

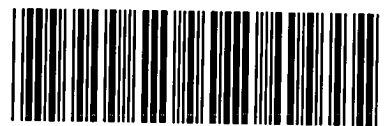
VITALITY HEALTH INSURANCE LIMITED

VitalityHealth

Annual Report and Financial Statements

For the year ended 30 June 2020

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Vitality Health Insurance Limited

DIRECTORS AND OFFICERS

Directors in office at the date of signing the financial statements

Neville Koopowitz*

Michael Saunders*

Justin Skinner*

*Executive

Company Secretary in office at the date of signing the financial statements

Jennifer Thorn

Registered office

3 More London Riverside

London

SE1 2AQ

Registered number

02123483

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

7 More London Riverside

London

SE1 2RT

Vitality Health Insurance Limited

STRATEGIC REPORT

The directors present their Strategic report, Report of the Directors and the audited financial statements for the year ended 30 June 2020.

Vitality Health Insurance Limited ("the Company"), is a private company limited by shares, incorporated in the United Kingdom with a registered address of 3 More London Riverside, London SE1 2AQ. The Company is one of eight companies that, along with the holding company, make up the Discovery Holdings Europe Limited group of companies ("Vitality", "Vitality Group", "the Group"). The Company owns 100% of Vitality Health Limited (Reg. No. 05051253) whose registered office is 3 More London Riverside, London, SE1 2AQ. The Company also has a 20% investment in Healthcode Limited (Reg. No. 03867872) whose registered office is Swan Court, Waterman's Business Park, Kingsbury Crescent, Staines, Surrey, TW18 3BA.

Principal activities and business review

The principal activity of the Company was previously the undertaking of general insurance business in the United Kingdom, particularly the provision and administration of private medical insurance and other health insurance products.

Since 1 March 2011 all new business has been underwritten by Vitality Health Limited ("VHL"). Since 1 October 2013, upon renewal, all private medical insurance business underwritten by the Company began to be migrated to Vitality Health Limited. As a result, from 1 October 2013 the Company's book of insurance business was put into run-off and no business was written by the Company in the year ended 30 June 2020 and as at 30 June 2020. All liabilities relating to this business have been discharged as the Company has now been run-off. Effective 15 May 2019 the Company was de-authorised as an insurance company and therefore as at 30 June 2019 the Company was no longer regulated by the Prudential Regulation Authority ("PRA") or the Financial Conduct Authority ("FCA") and as such no longer falls into the scope of the Solvency II regime, a harmonised EU-wide insurance regulatory regime which prescribes capital requirement and asset / liability valuation standards for assessing regulatory solvency.

The profit before tax for the year to 30 June 2020 was £557k (2019: profit of £587k). The net assets of the Company as at 30 June 2020 were £333,432k (2019: £332,967k).

All contracts of employment are held by Vitality Corporate Services Limited ("VCSL"), a fellow group company. VCSL provides management services to the Company. As the Company has no active insurance policies no staff costs have been recharged to the Company as the services the staff provide to this Company are considered incidental to those provided to other companies within the Group.

Future outlook

On 11 March 2020, the World Health Organisation declared COVID-19 a global pandemic. The global response to COVID-19 continues to evolve rapidly and has included mandates from various levels of governments across the world to mitigate the spread of the virus. The adverse impact on global commercial activity from the COVID-19 pandemic has contributed to significant volatility in financial markets.

As the Company acts as a holding company for its investment in VHL the Company's principle risk is therefore the valuation of this investment. While the directors continue to monitor developments closely, their current assessment is that COVID-19 will have a limited adverse impact on the Company primarily as a result of the limited impact it is expected to have on VHL. VHL has demonstrated strong operational resilience during the pandemic and in a post COVID-19 environment, the issues of health, wellness and resilience are likely to be

STRATEGIC REPORT (CONTINUED)

fundamental and this business is well placed to capitalise on its shared value business model in the markets it operates in. Consequently, the Company does not expect an impact on the carrying value of its investment in VHL. The Company also expects that there will be a limited adverse impact on its 20% investment in Healthcode Limited because, like VHL, Healthcode Limited is also part of the private healthcare sector providing online solutions for the private healthcare community.

