moved out of lockdown restrictions during 2021. Overall, the Company does not anticipate a sustained negative financial impact on its ability to meet its objectives, although this continues to be monitored closely.

### **Section 172(1) Statement**

Somerset Bridge Limited is an MGA and Claims Handler which depends on the trust and confidence of its stakeholders to operate sustainably in the long term. The Company 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 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 SBISL's the 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.*



## 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 Company'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 Company during 2021 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 Company also benchmarks its performance against industry best practise and standards as well as against regulatory benchmarks.

**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 Company's activities and to be more closely involved in the business and provide ongoing training as necessary. We encourage talented people to join us and help them realise their potential by giving them great opportunities to develop personally, professionally and technically. The Company 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 Company through presentations, consultations, forums and the use of the Company intranet. An Employee Focus Group was created to collect and discuss suggestions from all the companies within SBG group. The valuable suggestions are later implemented and the ones rejected are fed back to all employees on the Bridge (the Group intranet).

**Partners and Suppliers:** The Company 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 into those suppliers, with developments and renewals of arrangements with those suppliers reviewed and approved at Board level where applicable.

**Regulators:** We have transparent communication with our key regulators which is facilitated through our compliance team. Our business teams and the non-executive directors 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 Company believes that engagement with its shareholders is critical to its success. This includes both its ultimate beneficial shareholder and immediate parent undertaking and sister companies within the Somerset Bridge Group. The board engages with shareholders and associated company Directors to communicate on strategy, performance and to receive feedback. Monthly Board reporting is provided to the parent company board of directors covering all key stakeholder matters which generates ongoing dialogue between the shareholders and the Company.

**Community and environment:** The Company is conscious of its role in society and the importance of supporting the local community. The Company 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 Company supports employees who wish to take part in volunteering work within their local community and they are free to choose the cause they support.

**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.

There is a physical risk which arises from weather-related events, including the potential to affect both the frequency and severity of natural catastrophes and other weather-related events in the UK. These events could cause more accidents, increasing the numbers of claims and the premiums paid by policy holders which lose their no claim bonus. There is also a transitional risk arising due to efforts to mitigate climate change which are driving a transition towards a lower-carbon economy, which creates risks and opportunities. This transition could increase operational costs to meet new climate regulations. Another important risk is reputation risk. As consumers become more conscious about climate change they have an expectation for Companies related to corporate responsibility, these resulting in a cost increase to meet customers' expectations and keep the good reputation of our Group.

The Group aims to reduce its environmental footprint and encourage responsible behaviour. The Group's Vavista insurance trading style used by the sister company, 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.

The Group is part of the government Energy Savings Opportunity Scheme and had a report carried out in 2020, with the next one due in 2023. ESOS reviewed the environmental impact of the Group and provided cost and energy saving adjustments that could be made. It is also implementing the government's policy on Streamlined Energy and Carbon Reporting (SECR) and reports accordingly.

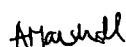
Our ambition is to set a challenging but realistic target to be carbon neutral as a business. Currently the energy consumption used by the Company is in line with the average business consumption in UK. In 2021 the total number of kWh used by the company was 231k (2020: 257k). Most of the energy was consumed by the office buildings as the Company has under ten rented cars for its employees and it's not responsible to pay for the fuel of employee-owned vehicles.

	2021	2020
Energy used in kWh	661,900	690,769
Kg CO <sub>2</sub> equivalent	154,315	161,046
Intensity (kg CO <sub>2</sub> e/no. employees)	523	523

#### 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 several lines of defence incorporating the responsibilities of the Board, the Audit Committee, the Risk and Compliance Committee and the executive teams. 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 Committees' 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:



**A Marshall**  
Director

Date: 01/09/2022

### **Opinion on the financial statements**

In our opinion the 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Somerset Bridge Shared Services Limited ("the Company") for the year ended 31 December 2021 which comprise the Statement of comprehensive income, Statement of financial position, Statement of changes in equity, Statement of cash flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting

### **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 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 Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 investments and goodwill, and going concern) to address the risk of fraudulent manipulation. In particular, we have reviewed accounting estimates for any potential management bias to check the methods utilised are
- 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 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.

