

Aetna Global Benefits (Europe) Limited

Strategic report, Directors' report and
financial statements for the year ended
31 December 2020
Registered number 4548434



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Strategic report

Review of the business

The Company partners with AGBUK to provide regulated administrative services to the European insurance entities in the Aetna Group, Aetna Insurance Company Limited ("AICL") and Aetna Health Insurance Company of Europe dac ("AHICE"). The AHICE business has now largely run-off.

The Company remains important to the Aetna Group for the administration of premium and claim cash payments for the business formerly underwritten by AHICE and renewed onto AICL. Costs incurred by the Company in support of such insurance underwriting activities are recharged at a cost-plus mark-up per the Aetna International transfer pricing policy.

The Company recorded total revenue for the year of £987,812 (2019: £846,008). The Company recorded a profit after tax of £548,006 (2019: profit £382,295). The increase in revenue and profit reflects the release of prior year provisions.

The Company returned £2,000,000 of surplus capital to its shareholder in December 2020 (2019: nil). The Company has retained net equity at 31st December 2020 of £3,191,153 (2019: £4,643,148) which is sufficient to support the Company for the foreseeable future.

The Coronavirus Disease 2019 ("COVID-19") pandemic is continuing to have an impact on the global economy, with businesses experiencing reduced customer traffic and, where governments mandated, temporary suspension of traffic and some public facilities. The adverse impact for AICL was mostly realised in slower growth for 2020, which was offset by strong customer retention, lower medical claims costs and no increase to credit risk as customers continue to settle their premiums within agreed credit terms.

The COVID-19 pandemic continues to evolve. The Company believes COVID-19's impact on the Company's business, operating results, cash flows and/or financial condition primarily will be driven by the geographies impacted and the severity and duration of the pandemic; the pandemic's impact on the global economies and consumer behaviour and health care utilization patterns; and the timing, scope and impact of stimulus legislation as well as other governmental responses to the pandemic. Those primary drivers are beyond the Company's knowledge and control. As a result, the impact COVID-19 will have on the Company's business, operating results, cash flows and/or financial condition is uncertain, but the impact could be adverse. COVID-19 also may result in legal and regulatory proceedings, investigations and claims against the Company.

Risks and uncertainties

The Company's primary risks and uncertainties are linked to the business operations of a fellow subsidiary, Aetna Insurance Company Limited. The risks and uncertainties relevant to the Company are disclosed in Note 4 to the financial statements.

Going concern

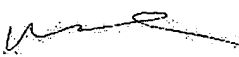
The financial position of the Company is disclosed on the statement of financial position on page 9.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being no less than twelve months from the date that the financial statements were approved. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

Future Developments

The Company will continue to provide administration services to the CVS Group for the next eighteen to twenty-four months, at which point its future will be reviewed.

By order of the board


Mark Howe
Director
9th April 2021

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2020.

Registered office

The registered office and principal place of business of the Company is at 50 Cannon Street, London, England, EC4N 6JJ.

Principal activity

The Company is authorised and regulated by the Financial Conduct Authority (FCA) as an international private medical insurance managing general underwriting agent. The Company's principal underwriter is Aetna Insurance Company Limited (AICL), a company related by way of common ownership.

Proposed dividend

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2020 (2019: £nil).

Directors

The directors who held office during the period were as follows:

B P O'Rourke
M J Howe
D Lenihan

Employees

At 31 December 2020, the Company had no full time employees (2019: nil).

Political and charitable contributions

The Company made charitable donations of nil (2019: nil). No political donations were made during the period (2019: nil).

Policy and practice on payment of creditors

It is the Company's policy to pay its providers and other creditors promptly and in any event in accordance with agreed terms and conditions.

Directors' indemnities and insurance

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

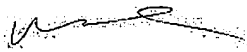
Other information

An indication of likely future developments in the business have been included in the Strategic Report on page 1.