Management expects the Company to continue as the immediate parent Company to VHL.

Principal risks and uncertainties

The key risk of the Company is the valuation of the investment in subsidiaries on the statement of financial position. Investments in subsidiaries are stated at amortised cost, unless their value has been impaired in which case they are valued at their realisable value or value in use as appropriate.

Financial risk management

The Company manages its various financial risks as outlined in note 3 to the financial statements.

Key performance indicators (KPIs)

KPIs are not considered relevant for the year ended 30 June 2020 or 2019 given the simple nature of the Company's activities as a holding company. The Company's profit was generated by the receipt of investment income principally from interest on subordinated loans receivable from VHL.

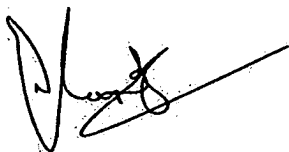
Environmental matters and social and community issues

The Company recognises its responsibilities with regard to environmental matters, including the impact of the Company's business activities on the environment, and actively works towards reducing this impact.

Principal decisions made (S.172)

The requirements of s.172 have been met and have been disclosed in the financial statements of Vitality Life Limited (Reg. No: 03319079).

On behalf of the board



Neville Koopowitz

Director

Vitality Health Insurance Limited (Reg No: 02123483)

30 September 2020

REPORT OF THE DIRECTORS

Directors

There were no resignations and appointments in the year. The directors listed on page 3 were in office for the whole financial year and up to the date of signing the financial statements.

The directors are not subject to retirement by rotation.

Directors' Indemnities

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. The Company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

Going Concern

Going concern has been evaluated by the directors of the Company who have concluded that it was reasonable to expect the Company to remain in business for a period of not less than 12 months from the date of signing of the financial statements.

Results and dividend

There was no dividend paid or proposed during the year ended 30 June 2020 and 2019 to the Company's parent company, Discovery Holdings Europe Limited.

The results for the year ended 30 June 2020 are set out on page 11, within the statement of comprehensive income.

Financial risk management

The Company manages its various financial risks as outlined in note 3 to the financial statements.

Future developments

See the strategic report on page 5 for the Company's future outlook.

Political donations and political expenditure

No contributions were made for political purposes during the year (2019: £nil).

REPORT OF THE DIRECTORS (CONTINUED)

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

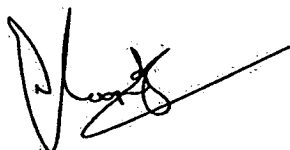
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



Neville Koopowitz

Director

Vitality Health Insurance Limited (Reg No: 02123483)

30 September 2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VITALITY HEALTH INSURANCE LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Vitality Health Insurance Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 30 June 2020, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VITALITY HEALTH INSURANCE LIMITED
(CONTINUED)**

statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 30 June 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VITALITY HEALTH INSURANCE LIMITED
(CONTINUED)**

this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Thomas Robb (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 September 2020

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020**

		Year ended 30 June	
		2020 £'000	2019 £'000
	Note		
Revenue			
Investment return	5	574	568
Other income		6	17
Total income		580	585
Expenses			
Claims and benefits paid		-	16
Net claims and benefits paid		-	16
Administrative expenses	6a	7	1
Total expenses		7	17
Share of net (loss) / profit from equity accounted associate	14	(16)	19
Profit before tax		557	587
Tax expense	7	(92)	(112)
Profit and total comprehensive income for the year		465	475

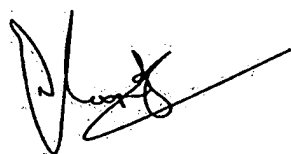
The Company has no comprehensive income or expense other than the profit for the year recognised in the statement of comprehensive income.

All amounts above are in respect of continuing operations.