**Use of our report**

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

DocuSigned by:  
  
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**Thomas Reed** (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom

06 September 2022

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

Somerset Bridge Limited  
**Statement of comprehensive income**  
For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Turnover	2	(7,040)	34,936
Other operating income	3	480	420
<b>Gross profit</b>		<b>(6,560)</b>	<b>35,356</b>
Administrative expenses	4/5	(27,816)	(22,645)
<b>Operating profit/(loss)</b>	4	<b>(34,376)</b>	<b>12,711</b>
Interest receivable/(payable)	7	(111)	63
<b>Profit/(Loss) on ordinary activities before tax</b>		<b>(34,487)</b>	<b>12,774</b>
Tax (charge)/credit on profit/(loss)	8	8,676	1,745
<b>Profit/(loss) for the financial period, being total comprehensive income</b>		<b>(25,811)</b>	<b>14,519</b>

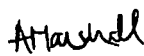
The notes on pages 15 to 21 are an integral part of these financial statements.

Somerset Bridge Limited  
Statement of financial position  
As at 31 December 2021

	Note	2021 £'000	2020 £'000
<b>Current assets</b>			
Debtors	9	54,435	66,751
Cash at bank		16,448	11,722
		<u>70,883</u>	<u>78,473</u>
<b>Creditors</b>			
Amounts falling due within one year	10	(73,156)	(69,784)
Variable Commission Provision		(19,860)	(16,792)
		<u>(93,016)</u>	<u>(86,576)</u>
<b>Net current assets</b>		<b>(22,133)</b>	<b>(8,103)</b>
<b>Total assets less net current (liabilities)/assets</b>		<b>(22,133)</b>	<b>(8,103)</b>
<b>Creditors:</b>			
Amounts falling due after one year	11	(635)	(554)
<b>Net liabilities</b>		<u><b>(22,768)</b></u>	<u><b>(8,657)</b></u>
<b>Capital and reserves</b>			
Share capital	12	-	-
Profit and loss account		(22,768)	(8,657)
<b>Shareholders' deficit</b>		<u><b>(22,768)</b></u>	<u><b>(8,657)</b></u>

The notes on pages 15 to 21 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:



A Marshall

Director

Date: 01/09/2022

Company registration number: 10427946

Somerset Bridge Limited  
Statement of changes in equity  
For the year ended 31 December 2021

	Share capital £'000	Share Premium £'000	Profit & loss account £'000	Total equity £'000
<b>At 1st January 2021</b>	-	-	(8,657)	(8,657)
<b>Comprehensive income for the year</b>				
Profit for the year			(25,811)	(25,811)
Share issue	-	11,700	-	11,700
Share premium transferred to Retained Earnings	-	(11,700)	11,700	-
<b>Total comprehensive income</b>	-	-	(14,111)	(14,111)
<b>As at 31 December 2021</b>	-	-	(22,768)	(22,768)
	Share capital £'000	Share capital £'000	Profit & loss account £'000	Total equity £'000
<b>At 1st January 2020</b>	-	-	(23,176)	(23,176)
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	14,519	14,519
<b>Total comprehensive income</b>	-	-	14,519	14,519
<b>As at 31 December 2020</b>	-	-	(8,657)	(8,657)

The notes on pages 15 to 21 are an integral part of these financial statements.



Somerset Bridge Limited  
Statement of cash flows  
For the year ended 31 December 2021

	2021 £'000	2020 £'000
<b>Cash flow from operating activities</b>		
Profit/(loss) before tax	(34,487)	12,774
<b>Adjustments for:</b>		
Interest paid/(received)	111	(63)
Decrease/(increase) in debtors	20,992	(9,182)
Increase/(decrease) in creditors	3,453	17,410
Increase/(decrease) in provision	3,068	(22,297)
<b>Cash generated from / (used in) operating activities</b>	<b>(6,864)</b>	<b>(1,359)</b>
<b>Cash flows from financing activities</b>		
Interest (paid)/received	(111)	63
Issue of ordinary share capital/share premium	11,700	-
<b>Net cash used in financing activities</b>	<b>11,589</b>	<b>63</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>4,725</b>	<b>(1,296)</b>
Cash and cash equivalents at the beginning of the year	11,722	13,018
<b>Cash and cash equivalents at the end of the year</b>	<b>16,448</b>	<b>11,722</b>

The notes on pages 15 to 21 are an integral part of these financial statements.

## **1. Accounting policies**

### **1.1 General information**

Somerset Bridge Limited ("the Company") is a limited company incorporated in England and Wales under the Companies Act. The Company Registration no. is 10427946 and the address of the registered office is Lysander House Catbrain Lane, Cribbs Causeway, Bristol, BS10 7TQ.

### **1.2 Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with Section 1A of the Financial Reporting Standard 102 ("FRS 102 1A"), the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, and the Companies Act 2006.