Auditor

The Company appointed Ernst & Young LLP whose address is The Paragon, Counterslip, Bristol BS1 6BX as its external auditors during the year. Pursuant to section 487 (2) of the Companies Act 2006, the auditors will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

By order of the board



Mark Howe
Director

50 Cannon Street
London
England
EC4N 6JJ

9th April 2021

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom 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 international accounting standards in conformity with the requirements of the Companies Act 2006. 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 in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
- state whether international accounting standards in conformity with the requirements of the Companies Act 2006 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 appropriate to presume that the company will not 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 company 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.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AETNA GLOBAL BENEFITS (EUROPE) LIMITED

Opinion

We have audited the financial statements of Aetna Global Benefits (Europe) Limited for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

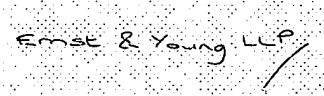
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the direct laws and regulations related to elements of company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Financial Conduct Authority ('FCA').
- We understood how the Company is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and the FCA, reviewed minutes of the Board of Directors, and gained an understanding of the Company's approach to governance, demonstrated by the internal control processes.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, performance targets, economic or external pressures and the impact these have on the control environment.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.
- For both direct and other laws and regulations, our procedures involved: making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the Company's methods of enforcing and monitoring compliance with such policies, and inspecting significant correspondence with the FCA.

A further description of our responsibilities for the audit of the financial statements is located 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.

A handwritten signature in black ink that reads "Ernst & Young LLP" with a diagonal slash at the end.

Andrew Blackmore (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol
9 April 2021

Statement of Comprehensive Income

For the year ended 31 December 2020

Stated in pounds Sterling

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Revenue	5	987,812	846,008
Administrative expenses	6	(311,167)	(371,927)
Profit before income tax		676,645	474,080
 Tax charge	 9	 (128,639)	 (91,785)
Profit retained for the year		548,006	382,295

There are no items of other comprehensive income.

All operations are continuing operations.

Notes on pages 13 to 20 form part of these financial statements.

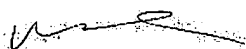
Statement of Financial Position

As at 31 December 2020

Stated in pounds Sterling

	Note	31 December 2020	31 December 2019
Assets			
Trade and other receivables	10	1,370	40,402
Cash and cash equivalents		6,444,964	12,054,798
Total current assets		<u>6,446,334</u>	<u>12,095,200</u>
Total assets		<u>6,446,334</u>	<u>12,095,200</u>
Liabilities			
Trade and other payable	11	3,255,181	7,452,052
Total liabilities		<u>3,255,181</u>	<u>7,452,052</u>
Net assets		<u>3,191,153</u>	<u>4,643,148</u>
Equity			
Share capital	12	18,568,186	20,568,186
Capital contribution to equity		901,739	901,739
Retained deficit		(16,278,772)	(16,826,777)
		<u>3,191,153</u>	<u>4,643,148</u>

These financial statements were approved by the board of directors on 18th March 2021 and were signed on its behalf by:



Mark Howe
Director

Notes on pages 13 to 20 form an integral part of these financial statements.

Statement of Changes in Equity
For the year ended 31 December 2020
Stated in pounds Sterling

	Attributable to equity holders of the Company			
	Share capital	Retained deficit	Capital contribution	Total equity
Balance at 31 December 2018	20,568,186	(17,209,073)	901,739	4,260,852
Profit for the year	-	382,295	-	382,295
Balance at 31 December 2019	20,568,186	(16,826,778)	901,739	4,643,147
Capital returned to shareholder	(2,000,000)	-	-	(2,000,000)
Profit for the year	-	548,006	-	548,006
Balance at 31 December 2020	18,568,186	(16,278,772)	901,739	3,191,153

Notes on pages 13 to 20 form an integral part of these financial statements.