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

	Note	As at 30 June	
		2020 £'000	2019 £'000
Assets			
Non-current assets			
Investment in subsidiary	12	319,750	319,750
Subordinated loans receivable	13	-	11,957
Deferred tax asset	8	137	149
Investment in equity accounted associate	14	189	205
Total non-current assets		320,076	332,061
Current assets			
Subordinated loans receivable	13	12,529	-
Current income tax receivable		106	-
Other assets	15	-	31
Cash and cash equivalents	10a	888	980
Total current assets		13,523	1,011
Total assets		333,599	333,072
Equity			
Ordinary share capital	16	258,350	258,350
Retained earnings		75,082	74,617
Total equity		333,432	332,967
Current liabilities			
Current income tax liability		-	38
Other liabilities	17	167	67
Total liabilities		167	105
Total equity and liabilities		333,599	333,072

The financial statements on pages 11 to 32 were authorised for issue by the board of directors on 30 September 2020 and signed on its behalf



Neville Koopowitz

Director

Vitality Health Insurance Limited (Reg No: 02123483)

The notes on pages 15 to 32 are an integral part of these financial statements

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020**

	Ordinary share capital £'000	Retained earnings £'000	Total equity £'000
At 1 July 2018	258,350	74,142	332,492
Profit and total comprehensive income for the year	-	475	475
At 30 June 2019	258,350	74,617	332,967
Profit and total comprehensive income for the year	-	465	465
At 30 June 2020	258,350	75,082	333,432

The notes on pages 15 to 32 are an integral part of these financial statements

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020**

		Year ended 30 June	
		2020 £'000	2019 £'000
	Note		
Cash flows from operating activities			
Profit before tax		557	587
Adjustments for:			
Equity accounted losses / (gains) on investment in associate	14	16	(19)
Movement in operating assets and liabilities	18	131	115
Increase in interest on subordinated loans receivable	13	(572)	(563)
Income tax paid	7	(76)	(30)
Payment for group relief paid		(148)	(87)
Net cash (used in) / generated from operating activities		(92)	3
(Decrease) / increase in cash and cash equivalents		(92)	3
Cash and cash equivalents at the beginning of the year	10a	980	977
Cash and cash equivalents at the end of the year	10a	888	980
Supplemental disclosures on cash flow from operating activities			
Investment return	5	574	568
Administrative expenses	6a	7	1

The notes on pages 15 to 32 are an integral part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

1. Significant accounting policies

1.1 Basis of preparation

The financial statements of Vitality Health Insurance Limited (the Company) for the year ended 30 June 2020 have been prepared on the going concern basis and in accordance with International Financial Reporting Standards (IFRS), as issued by the Accounting Standards Board (IASB) and endorsed by the European Union (EU), with interpretations issued by the IFRS Interpretations Committee (IFRS IC) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The principal accounting policies set out below have been consistently applied to all financial reporting periods presented in these financial statements, unless otherwise stated.

1.2 Summary of significant accounting policies

(a) Basis of consolidation

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information as the parent of a company. The Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate controlling party, Discovery Limited, a company registered in the Republic of South Africa, whose financial statements are publicly available and can be obtained from Discovery Limited, PO Box 786772, Sandton, South Africa.

(b) Investments and other financial assets and other financial liabilities

The Company follows IFRS 9 in respect of the classification and measurement of financial instruments. Further information is included in note 10.

Investments and financial assets

(i) Classification

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or through profit and loss ("FVPL")); and
- Those to be measured at amortised cost.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)**

1. Significant accounting policies (continued)

1.2 Summary of significant accounting policies (continued)

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses are recorded in profit or loss. The Company reclassifies debt investments when and only when its business model for managing those assets changes. The Company does not currently utilise the FV through OCI or the FVPL measurement categories.

(ii) Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

Financial assets are deemed to be held under one of three business models:

- Hold to collect, where the business objective is to hold the asset to collect the contractual cash flows;
- Hold to collect and sell, where the business objective is to hold the asset to collect the contractual cash flows and to sell the financial assets; and
- Other.

Unless specifically designated to be held at fair value through profit or loss, a financial asset is measured at amortised cost if it is held within a hold to collect business model and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Amortised cost is measured using the effective interest method. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income. The balances disclosed as other assets in the Statement of Financial Position are held at amortised cost. Subordinated loans receivable are held as assets at fair value through profit and loss.

Financial assets held within a hold to collect and sell business model are measured at fair value through OCI if the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company does not currently have any such assets.

