

**Company Registration No. 05029900 (England and Wales)**

**DISCOVERY GROUP EUROPE LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2019**



## **DISCOVERY GROUP EUROPE LIMITED**

### **COMPANY INFORMATION**

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#### **Directors**

A Gore  
M I Hilkowitz  
S Matisonn  
R Farber

#### **Secretary**

Norose Company Secretarial Services Limited

#### **Company number**

05029900

#### **Registered office**

3 More London Riverside  
London  
SE1 2AQ

#### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Savannah House  
3 Ocean Way  
Southampton  
SO14 3TJ

#### **Bankers**

Barclays Bank plc  
114 Fenchurch Street  
The City  
London  
EC3P 3HY

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# **DISCOVERY GROUP EUROPE LIMITED**

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## **DISCOVERY GROUP EUROPE LIMITED**

### **STRATEGIC REPORT**

**FOR THE YEAR ENDED 30 JUNE 2019**

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The directors present the strategic report and audited financial statements for the year ended 30 June 2019.

#### **Principal Activities**

The principal activity of the company during the year was that of an investment holding company. Its investment is a 100% interest in Discovery Holdings Europe Limited ("Holdings"). Holdings owns Vitality Health Insurance Limited and indirectly Vitality Health Limited (together "VitalityHealth"), both licensed insurance companies which offer an innovative private medical insurance product in the UK. Holdings also funds VitalityLife, the life insurance business launched in October 2007 written by the Prudential Assurance Company Limited ("PAC") until 31 December 2015 and by Vitality Life Limited since 1 January 2016 (Vitality Life Limited ("VLL")).

On 23 June 2018, and as reported in the prior year, a subsidiary of Holdings launched VitalityInvest. The VitalityInvest business is written by VLL.

#### **Review of the business**

In 2014, the company acquired the remaining 25% share in Holdings from PAC. At the same time, Holdings issued shares at fair market value to senior executives in Holdings equivalent to diluting the company's shareholding to 99%. Part of the terms of the transaction with PAC was that a company owned by Holdings was to obtain its own Life licence within 15 months of the acquisition which Holdings successfully achieved in December 2015 through its subsidiary VLL.

On 28 February 2019, the company acquired the senior executive shares for £11.4m, considered to be fair market value, to become the sole shareholder in Holdings.

During the year, VLL required a capital injection of £17.2 million which the company funded via an equity issue. In addition, VLL required loan funding of £25.4 million which the company funded via a loan on similar terms to the loan funding received from its parent company.

The company and its subsidiaries were required to cease using the Prudential brand completely by November 2016 and this was completed on time. To preserve the company's business, Holdings continued its campaign to raise awareness generally of the Vitality brand name.

VitalityHealth's number of insured lives increased significantly during the year to 642,776 insured lives (30 June 2018: 576,757). The Directors were pleased that during the course of the year, and consistent with the prior year, VitalityHealth also replaced lapsed lives with, in the main, more profitable lives. VitalityHealth is in a position where it has a solid profitable base to grow going forward. Notwithstanding this, VitalityHealth made a profit of £35.8m (2018: £26.8m). It is expected to continue to be profitable in the future as it exploits its scale and position in the market.

VitalityLife continues to perform well in challenging market conditions. New business grew strongly over the year growing the number of in force policies to 432,540 by 30 June 2019 (30 June 2018: 383,980). The business was written using PAC's licence until December 2015. VitalityLife is planning to transfer the historical business written on the insurance licence of PAC into VLL via a Part VII (of the Finance Services and Markets Act 2000) transfer by April 2020, subject to the relevant legal and regulatory approvals.

## **DISCOVERY GROUP EUROPE LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 30 JUNE 2019**

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In assessing the recoverability of investments in subsidiaries the company needs to consider their recoverable amount through projecting future after tax profits. The directors' valuation of the investment at £969 million (2018: £887 million) is in excess of the company's investment in Holdings. In projecting future after-tax profits of the business, it is necessary to make certain assumptions about the future performance of the business. These assumptions were arrived at based on internal experience, including all relevant experience between year-end and the date of these financial statements. The internal experience is augmented by reinsurance and industry information.