Statement of Cash Flows

Stated in pounds Sterling

For the year ended 31 December 2020

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Cash flows from operating activities			
Profit before tax for the year		676,645	474,080
<i>Adjustments for:</i>			
Decrease in Trade and other receivables	10	39,031	2,239,106
(Decrease)/Increase in Trade and other payables	11	(4,233,725)	2,544,137
Cash generated from operations		(3,518,049)	5,257,323
Taxes paid		(91,785)	-
Net cash (outflow)/inflow from operating activities		(3,609,834)	5,257,323
Cashflows from financing activities			
Return of capital during the year		(2,000,000)	-
Net cash outflow from financing activities		(2,000,000)	-
Net (decrease)/increase in cash and cash equivalents		(5,609,834)	5,257,323
Cash and cash equivalents at the beginning of the year		12,054,798	6,797,475
Cash and cash equivalents at the end of the year		6,444,964	12,054,798

Notes on pages 13 to 20 form an integral part of these financial statements.

Notes to the financial statements

(forming part of the financial statements)

Stated in pounds Sterling

1. Reporting entity

Aetna Global Benefits (Europe) Limited (the “Company”) is a company domiciled in England and is authorised and regulated by the Financial Conduct Authority. The address of the Company’s registered office is 50 Cannon Street, London, England, EC4N 6JJ. The Company’s principal business activity is acting as a managing general underwriting agent for international private medical insurers. The Company’s principal underwriter is Aetna Insurance Company of Europe Limited, a company related by way of common ownership. The Company is in run-off and in the process of transferring its existing business to its sister company, Aetna Global Benefits UK Ltd.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared and approved by the directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future being no less than twelve months from the date that the financial statements were approved. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

The financial statements were approved by the Board of Directors on 18th March 2021.

New standards and interpretations adopted

Standards adopted in the year are either outside the scope of Company transactions or do not significantly impact the Company. These standards are:

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (effective 1 January 2023)
- Amendments to IAS 8: Definition of Accounting Estimates (effective 1 January 2023)
- Amendments to IFRS 3: Reference to the Conceptual Framework (effective 1 January 2022)
- Amendments to IAS 37: Onerous Contracts — Cost of Fulfilling a Contract (effective 1 January 2022)
- Annual Improvements to IFRS Standards 2018–2020 (effective 1 January 2022)

(b) Basis of measurement

The financial statements are prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in pounds Sterling which is the Company’s functional currency.

Notes to the financial statements (continued)

(forming part of the financial statements)

Stated in pounds Sterling

3. Significant accounting policies

(a) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss in administrative expenses.

(b) Revenue

Revenue is recognised on an incurred basis over the period which the services are rendered. Revenue represents management fees receivable for services rendered to related corporations (refer to note 5). Revenue is recognised based on a mark-up on the operating expense incurred that support insurance activity and recharged to the insurance underwriters. Expenses incurred are allocated to the relevant insurance underwriter based on their average policy membership over the course of the year.

(c) Administrative expenses

Operating expenses are recorded in the statement of comprehensive income on an accruals basis.

(d) Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods. Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries entities to the extent that they will probably not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Notes to the financial statements (continued)

(forming part of the financial statements)

Stated in pounds Sterling

3. Significant accounting policies (continued)

(e) Insurers transactions and insurer money

As part of the Company's activities as a managing general underwriting agent (MGA), it acts as an agent in placing insurable risks of its clients with Aetna Insurance Company Limited (AICL) and undertaking certain claims handling activities.

Under IFRS accounting rules the total obligation to the insurance company is calculated by aggregating the net receivable and payable transactions recorded for the administration of all the insurance contracts.

No recognition of the insurance transaction occurs until the Company receives cash in respect of premiums and claims at which time a corresponding liability is established in favour of the insurer or the client.

(f) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, trade and other payables, and cash and cash equivalents.

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

(iii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand form an integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purposes of the cash flow statement.