(i) Impairment

The Company recognises lifetime expected credit losses at the point of initial recognition for financial assets carried at amortised cost. These are assessed with reference to past default rates, also reflecting forward looking information such as local economic or market conditions and using a provision matrix where appropriate. The Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. See note 10 for further details.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)**

1. Significant accounting policies (continued)

1.2 Summary of significant accounting policies (continued)

(b) Investments and other financial assets and other financial liabilities (continued)

For other financial assets a loss allowance is recognised for expected credit losses taking into account changes in the level of credit risk. Where credit risk is considered to be low, the loss allowance is limited to expected losses arising from default events that are possible within 12 months from the balance sheet date.

Impairment losses are charged to the statement of comprehensive income.

Financial liabilities

Financial liabilities are classified as either:

- Financial liabilities at amortised cost (other liabilities); or
- Financial liabilities at fair value through profit and loss (interest rate swaps, foreign exchange future/option contracts, convertible notes, contingent consideration, commodity contracts).

The Company measures financial liabilities at amortised cost unless either: it is held for trading and is therefore required to be measured at FVPL; or the Company elects to measure the liability at FVPL. All financial liabilities are measured at amortised cost. The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of comprehensive income.

(c) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or counterparty.

(d) Subsidiaries and equity accounted investments

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are accounted for at cost under IAS 27 *Separate Financial Statements*. On an annual basis an impairment assessment is undertaken and any impairment is recognised in the statement of comprehensive income.

Associates are entities over which the Company has the ability to exercise significant influence but not control over the financial and operational policies. Significant influence is determined based primarily on percentage voting rights, generally between 20% and 50%, together with other factors such as board participation and participation in the policy-making process. These are equity accounted.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)**

1. Significant accounting policies (continued)

1.2 Summary of significant accounting policies (continued)

(d) Subsidiaries and equity accounted investments (continued)

The Company recognises its interest in an associate as an investment and accounts for that investment using the equity method. Under the equity method, on initial recognition the investment in an associate is recognised at cost. The carrying amount is adjusted to recognise the Company's share of the post-acquisition profit or loss of the investee and is recognised in profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Company's proportionate interest in the investee arising from changes in the investee's other comprehensive income. The Company's share of those changes is recognised in other comprehensive income. The Company will discontinue the use of the equity method from the date when its investment ceases to be an associate.

(e) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position include cash in hand, cash at banks and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are categorised for measurement purposes at amortised cost. For the purpose of the statement of cash flows, cash and cash equivalents are as defined above but are shown net of outstanding bank overdrafts.

(f) Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. The current tax charge is based on taxable profits and losses for the year after adjustments in respect of prior years.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and the carrying amount in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Current and deferred tax is recognised in the statement of comprehensive income.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)**

1. Significant accounting policies (continued)

1.2 Summary of significant accounting policies (continued)

(f) Income tax (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority.

(g) Other liabilities

Other liabilities represent obligations to pay for goods and services that have been acquired in the ordinary course of business.

(h) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount.

1.3 Change in accounting policy and disclosures

New standards, amendments and interpretations

The Company has not adopted any new standards or amendments for the first time for their annual reporting period ending 30 June 2020.

2. Critical accounting estimates and judgements in applying accounting policies

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future reporting periods. Assumptions are based on historical experience and expectations of future outcomes and anticipated changes in the environment. Assumptions are regularly reviewed in light of emerging experience and adjusted where required. There are no critical accounting estimates or assumptions in the application of accounting policies for the Company as the Company has been run-off.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)**

3. Risk management policies

(a) Governance framework

Other disclosures relating to the Company's exposure to risks and uncertainties include:

- Capital management Note 3
- Financial risk management and policies Note 3

The Company's risk management policy ensures that the risks taken in meeting the Company's corporate, financial and regulatory objectives are identified and managed in accordance with the approved risk framework.

The Company takes and manages risks to achieve its corporate, financial and regulatory objectives. The types of risk inherent in the pursuit of these objectives and the extent of exposure to these risks form the Company risk profile.

The Company manages risks through a risk management framework, which allows for the identification, assessment, control and monitoring of risks. The Company has established effective risk management systems and controls within the framework for the following high-level categories of risk: credit, liquidity, market, operational and capital management.

(b) Credit risk

Credit risk is the risk incurred whenever the Company is exposed to loss if a counterparty fails to perform its contractual obligations, including failure to perform those obligations in a timely manner. The Company sets the acceptable level of credit risk through its credit risk policy.

