VITALITY HEALTH INSURANCE LIMITED

Annual Report and Financial Statements
For the year ended 30 June 2023

Incorporated and registered in England and Wales. Registered No: 02123483

Vitality Health Insurance Limited

CONTENTS

Vitality Health Insurance Limited

DIRECTORS AND OFFICERS

Directors in office at the date of signing the financial statements

Neville Koopowitz*

Justin Skinner*

*Executive

Company Secretary at the date of signing the financial statements

Jennifer Thorn

Registered office

3 More London Riverside
London
SE1 2AQ

Registered number

02123483

The Directors present their Strategic report, Report of the Directors and the unaudited financial statements for the year ended 30 June 2023.

Vitality Health Insurance Limited ("the Company", "VHIL") is a private company limited by shares, incorporated and domiciled in England and Wales.

The Company is one of eight companies that, along with the holding company, make up the Discovery Holdings Europe Limited ("DHEL") group of companies ("Vitality", "the Group"). Within Vitality there are four business units, "VitalityHealth", "VitalityLife", "VitalityInvest" and "VitalityCar".

References made to the Group Board refer to the DHEL Board. The Company owns 100% of Vitality Health Limited ("VHL") (Reg. No. 05051253) whose registered office is 3 More London Riverside, London, SE1 2AQ.

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 VHL. Since 1 October 2013, upon renewal, all private medical insurance business underwritten by the Company began to be migrated to VHL. 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 financial year ended 30 June 2023 or 2022. 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 UK Solvency II regime, which is an insurance regulatory regime which prescribes capital requirement and asset / liability valuation standards for assessing regulatory solvency.

On 31 December 2020, the subordinated loans previously provided to VHL, including accrued interest, were converted to one unsubordinated loan in the amount of £12,788k. On 31 January 2022 the unsubordinated loan, including accrued interest, was repaid in full to the Company. See note 12.

During the financial year ended 30 June 2023, the Company received a dividend of £12,500k (2022: £20,000k) from VHL.

The profit before tax for the financial year ended 30 June 2023 was £12,523k (2022: £20,232k). The net assets of the Company as at 30 June 2023 were £334,921k (2022: £320,737k).

All contracts of employment are held by Vitality Corporate Services Limited ("VCSL"), a fellow group company. VCSL previously provided 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 the Company are considered incidental to those provided to other companies within the Group.

On 11 March 2020, the World Health Organisation declared COVID-19 a global pandemic. Over three years on, the impact continues to be felt. The pandemic has had a long-term impact on the economy of the UK, and a sustained direct effect on the operations, workforce, and capacity of the UK healthcare system.

Despite some resurgence in interest relating to COVID-19, restrictions relating to COVID-19 are not directly visible in day-to-day life, with infection control related restrictions not generally visible. Many ascribe the impact of COVID-19 as contributing to the all-time highs seen in the NHS waiting list.

As the Company acts as a holding company for its investment in VHL, the Company's principal risk is therefore the valuation of this investment. Significantly increased levels of interest have been seen in the private sector. Private healthcare providers and insurers report increased demand and interest, and VHL's own growth numbers testify to the reshaped perception, relationship, and expectations of the public healthcare system in the UK. Turbulence within the NHS has become particularly visible in the previous year, including challenges relating to waiting lists and national strikes.

VHL expected higher claims rates which have been seen in the current financial year. Claims authorisations have now increased above historic rates. It is not entirely clear how much of this is "new" activity and how much of this is catch-up activity. VHL's general expectation is that a new baseline of claims activity, above the pre-pandemic baseline, will be established. This increase will be above and beyond some of the changes made to help customers access value from their policies – from more customer-friendly authorisation procedures, digital claims and services, and removing underwriting exclusions from types of mental health treatment.

Future outlook

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

Over the period there has been continued conflict between Russia and Ukraine, increased economic uncertainty and the 'cost of living crisis' due to the burden of high inflation. The Company is closely monitoring and managing the associated risks and remains committed to supporting its staff and customers as any associated challenges emerge.

Key performance indicators (KPIs)

KPIs are not considered relevant for the financial year ended 30 June 2023 or 2022 given the simple nature of the Company's activities as a holding company. The Company's profit was principally generated by a dividend received from 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 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.

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.