(iv) Impairment

The carrying amount of financial instruments is reviewed to determine whether there is any indication of impairment based on historical trend to determine the probability of default, the credit ratings of the counterparties and whether it is a related party. An asset is impaired where its carrying amount exceeds its recoverable amount. Where any impairment exists, the loss is recognised in the statement of comprehensive income in the financial year in which it arises.

(v) Offsetting

Financial assets and financial liabilities are set off and the net amount presented in the balance sheet when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by accounting standards, or for gains and losses arising from a group of similar transactions.

Notes to the financial statements (continued)

(forming part of the financial statements)

Stated in pounds Sterling

4. Risk management

The Company is exposed to various financial, operational, legal, regulatory and market risks. These include the key risk factors summarised below. The Board manages these risks through a key risk and controls framework to ensure risks are identified and managed in accordance with its risk appetite and mitigated where possible.

The key risks that the Company is exposed to are as follows:

- Financial risk
- Operational risk
- Legal and regulatory risk
- Market risk

The following sections outline the Company's views in each of these risks and the measures and controls in place to manage them.

(a) Financial risk

The Company is exposed to financial risk through its financial assets and financial liabilities. The components of financial risk are liquidity and cash flow, credit, and financial market.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management framework. The focus of financial risk management for the Company is ensuring that the proceeds from its financial assets are sufficient to fund obligations arising from operational contractual arrangements.

Liquidity and Cash flow Risk

Liquidity and cash flow risk is the risk that cash may not be available to pay obligations when they fall due. The Company has put in place appropriate financial and cash flow management structures so that it is able to anticipate demand for cash and meet obligations as they arise. The Company operates in a high cash flow business and its relationship with AICL helps ensure that the Company has appropriate cash resources to meet its obligations as they fall due.

Credit Risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due, thus exposing it to irrecoverable commissions. The Company monitors its level of exposure to revenues not yet received on a regular basis in order to provide against any exposures which will not be collected. The Company monitors its exposure to single counterparties and to groups of connected counterparties to ensure such risk is managed appropriately.

The Company is also exposed to credit risk on carried cash and cash equivalent balances. The Company only holds cash balances with acceptably rated financial institutions in order to mitigate the risk of financial loss from counterparty default. At 31 December 2020 the Company carried cash and cash equivalent balances of £6,444,964 with an 'A' rated international banking institution (2019: £12,054,798).

Notes to the financial statements (continued)

(forming part of the financial statements)

Stated in pounds Sterling

4. Risk management (continued)

Financial market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates will affect the Company's income. The Company does not engage in any hedging or forward contract activities however the Directors believe the risk of foreign exchange rate fluctuations to be minimal within one financial period of the balance sheet date. Exchange rate movements are monitored on a monthly basis and any indication that this risk will increase or give rise to a significant exposure is discussed by management and any appropriate actions taken.

(b) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, technology and infrastructure, and from external factors other than credit and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations and are faced by all business entities. The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management and is overseen by Board of Directors. Compliance with the Company's standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management, with summaries submitted to the Audit and Risk Committee and senior management of the Company.

(c) Legal and regulatory risk

The Company, in itself and through its fellow subsidiary undertakings, is exposed to potential claims and litigation arising out of the ordinary course of business relating to alleged errors and omissions, or non-compliance with laws and regulations. This covers a number of risks, varying from the ability of systems and procedures to conform with the regulatory requirements of the Financial Conduct Authority (FCA), to the maintenance of solvency to satisfy FCA solvency rules.