The overriding requirement of the policy, which covers all assets beneficially owned by the Company, is that all assets are of sufficient quality and are sufficiently well diversified to represent appropriate backing for its liabilities, capital and reserves. The policy also requires compliance with all applicable legislation and regulation and sets further limits under specific types of financial instruments, as summarised below.

Cash and cash equivalents

Maximum exposure limits to external counterparties are set with reference to both short and long-term credit ratings issued by Standard & Poor's and Moody's.

Other financial instruments

All intermediaries are approved and regulated by the Prudential Regulation Authority and/or the Financial Conduct Authority. The Company's credit risk is concentrated in the United Kingdom.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)**

3. Risk management policies (continued)

(b) Credit risk (continued)

The following table provides information regarding the aging of any financial assets that are past due but not impaired:

	Neither past due nor impaired £'000	Financial assets past due but not impaired				Total* £'000
		0-3 months £'000	3 – 6 months £'000	6 – 12 months £'000	> 12 months £'000	
30 June 2020						
Subordinated loans receivable	12,529	-	-	-	-	12,529
Cash and cash equivalents	888	-	-	-	-	888
Total	13,417	-	-	-	-	13,417
30 June 2019						
Other assets	31	-	-	-	-	31
Subordinated loans receivable	11,957	-	-	-	-	11,957
Cash and cash equivalents	980	-	-	-	-	980
Total	12,968	-	-	-	-	12,968

* Carrying value in the statement of financial position.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)**

3. Risk management policies (continued)

(b) Credit risk (continued)

The following table analyses the financial assets bearing credit risk using Standard & Poor's ratings:

	Credit Rating										
	AAA		AA		A		BBB or lower		Unrated		Total*
	%	£'000	%	£'000	%	£'000	%	£'000	%	£'000	£'000
30 June 2020											
Cash and cash equivalents	-	-	-	-	6.6	888	-	-	-	-	888
Subordinated loans receivable	-	-	-	-	-	-	-	-	93.4	12,529	12,529
Total	-	-	-	-	6.6	888	-	-	93.4	12,529	13,417

* Carrying value in the statement of financial position.

The following table analyses the financial assets bearing credit risk using Standard & Poor's ratings:

	Credit Rating										
	AAA		AA		A		BBB or lower		Unrated		Total*
	%	£'000	%	£'000	%	£'000	%	£'000	%	£'000	£'000
30 June 2019											
Cash and cash equivalents	-	-	7.6	980	-	-	-	-	-	-	980
Subordinated loans receivable	-	-	-	-	-	-	-	-	92.2	11,957	11,957
Other assets	-	-	-	-	-	-	-	-	0.2	31	31
Total	-	-	7.6	980	-	-	-	-	92.4	11,988	12,968

* Carrying value in the statement of financial position.

The Company's financial assets and liabilities held at fair value have been analysed using a fair value hierarchy that reflects the significance of the inputs used in valuing those instruments. The fair value hierarchy is based on the following levels. There have been no transfers between assets during the year.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

This category includes listed equity shares, government securities and certain supranational institution bonds and exchange traded futures and options.

At 30 June 2020 the Company had no assets or liabilities that fell under Level 1 (2019: £nil).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)**

3. Risk management policies (continued)

(b) Credit risk (continued)

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

This category includes listed corporate bonds, commercial paper, certificates of deposit, non-participating investment contracts, third party investments in consolidated funds and derivative instruments that are not exchange traded.

At 30 June 2020 the Company had no assets or liabilities that fell under Level 2 (2019: £nil).

Level 3 - Inputs for the asset or liability that are not based on observable market data.

Level 3 financial instruments principally include unlisted equity instruments and corporate bonds for which prices are not available from third party pricing providers.

The following tables show the position in the fair value hierarchy of the financial assets held at fair value through the income statement:

	Fair value hierarchy			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<i>Financial assets at fair value through profit and loss</i>				
At 30 June 2019 and 1 July 2019	-	-	11,957	11,957
Fair value through profit and loss	-	-	572	572
At 30 June 2020	-	-	12,529	12,529

(c) Liquidity or funding risk

Liquidity risk is the risk that the Company, although solvent, does not have sufficient liquid financial resources available to meet its obligations as they fall due, or can secure them only at excessive cost.