On behalf of the board

Justin Skinner

Chief Finance Officer

Vitality Health Insurance Limited (Reg No: 02123483)

18 October 2023

Directors

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 appointment of Directors is 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. They 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.

In performing this evaluation the directors of the Company have considered the board approved business plan of VHL to support the solvency and liquidity requirements of the business for the next 12 months.

Results and dividends

The Company paid a dividend of £12,500k to Vitality Life Limited in the financial year ended 30 June 2023 (2022: dividends of £33,227k).

The results for the year ended 30 June 2023 are set out on page 8, 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 4 for future developments.

Political donations and political expenditure

No contributions were made for political purposes during the financial year ended 30 June 2023 (2022: £nil).

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 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 UK-adopted international accounting standards.

Under company law, 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 UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

On behalf of the board

Neville Koopowitz

Chief Executive Officer

Vitality Health Insurance Limited (Reg No: 02123483)

18 October 2023

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

		Year ended 30 June	
		2023	2022
	Note	**£'000**	£'000
Revenue			
Interest income	4	21	241
Dividend received	4	12,500	20,000
Total income		**12,521**	**20,241**
Expenses			
Administrative expenses	5a	2	(9)
Total expenses		**2**	**(9)**
Profit before tax		**12,523**	**20,232**
Tax expense	6	(5)	(62)
Profit and total comprehensive income for the year		**12,518**	**20,170**

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 2023

		As at 30 June	
		2023	2022
	Note	**£'000**	£'000
Assets			
Investment in subsidiary	11	334,750	319,750
Deferred tax asset	7	—	100
Current income tax receivable		—	120
Cash and cash equivalents	9	69	767
Other assets	9	102	—
Total assets		**334,921**	**320,737**
Equity			
Ordinary share capital	13	272,550	258,350
Retained earnings		62,371	62,353
Total equity		**334,921**	**320,703**
Liabilities			
Other liabilities	14	—	34
Total liabilities		—	**34**
Total equity and liabilities		**334,921**	**320,737**

For the financial year ending 30 June 2023 the Company was entitled to an exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476.

The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The financial statements on pages 8 to 25 were approved by the Board of Directors on 18 October 2023 and signed on its behalf by

Neville Koopowitz

Chief Executive Officer

Vitality Health Insurance Limited (Reg No: 02123483)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Ordinary share capital	Retained earnings	Total equity
	£'000	£'000	£'000
At 1 July 2021	**258,350**	**75,410**	**333,760**
Profit and total comprehensive income for the year	—	20,170	20,170
Dividends paid	—	(33,227)	(33,227)
At 30 June 2022	**258,350**	**62,353**	**320,703**
Profit and total comprehensive income for the year	—	12,518	12,518
Dividends paid	—	(12,500)	(12,500)
Ordinary share capital issued	14,200	—	14,200
At 30 June 2023	**272,550**	**62,371**	**334,921**

Vitality Health Insurance Limited

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

		Year ended 30 June	
		2023	2022
	Note	**£'000**	£'000
Cash flows from operating activities			
Profit before tax		12,523	20,232
Adjustments for:			
Movement in operating assets and liabilities	15	(136)	(28)
Interest on unsubordinated loan receivable	4	—	(241)
Interest received	4	(21)	—
Dividend received	4	(12,500)	(20,000)
Income tax paid	6	120	—
Receipt / (payment) of / (for) group relief	6	95	(24)
Net cash provided by / (used in) operating activities		**81**	**(61)**
Cash flows from investing activities			
Interest received	4	21	—
Dividend received	4	12,500	20,000
Receipt of repayment of loan	12	—	13,227
Investment in subsidiary	11	(15,000)	—
Net cash (used in) / generated from investing activities		**(2,479)**	**33,227**
Cash flows from financing activities			
Payment of dividend	13	(12,500)	(33,227)
Share capital issued	13	14,200	—
Net cash flows provided by / (used in) financing activities		**1,700**	**(33,227)**
Decrease in cash and cash equivalents		**(698)**	**(61)**
Cash and cash equivalents at the beginning of the year	9	767	828
Cash and cash equivalents at the end of the year	9	**69**	**767**
Supplemental disclosures on cash flow from operating activities			
Interest income	4	21	241
Administrative expenses	5a	2	(9)

The notes on pages 12 to 25 are integral to these financial statements

1. Significant accounting policies

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis and in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

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 undertaking are included by full consolidation in the consolidated financial statements of Discovery Holdings Europe Limited, a company registered in England and Wales, whose financial statements are publicly available and can be obtained from 3 More London Riverside, London, SE1 2AQ.