### **1.3 Going concern basis**

The Company reports a net liabilities position at the end of the reporting period of £22.9m (2020: £8.7m), which reflects both the initial set up costs associated with launching the business in 2017 together with the impact of provisions against commissions income from reinsurers, which will develop and adjust as each underwriting year develops. The commission income is received based on an initial target and adjusted at agreed milestones, the earliest being 15 months from the end of each underwriting period and the latest being at the expiration of an underwriting agreement. The loss ratio estimates take into account the worsened loss ratio projections for 2019 and 2020. 2020 financial statements included a release of the prior year provisions a result of the reduction in accidents due to Covid-19 for these underwriting years, but the positive effects have been offset by a higher provision included in 2021 accounts. The Company does not expect a sustained negative financial impact from the pandemic.

As the business grows, it is fully anticipated that the Company will continue to generate profits and move into a net assets position. Pricing adjustments put through in 2021 and 2022 provide positive indications for the 2022 loss ratio projection and the associated sliding scale commission income. These improved loss ratios support the Company's expectation of improved profitability from 2022 and beyond. As the business grows and expands its capacity, it is fully anticipated that the Company will generate enough profits to move into a net assets position.

The Company is part of the Somerset Bridge Group Limited group of companies, providing a full direct insurance suite of products and services and is fully supported by its immediate parent company. Somerset Bridge Group Limited has net assets of £18.9m as at 31st December 2021 and has committed to the full financial backing of the Company whilst it moves into a net asset position. In August 2021 Somerset Bridge Group was acquired by Arch Reinsurance Ltd (Bermuda), a fully owned subsidiary of Arch Capital Group Ltd which has a capital of \$16.3b and total assets of \$45.1b at the end of 2021.

Therefore the directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. Accordingly, the going concern basis is used in preparing the financial statements.

### **1.4 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 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.

#### 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.

#### **1.5 Income recognition**

Turnover arises in the UK and comprises commission income. 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 by external actuarial estimates. Income is recognised by the Company 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.

#### **1.6 Taxation, including deferred income taxes**

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 provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts 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 temporary 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.

#### **1.7 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; therefore 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.

In certain cases, 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.

## 1.8 Government grant income

Government grant income relates wholly to UK Government grant income in respect of the Coronavirus Job Retention Scheme ("CJRS") Receipts from the CJRS are accounted for under the accruals model, as permitted by FRS 102, and are recognised in the statement of comprehensive income in the same period as the related staff expenditure.

## 1.9 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.

## 2. Turnover

All income arises in the UK from motor insurance managing general agent activities and claims handling income.

	2021 £'000	2020 £'000
Insurance MGA income	(17,816)	25,367
Claims related income	10,776	9,569
	<u>(7,040)</u>	<u>34,936</u>

Insurance MGA 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 by external actuarial estimates. 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 and therefore turnover includes both the commission income earned in the financial year together with the impact of any adjustments to prior year estimates.

MGA 2021 income includes an adjustment to ultimate loss ratios used in the accounts for 2017 to 2020 underwriting years. This adjustment had a negative impact on 2021 turnover of £11.7m. The 2021 commissions income includes negative commission based on the loss ratio estimates for 2021.

## 3. Other operating income

	2021 £'000	2020 £'000
Government grant income	30	420
Compensation income	450	-

Government grant income relates wholly to UK Government grant income in respect of the Coronavirus Job Retention Scheme ("CJRS").

Compensation income represents funds received after a settlement agreement with a supplier that didn't perform its services at the expected level.

## 4. Operating profit/(loss)

Operating result is stated after charging:

	2021 £'000	2020 £'000
Fees paid to auditors	<u>36</u>	<u>40</u>

**5. Staff costs**

	2021 £'000	2020 £'000
Wages and salaries	12,292	9,639
Social security costs	1,206	1,196
Other pension costs	209	171
	<u>13,707</u>	<u>11,006</u>

The Company has an average number of 295 employees in 2021 (2020: 308).

**6. Directors' emoluments**

	2021 £'000	2020 £'000
Directors' emoluments	<u>529</u>	<u>387</u>

There were 5 directors paid by the company in 2021 (2020: 4). The total amount payable to the highest paid director in respect of emoluments for directorship for all Group companies was £121,000 (2020: £190,000).