The Company sets the acceptable level of liquidity risk through the Liquidity Risk Policy. The main features of the policy are:

- Liquidity risk is only incurred in the pursuit of the Company's corporate and financial objectives, and in particular its investment objectives;
- Limits on the volume of financial assets held which are both not quoted and not regularly traded on a recognised exchange;
- Limits on the volume of non-cash investments; and
- Establishing contingency funding plans to ensure adequate liquid financial resources are in place to meet obligations as they fall due in the event of reasonably foreseeable abnormal circumstances.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)**

3. Risk management policies (continued)

(c) Liquidity or funding risk (continued)

The following table illustrates the earliest possible time period in which other financial liabilities could be paid out. All the cash flows depicted below are on an undiscounted basis. See note 17 for a reconciliation of other liabilities.

	Contractual cash flows			
	Total	< 1 year	1 – 5 years	> 5 years
	£'000	£'000	£'000	£'000
At 30 June 2020				
Other liabilities	167	167	-	-
Total	167	167	-	-
At 30 June 2019				
Other liabilities	67	67	-	-
Total	67	67	-	-

(d) Market risk

Market risk is the risk that as a result of market movements the Company may be exposed to fluctuations in the value of its assets, in the amount of its liabilities or the income from its assets. Sources of general market risk include movements in interest rates, equities and foreign exchange rates.

The Company sets the acceptable level of market risk through the market risk policy. The main features of the policy are:

- Market risk is only incurred in the pursuit of the Company's corporate and financial objectives, in particular, its investment objectives;
- Asset allocation and portfolio limit structures are established for each asset class; and
- Aggregate exposure limits that are in line with the regulatory requirements.

The following table illustrates the impact on the result before tax and shareholders equity of a change in market interest rates.

	Impact on result before tax		Impact on shareholders equity	
			Corporation tax rate 19.00% (2019: 19.00%)	
	£'000		£'000	
	Interest rate movement		Interest rate movement	
	+1%	-1%	+1%	-1%
At 30 June 2020	132	(132)	107	(107)
At 30 June 2019	127	(127)	102	(102)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)**

3. Risk management policies (continued)

(e) Operational risk

Operational risk is defined as the risk of loss, or adverse consequences for the business, resulting from inadequate or failed internal processes, people and systems, or from external events. The Company sets an acceptable level of operational risk through the operational risk policy. The policy also requires compliance with applicable legislation and regulations.

A strategy to control the operational risk exposures identified is based on a combination of one or all of the following: modify operations such that there is no exposure to the risk; accept exposure to the risk and choose not to control the risk; or accept exposure to the risk and control the exposure by risk transfer or risk treatment.

The level of control and nature of the controls implemented is based on, amongst other things the:

- Potential cause and impact of the risk;
- Likelihood of the risk happening in the absence of any controls;
- Ease with which the risk could be insured against;
- Cost of implementing controls to reduce the likelihood of the risk occurring; and
- Operational risk appetite.

(f) Capital Management

Policies and objectives

The objective of the Company's capital management policy is to define principles and guiding philosophy for capital management that ensures capital and solvency levels are managed effectively in line with the defined risk appetites. The policy and objectives are reviewed at least annually and the guiding principles for the policy are to:

- Foster an environment of regulatory compliance within the group's culture, strategy and decision making; and
- Continually develop and enhance the groups regulatory compliance capability.

4. Revenue

The Company previously wrote one class of business, that of accident and health general insurance. As the Company has run-off there were no active insurance policies underwritten during the year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)**

5. Investment return

	Year ended 30 June	
	2020	2019
	£'000	£'000
Interest income:		
Cash and cash equivalents	2	5
Interest on subordinated loans receivable	572	563
Total investment return	574	568

6. Administrative expenses

(a) Administrative expenses

	Year ended 30 June	
	2020	2019
	£'000	£'000
Other administrative expenses	7	1
Total administrative expenses	7	1

Vitality Corporate Services Limited ("VCSL") incurs the overall audit and non-audit fees on behalf of the Vitality group of companies. The fees for the Company in the amount of £20k (2019: £16k) payable to the Company's auditor for the audit of the Company's financial statements have not been recharged to the Company by VCSL. Non-audit services were not provided to the Company during the year (2019: £nil).