The preparation of financial statements in conformity with UK-adopted international accounting standards 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) Other financial assets and financial liabilities

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

Investments and financial assets

(i) Classification

The Company classifies its financial assets into 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.

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 financial assets only when its business model for managing those assets changes. The Company does not currently utilise the FV through OCI measurement category.

(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.

The "Other" business model above includes assets held in a fair value business model. Most, if not all, of the Company's investments are classified as FVPL because this represents the business model.

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 loans and receivables in the Statement of Financial Position are held at amortised cost.

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.

(iv) 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. The Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the financial assets.

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.

Impairments are charged to the Statement of Comprehensive Income.

Financial liabilities

Financial liabilities are classified as either:

- Financial liabilities at amortised cost (trade payables, loans with standard interest rates, bank borrowings); or
- Financial liabilities at fair value through profit and loss (interest rate swaps, foreign exchange future/ option contracts, convertible notes, contingent consideration, and 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 currently held 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.

(b) 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.

(c) 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 and indicator basis an impairment assessment is undertaken and any impairment is recognised in the Statement of comprehensive income. The recoverable amount is determined as the higher of fair value less cost to sell and the subsidiary's value in use, determined using expected future cashflows.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and any highly liquid investments with less than three months to maturity from the date of acquisition which are subject to an insignificant risk of changes in value. Cash and cash equivalents are categorised for measurement purposes as being held 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.

(e) Taxation

The income tax expense or credit for the year 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 income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is provided, in full, using the Statement of financial position liability method on temporary differences arising between the tax bases of assets and liabilities and the carrying amount in the financial statements. Deferred 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the Statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(f) Other liabilities

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

(g) 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

(i) New standards, amendments and interpretations adopted during the year

Amendments to IAS 12 - Income Taxes - Internation Tax Reform - Pillar Two Model Rules has been adopted during the financial year ended 30 June 2023 and as such the Company is not recognising or disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

(ii) New standards, amendments and interpretations not yet effective or adopted

The Company has not early adopted any accounting standards, amendments, or annual improvements issued but not yet effective.

2. Critical accounting estimates and judgements in applying accounting policies

Assumptions, estimates and judgements form an integral part of financial reporting and have an impact on the amounts reported. Assumptions are based on historical experience and expectations of future outcomes and anticipated changes in the environment. Assumptions are regularly reviewed in the light of emerging experience and adjusted where required.

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.

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 2023											
Trade and other receivables	—	—	—	—	—	—	—	—	59.5	102	**102**
Cash and cash equivalents	0.0	—	0.0	—	40.5	69	—	—	0.0	—	**69**
Total	**0.0**	**—**	**0.0**	**—**	**40.5**	**69**	**—**	**—**	**0.0**	**—**	**171**

* 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 2022											
Cash and cash equivalents	0.0	—	0.0	—	100.0	767	0.0		0.0	—	**767**
Total	**0.0**	**—**	**0.0**	**—**	**100.0**	**767**	**0.0**	**—**	**0.0**	**—**	**767**

* Carrying value in the Statement of financial position.

(c) Fair value hierarchy

The Company's financial instruments measured 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 financial years ended 30 June 2023 or 2022.

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 2023 the Company had no assets or liabilities that fell under Level 1 (2022: £nil).

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 2023 the Company had no assets or liabilities that fell under Level 2 (2022: £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.

At 30 June 2023 the Company had no assets or liabilities that fell under Level 3 (2022: £nil).

(d) 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 recognized exchange.
- Limits on the volume of non-cash investments.
- 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.

The following table analyses the Company's financial liabilities into relevant maturity groupings:

	Maturity profile of financial liabilities			
	Total £'000	**< 1 year £'000**	**1 – 5 years £'000**	**> 5 years £'000**
At 30 June 2023				
Other liabilities	—	—	—	—
Total	—	—	—	—
At 30 June 2022				
Other liabilities	34	34	—	—
Total	**34**	**34**	—	—

(e) 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 shareholders equity of a change in market interest rates.