**7. Interest payable and receivable**

	2021 £'000	2020 £'000
<b>Interest payable</b>		
Interest payable	<u>(173)</u>	<u>(4)</u>
<b>Interest receivable</b>		
Bank interest income	-	7
Other interest	<u>62</u>	<u>60</u>
<b>Net interest (payable) / receivable</b>	<u>(111)</u>	<u>63</u>

**8. Taxation**

	2021 £'000	2020 £'000
<b>Current tax</b>		
- UK corporation tax on profit on ordinary activities	<u>-</u>	<u>737</u>
<b>Deferred tax</b>		
- Origination and reversal of timing differences	<u>(8,676)</u>	<u>(2,481)</u>
<b>Tax charge/(credit)</b>	<u>(8,676)</u>	<u>(1,745)</u>

The tax charge on the profit for the period is lower (2020: lower) than would arise using the standard rate of corporation tax in the UK of 19%. The differences are explained below:

	2021 £'000	2020 £'000
<b>Factors affecting the tax charge for the period:</b>		
Profit/(loss) before tax	(34,487)	12,774
Profit/(loss) before tax multiplied by the UK corporation tax rate of 19%	(6,553)	2,427
<b>Effects of:</b>		
- Income not taxable for tax purposes	-	(1)
- Group relief surrendered/(claimed)	736	-
- Deferred tax not recognised	-	(4,171)
- Remeasurement of deferred tax for changes in tax rates	(2,860)	-
	<u>(8,676)</u>	<u>(1,745)</u>

**9. Debtors**

	2021 £'000	2020 £'000
Trade debtors	6,000	25,238
Amounts owed by related parties (note 14)	35,086	35,882
Prepayments and accrued income	1,695	2,619
Current tax	737	-
Deferred tax	10,276	1,745
Other debtors	641	1,267
	<b>54,435</b>	<b>66,751</b>

Amounts owed by related parties are unsecured, interest free and repayable on demand, except for a loan of £2m to Somerset Bridge Group Limited which is unsecured, repayable no later than 2038, on which interest is charged at 3% per annum.

Included within Trade Debtors in 2020 was £22m payment made to the Company's insurance partners as security against movements in variable commission provision. There was a £16.8m liability held within creditors as a provision for future movements in variable commission which partly offset this receivable balance.

**10. Creditors: Amounts falling due within one year**

	2021 £'000	2020 £'000
Trade creditors	28,218	50,213
Amounts owed to related parties (note 14)	40,945	14,759
Accruals and deferred income	3,993	4,812
	<b>73,156</b>	<b>69,784</b>

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

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. The balance of funds withheld in 2021 was £21.8m (2020: £33m).

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 £19.9m at 31 December 2021 (2020: £16.8m). 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.

**11. Creditors: Amounts falling due after one year**

	2021 £'000	2020 £'000
Accruals and deferred income	635	554

**12. Share capital**

	2021 £'	2020 £'
<b>Allotted, called up and paid</b>		
Ordinary shares of £1 each	200	100

In August 2021 the Company issued 100 new ordinary shares which were fully paid by Somerset Bridge Group Limited. This transaction resulted in £11,700,000 share premium which was transferred to retained earnings on the same day.

**13. Financial instruments**

	2021 £'000	2020 £'000
<b>Financial assets</b>		
Financial assets measured at amortised cost	70,883	78,473
<b>Financial liabilities</b>		
Liabilities measured at amortised cost	73,791	70,338

**14. Related party transactions**

	2021 Income £'000	2021 Expense £'000	2020 Income £'000	2020 Expense £'000
<b>Transactions with Group undertakings</b>				
Somerset Bridge Insurance Services Ltd	-	-	4,181	-
Somerset Bridge Shared Services Ltd	26,557	(10,403)	23,062	(7,614)
	26,557	(10,403)	27,243	(7,614)
<b>Transactions with related parties</b>				
Southern Rock Insurance Company Limited	1,318	(90,338)	651	(76,369)
Alwyn Insurance Company Limited	(6,070)	-	7,245	-
	(4,752)	(90,338)	7,897	(76,369)
<b>Year end balances arising with Group undertakings</b>				
Somerset Bridge Shared Services Ltd	24,608	-	24,608	23,847
Somerset Bridge Group Ltd	2,000	-	2,000	2,000
Somerset Bridge Insurance Services Ltd	8,478	-	8,478	10,035
	35,086	-	35,086	35,882
<b>Year end balances arising with related parties</b>				
Southern Rock Insurance Company Limited	-	(19,938)	(19,938)	(5,753)
Alwyn Insurance Company Limited	-	(21,008)	(21,008)	(9,007)
	-	(40,945)	(40,945)	(14,759)

**15. Commitments under operating leases**

The total future minimum lease payments due under non-cancellable operating leases are as follows:

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Not later than one year	<b>275,286</b>	275,286
Later than one year and not later than five years	<b>1,101,143</b>	1,101,143
Later than five years	<b>137,643</b>	412,929

**16. Ultimate parent undertaking and controlling party**

The immediate parent undertaking for which group accounts have been prepared is Somerset Bridge Group Limited ("SBGL"). The registered address of SBGL is Lysander House, Catbrain Lane, Cribbs Causeway, Bristol, UK and the company number is 11737836.

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