(b) Staff costs

VCSL previously provided management services to the Company including the recharge of expenses incurred on its behalf. All staff costs incurred by VCSL in respect of the products sold are allocated and recharged between Group companies. As the Company has no active insurance policies no staff costs have been recharged to the Company as the services the staff provide to this Company are considered incidental to those provided to the rest of the Group.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)**

7. Tax expense

	Year ended 30 June	
	2020	2019
	£'000	£'000
(a) Current year tax expense		
Current tax:		
Current year tax expense	(79)	(68)
Adjustment in respect of prior years	(1)	(2)
	(80)	(70)
Deferred Tax:		
Adjustment in respect of prior years	1	-
Effect of tax rate change on opening balance	17	-
Deferred tax expense for the year	(30)	(42)
	(12)	(42)
Total tax expense	(92)	(112)

The tax assessed for the year is lower (2019 higher) than the standard rate of corporation tax in United Kingdom for the year ended 30 June 2020 of 19% (2019: 19%). The difference is explained in below:

	Year ended 30 June	
	2020	2019
	£'000	£'000
(b) Reconciliation of tax		
Profit before tax	557	587
Tax at 19% (2019: 19%)	(106)	(110)
Effects of:		
Adjustment in respect of prior years	-	(2)
Expenses not tax deductible	(3)	-
Re-measurement of deferred tax for changes in tax rates	17	-
Total tax expense	(92)	(112)

During the year ended 30 June 2020 the Company made £38k (2019: £30k) in corporate tax instalments for the 2019/2020 tax year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)**

8. Deferred tax asset

		As at 30 June	
		2020	2019
	Note	£'000	£'000
Deferred tax asset comprises:			
Accelerated capital allowances		137	150
Short term timing differences		-	(1)
Deferred tax asset at the end of the year		137	149
Movements in deferred tax asset comprises:			
At the beginning of the year		149	191
Amounts charged to the statement of comprehensive income	7	(12)	(42)
Deferred tax asset at the end of the year		137	149

Deferred tax assets of £25k (2019: £27k) are expected to be recovered within twelve months.

The recognition of the deferred tax asset is supported by the expected future profitability of the Company. The primary source of these profits is the investment return on assets held by the Company.

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As this change was substantively enacted as at the balance sheet date, its effects are included in these financial statements.

9. Directors remuneration

The directors are employed by VCSL and by companies in the Discovery Limited group. There are no members of key management other than the executive directors. The directors receive no incremental emoluments for their services as directors of the Company as the services provided to the Company are incidental to the services they provide to the rest of the Group.

10. Financial assets and liabilities

The Company holds the following financial instruments:

		As at	
		30 June	
	Note	2020	2019
		£'000	£'000
Financial assets at amortised cost			
Cash and cash equivalents	10a	888	980
Other assets	15	-	31
Financial assets at fair value through profit or loss (FVPL)			
Investment in associates	14	189	205
Subordinated loans receivable	13	12,529	11,957
Total financial assets		13,606	13,173

Financial liabilities include amounts owed to related parties in the amount of £167k (2019: £67k). See note 17.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)**

10. Financial assets and liabilities (continued)

(a) Cash and cash equivalents

	As at 30 June	
	2020	2019
	£'000	£'000
Money at call and short notice	888	980
Total cash and cash equivalents	888	980

Some balances are subject to a variable interest rate. At 30 June 2020 the average interest rate was 0.23% (2019: 0.59%).

11. Non-financial assets and liabilities

		As at 30 June	
		2020	2019
	Note	£'000	£'000
Investment in subsidiary	12	319,750	319,750
Current income tax receivable		106	-
Deferred tax asset	8	137	149
Total non-financial assets		319,993	319,899

Non-financial liabilities in the amount of £nil (2019: £38k) relate to amounts owing for corporate tax.