	Impact on profit after tax and shareholders equity Corporation tax rate 20.5% (2022: 19%)	
	£'000	
	Interest rate movement	
	+1%	**-1%**
At 30 June 2023	**3**	**(3)**
At 30 June 2022	59	(59)

(f) 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.

(g) 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 current or prior financial year-end.

	Year ended 30 June	
	2023	2022
	£'000	£'000
Interest income		
Cash and cash equivalents	18	1
Interest received on unsubordinated loan receivable	—	240
Other interest	3	—
Total interest income	**21**	**241**

During the financial year ended 30 June 2023, the Company received a dividend in the amount of £12,500k from Vitality Health Limited (2022: £20,000k)

5. Administrative expenses

(a)

	Year ended 30 June	
	2023	2022
	£'000	£'000
Administrative expenses	(2)	9
Total administrative expenses	**(2)**	**9**

Vitality Corporate Services Limited ("VCSL") incurs the overall audit and non-audit fees on behalf of the Group. As the Directors have elected to take the exemption and not obtain an audit of the Company there are no fees for the 30 June 2023 financial year. For the financial year ended 30 June 2022 the fees for the Company in the amount of £23k payable to the Company's auditor for the audit of the Company's financial statements were not recharged to the Company by VCSL. Administrative expenses represent legal costs related to a legacy legal case which had been resolved in favour of the Company before the date of signing.

(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.

6. Tax expense

	Year ended 30 June	
	2023	2022
	£'000	*£'000*
(a) Current year tax expense		
Current tax:		
Group relief receivable / (payable)	95	(24)
	95	**(24)**
Deferred Tax:		
Deferred tax expense	(100)	(20)
Effect of tax rate change	—	(18)
	(100)	**(38)**
Total tax expense	**(5)**	**(62)**

The tax assessed for the year is is lower (2022: lower) than the standard rate of corporation tax in the United Kingdom for the year ended 20.5% (2022: 19%). The difference is explained below:

	Year ended 30 June	
	2023	2022
	£'000	£'000
(b) Reconciliation of tax		
Profit before tax	12,523	20,232
Tax at 20.5% (2022: 19%)	(2,567)	(3,844)
Effects of:		
Non-taxable group income	2,562	3,800
Group relief (surrendered) / claimed for payment	(95)	24
Group relief receipt / (payment)	95	(24)
Re-measurement of deferred tax for changes in tax rates	—	(18)
Total tax expense	**(5)**	**(62)**

During the financial year ended 30 June 2023, the Company made £nil (2022: £nil) in corporation tax instalments for the 2022/2023 tax year.

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was enacted on 10 June 2021. Current and deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

7. Deferred tax asset

	Note	As at 30 June 2023 £'000	2022 £'000
Deferred tax asset comprises:			
Accelerated capital allowances		—	100
Deferred tax asset at the end of the year		**—**	**100**
Movements in deferred tax asset comprises:			
At the beginning of the year		100	138
Amounts charged in the statement of comprehensive income	6	(100)	(38)
Deferred tax asset at the end of the year		**—**	**100**

The Company has no recognised or unrecognised deferred tax asset as at 30 June 2023 (2022: recognised asset of £100k).

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was enacted on 10 June 2021. Current and deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. The exception under the IAS 12 amendment to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes has been applied.

8. 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.

9. Financial assets and financial liabilities

The Company holds the following financial instruments:

	As at 30 June 2023 £'000	2022 £'000
Financial assets at amortised cost:		
Cash and cash equivalents	69	767
Trade and other receivables	102	—
Total financial assets	**171**	**767**

Financial liabilities include amounts owed to related parties in the amount of £nil (2022: £34k). See note 16.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

Cash and cash equivalents

	As at 30 June	
	2023	2022
	£'000	£'000
Money at call and short notice	69	767
Total cash and cash equivalents	**69**	**767**

Some balances are subject to a variable interest rate. At 30 June 2023 the average interest rate was 4.30% (2022: 0.09%).

10. Non-financial assets and non-financial liabilities

		As at 30 June	
		2023	2022
	Note	**£'000**	£'000
Investment in subsidiary	11	334,750	319,750
Current income tax receivable		—	120
Deferred tax asset	7	—	100
Total non-financial assets		**334,750**	**319,970**

Non-financial liabilities as at 30 June 2023 were £nil (2022: £nil).