(d) Market risk

The Company, through its fellow subsidiaries Aetna Insurance Company Limited and Aetna Health Insurance Company of Europe dac, is exposed to the international private medical insurance market being dynamic and constantly evolving in response to pressure from both financial and non-financial risks. The pace of change has accelerated in recent years raising inherent risks. The key risks affecting the Company are:

- The uncertain economic climate creating additional pressures on prices, claims settlements or cash flows,
- Dependency on third party agents,
- Diverse geographical markets

Notes to the financial statements (continued)

(forming part of the financial statements)

Stated in pounds Sterling

5. Revenue	2020	2019
Other Income	873,926	599,841
Service charges	113,886	246,167
	<u>987,812</u>	<u>846,008</u>

6. Profit before taxation	2020	2019
Profit before taxation is stated after charging the following:		
Auditor's remuneration – fees in respect of audit of the Company	33,938	62,500
Foreign exchange (losses)/gains	(183,245)	139,429

Auditor's remuneration in respect of these financial statements is borne by another Group company.

7. Staff numbers and costs

The number of people employed by the Company (including directors) during the period was 0 (2019: 0).

The Company has no employees and accordingly there are no payroll costs.

8. Director's emoluments	2020	2019
Salaries	72,706	64,409
Pension contributions	3,083	2,127
Other Benefits	643	594
Total directors' emoluments	<u>76,432</u>	<u>67,130</u>

None of the directors are directly remunerated by the Company and are remunerated by another group company. These amounts have not been recharged. The highest paid director received gross remuneration of £38,718 (2019: £32,267) for their work across the Aetna Group.

Notes to the financial statements (continued)

(forming part of the financial statements)

Stated in pounds Sterling

9. Taxation

	2020	2019
Current tax		
Current year on profits for the year	128,639	91,785
Total current tax	128,639	91,785
 Tax per income statement	 128,639	 91,785
 Reconciliation of effective tax rate		
Profit before taxation	676,645	474,080
 Tax on profit at standard UK corporation tax rate of 19.0% (2019: 19.0%)	 128,563	 90,075
 <i>Effects of:</i>		
Non-deductible expenses	76	1,709
Total tax charge for the period	128,639	91,785

The tax rate for the current year is the same as the prior year. In March 2021, the UK Government announced its intention to introduce legislation to increase the main rate of corporation tax from 19% to 25% from 1 April 2023. This announcement does not constitute substantive enactment, and therefore temporary differences at the balance sheet date continue to be measured at the enacted rate of 19%.

10. Trade and other receivables

	2020	2019
Amounts due from group undertakings	1,370	40,402
	<u>1,370</u>	<u>40,402</u>

All balances are expected to be realised within the next twelve months.

11. Trade and other payables

	2020	2019
Amounts owed to group undertakings	3,126,542	7,360,267
Corporation tax	128,639	91,785
	<u>3,255,181</u>	<u>7,452,052</u>

All balances are expected to be realised within the next twelve months.

Notes to the financial statements (continued)
(forming part of the financial statements)
Stated in pounds Sterling

12. Share capital

<u>Ordinary shares, £1</u>	Number authorised	Number issued	Share capital
At 31 December 2019	20,568,186	20,568,186	20,568,186
At 31 December 2020	18,568,186	18,568,186	18,568,186

In December 2020, £2,000,000 was returned to the shareholder and 2,000,000 shares cancelled.

13. Related parties

At 31 December 2020, owed to the Company from its fellow group subsidiaries and disclosed within trade and other receivables in note 10:

<u>Receivables:</u>	2020	2019
Aetna Life & Casualty (Bermuda) Limited	1,370	40,402

At 31 December 2020, owed to its fellow group subsidiaries from the Company and disclosed within trade and other payables in note 11:

<u>Payables:</u>	2020	2019
Aetna Health Insurance Company of Europe	-	582,498
Aetna Insurance Company Limited	3,126,542	6,777,769
	<u>3,126,542</u>	<u>7,360,267</u>

14. Parent and ultimate controlling party

At the date on which the accounts were approved by the directors, the immediate parent company is Aetna Global Benefits (Bermuda) Limited. The largest group in which the results of the Company are consolidated is that headed by CVS Health Corporation, which is incorporated in the United States of America. The consolidated financial statements of CVS Health Corporation are available to the public and may be obtained from One, CVS Drive, Woonsocket, RI 02895, United States of America.