12. Investment in subsidiary

	As at 30 June	
	2020	2019
	£'000	£'000
Ordinary shares in Vitality Health Limited		
At the beginning of the year	319,750	319,750
At the end of the year	319,750	319,750

Vitality Health Limited is a company incorporated in the United Kingdom (Reg. No. 05051253) whose registered office is 3 More London Riverside, London, SE1 2AQ.

13. Subordinated loans receivable

Subordinated loans of £12,529k (2019: £11,957k) have been provided by the Company to Vitality Health Limited. The loans are repayable on 31 December 2020, and accrue interest at a floating rate of 400 basis points over 3 month LIBOR. The subordinated loans receivable are carried at fair value through profit or loss in accordance with IFRS 9.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)**

14. Investment in equity accounted associate

	As at 30 June	
	2020	2019
	£'000	£'000
Equity securities – unquoted	189	205
Total investment in associate	189	205

The investment in associate represents the Company's 20% investment in Healthcode Limited (Reg. No. 03867872) whose registered office is Swan Court, Waterman's Business Park, Kingsbury Crescent, Staines, Surrey, TW18 3BA. The investment in Healthcode Limited is recognised under the equity method in accordance with IAS 28.

It is the Company's intention to hold investments in equity securities for more than twelve months. 100% of the above equity security is UK based.

15. Other assets

	As at 30 June	
	2020	2019
	£'000	£'000
Amounts due from related parties	-	31
Total other assets	-	31

The carrying amounts above reasonably approximate fair value at 30 June 2020.

16. Ordinary share capital

	30 June 2020 Number of Shares	30 June 2020 £'000	30 June 2019 Number of Shares	30 June 2019 £'000
Ordinary Shares				
<i>Authorised</i>				
Ordinary shares of £1 each	No Maximum	No Maximum	No Maximum	No Maximum
<i>Called up, issued and fully paid</i>				
Ordinary shares of £1 each	258,350,000	258,350	258,350,000	258,350

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)**

17. Other liabilities

	As at 30 June	
	2020	2019
	£'000	£'000
Amounts owed to related parties	167	67
Total other liabilities	167	67

All other liabilities are expected to be settled within twelve months. The carrying amounts above reasonably approximate their fair values at the statement of financial position dates.

18. Movement in operating assets and liabilities

	Year ended 30 June	
	2020	2019
	£'000	£'000
Decrease in operating assets:		
Other assets	31	48
	31	48
Increase in operating liabilities:		
Other liabilities	100	67
	100	67
Net decrease in operating assets and liabilities	131	115

Movement on other assets and liabilities excludes movement for group tax relief.

19. Related party transactions

	As at and Year ended 30 June 2020			
	Sales to:	Purchases from:	Amounts owed to:	Amounts owed from:
	£'000	£'000	£'000	£'000
Immediate parent company	-	-	-	-
Other Vitality group companies	-	148	167	12,529
	-	148	167	12,529

	As at and Year ended 30 June 2019			
	Sales to:	Purchases from:	Amounts owed to:	Amounts owed from:
	£'000	£'000	£'000	£'000
Immediate parent company	-	-	-	31
Other Vitality group companies	-	38	67	11,957
	-	38	67	11,988

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)**

19. Related party transactions (continued)

Amounts shown in the current year and the prior year as amounts owed from Other Vitality group companies relates to the subordinated loans referred to in Note 13. Amounts shown in the current year as purchases from other Vitality group companies relates primarily to the purchase and sale of tax group relief.

All transactions between key management and the Company during the year are on commercial terms which are equivalent to those available to all employees of the Company. At 30 June 2020 and 2019 there were no key management personnel loans. During the year to 30 June 2020 and 2019 key management personnel made no contribution to products sold by the Company.

20. Parent and ultimate controlling party

The immediate parent undertaking is Discovery Holdings Europe Limited, a company incorporated in the United Kingdom.

Discovery Holdings Europe Limited is 100% (2019: 100%) owned by Discovery Group Europe Limited.

The ultimate controlling party of Discovery Group Europe Limited is Discovery Limited, a company incorporated in the Republic of South Africa.

The ultimate controlling party of the Company and the smallest and largest group to consolidate these financial statements is Discovery Limited. The consolidated financial statements of Discovery Limited can be obtained from Discovery Limited, PO Box 786722, Sandton, South Africa.