11. Investment in subsidiary

	As at 30 June	
	2023	2022
	£'000	£'000
Ordinary shares in Vitality Health Limited		
At the beginning of the year	334,750	319,750
At the end of the year	**334,750**	**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.

Vitality Health Limited's profit after tax for the financial year ended 30 June 2023 is £47,492k (2022: £52,744k) and their net assets are £408,153k (2022: £358,161k).

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least at each Statement of financial condition date. Such indicators include continued losses, change in technology, market, economic, legal and operating environments.

An impairment loss is recognised, for the amount by which the asset's carrying amount exceeds its recoverable amount, as a loss in the Statement of comprehensive income immediately. The recoverable amount is measured using the higher of the fair value less costs to sell and the value-in-use.

For investments in subsidiaries, value in use is measured via embedded value (the present value of future profits plus adjusted net asset value).

During the financial year ended 30 June 2023, the Company purchased an additional 150,000 ordinary shares in Vitality Health Limited for £15,000k. The shares were purchased on the following dates: 9 June 2023 (100,000) and 29 June 2023 (50,000). No shares were purchased during the financial year ended 30 June 2022.

12. Loans receivable

In the financial year ended 30 June 2022 the unsubordinated loan was fully repaid in the amount of £13,227k.

13. Equity

	30 June 2023 Number of Shares	30 June 2023 £'000	30 June 2022 Number of Shares	30 June 2022 £'000
Ordinary Shares				
Authorised				
Ordinary shares of £1 each	No Maximum	No Maximum	No Maximum	No Maximum
Called up, issued and fully paid				
Ordinary shares of £1 each	272,550,000	272,550	258,350,000	258,350

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

Retained earnings comprises of prior and current year's undistributed profits after tax.

During the financial year ended 30 June 2023, the Company issued an additional 14,200,000 ordinary shares (2022: £nil) which were all purchased by Vitality Life Limited. The shares were issued on the following dates: 9 June 2023 (9,500,000) and 29 June 2023 (4,700,000).

During the financial year ended 30 June 2023 the Company paid a dividend of £12,500k (2022: £33,227k).

14. Other liabilities

	As at 30 June	
	2023	2022
	£'000	£'000
Amounts owed to other Vitality group companies	—	34
Total other liabilities	**—**	**34**

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.

15. Movement in operating assets and liabilities

	Year ended 30 June	
	2023	2022
	£'000	£'000
Increase in operating assets:		
Other assets	(102)	—
Decrease in operating liabilities:		
Other liabilities	(34)	(28)
	(34)	**(28)**
Net decrease in operating assets and liabilities	**(136)**	**(28)**

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

16. Related party transactions

	As at and year ended 30 June 2023			
	Sales to:	**Purchases from:**	**Amounts owed to:**	**Amounts owed from:**
	£'000	**£'000**	**£'000**	**£'000**
Other Vitality group companies	—	(95)	—	100
	—	**(95)**	—	**100**

	As at and year ended 30 June 2022			
	Sales to:	**Purchases from:**	**Amounts owed to:**	**Amounts owed from:**
	£'000	**£'000**	**£'000**	**£'000**
Other Vitality group companies	—	24	34	—
	—	**24**	**34**	—

The table above excludes the below related party transactions:

- During the financial year ended 30 June 2022 VHL repaid the unsubordinated loan in the amount of £13,227k to the Company. See note 12.

Amounts shown in the current and prior financial 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 financial year are on commercial terms which are equivalent to those available to all employees of the Company. At 30 June 2023 and 2022 there were no key management personal loans. During the year to 30 June 2023 and 2022 key management personnel made no contribution to products sold by the Company.

17. Parent and ultimate controlling party

The immediate parent undertaking is Vitality Life Limited, a Company incorporated in England and Wales.

Vitality Life Limited is 100% (2022: 100%) owned by Discovery Holdings Europe Limited which is 100% (2022: 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 largest group to consolidate these financial statements is Discovery Limited. The consolidated financial statements of Discovery Limited can be obtained from Discovery Limited, 1 Discovery Place, Sandton, PO Box 786722, South Africa.