The most significant of these assumptions are the following:

ValidityHealth risk discount rate – 3.61% (2018: 4.02%)

ValidityLife risk discount rate – 4.725% (2018: 4.725%)

ValidityHealth risk free rate – 0.98% (2018: 1.4%)

ValidityLife risk free rate – 2.1% (2018: 2.1%)

Corporation tax rate – 19% (2018: 19%)

ValidityHealth projection term – 20 years (2018: 20 years)

ValidityLife asset return – 2.5% (2018: 2.5%)

ValidityHealth loss ratio – based on loss ratio experience subsequent to year-end, adjusted to take into account the full-year impacts of loss ratio initiatives undertaken by the date of these financial statements and the seasonality of experienced claims.

ValidityLife mortality and morbidity – based on internal experience, where available augmented by reinsurance, industry and Discovery Group information.

Lapse rates – using current experience, and the historic experience of ValidityHealth and ValidityLife.

Of these assumptions, the most sensitive is the ValidityHealth loss ratio. An increase in the loss ratio of 1% has an impact of decreasing the valuation by 4.5% (2018: 4.5%). This attribute thus receives dedicated focus from Holdings' Board and management.

It is envisaged that capital will be required for the life business to 30 June 2020 and for a few years thereafter. The directors are still considering the options around the source of the funding.

#### **Key performance indicators**

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

#### **Future outlook**

The directors expect the growth of the subsidiaries to continue. ValidityLife is planning to transfer the historical business written on the insurance licence of PAC into VLL via a Part VII (of the Finance Services and Markets Act 2000) transfer by April 2020, subject to the relevant legal and regulatory approvals. A steering committee and working groups have been established, while other internal and external relevant resources have been assigned to the Part VII transfer to ensure success.

## **DISCOVERY GROUP EUROPE LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 30 JUNE 2019**

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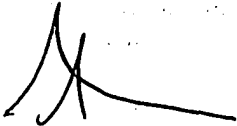
#### **Principal risks and uncertainties**

The principal risks the company faces are the profitability, valuation and continued success of its investment in Holdings. To this extent, the company is represented, either as a member or an attendee, on all decision making bodies of Holdings and its subsidiaries including the board of directors, actuarial committee, audit committee, risk committee and remuneration committee.

Further information on the financial risk management of the company can be found in the directors' report.

Brexit has had an impact on the long term interest rates which in turn has put pressure on VitalityLife's margins, though the suite of products offered, and new products developed by VitalityLife help protect VitalityLife against some of these impacts.

On behalf of the board



S Matisonn

Director

6 November 2019

# **DISCOVERY GROUP EUROPE LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2019**

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The directors present their report and audited financial statements for the year ended 30 June 2019.

#### **Results and dividends**

The results for the year are set out on page 10.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

#### **Directors**

The directors who held office during the year and up to the date of signing these financial statements were as follows:

A Gore  
M I Hilkowitz  
S Matisonn  
R Farber

#### **Qualifying third party indemnity provisions**

The company maintains liability insurance for its directors and officers. These include qualifying third party indemnity provisions (as defined in the Companies Act 2006) which were in force during the year and remain in force.

#### **Financial instruments and financial risk management**

##### ***Treasury operations and financial instruments***

The main risks arising from the company's financial instruments and transactions are foreign currency risk, investment/liquidity risk, interest rate risk, credit risk and market risk.

##### ***Investment/liquidity risk***

The company maintains sufficient liquid assets to meet all anticipated commitments as they fall due. A working budget is maintained to ensure that the company has sufficient cash resources for at least the following financial year.

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

The company's financial instruments accrue interest at a floating rate. The sterling loans fluctuate with either the 3 month GBP LIBOR or the Bank of England base rate, while the rand loan fluctuates with 3 month ZAR JIBAR.

Interest rate risk is mitigated as other group companies are the counterparties for all interest bearing liabilities and interest rates for these liabilities are set within the group.

## **DISCOVERY GROUP EUROPE LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 30 JUNE 2019**

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#### ***Foreign currency risk***

The company conducts all of its operations in Pounds Sterling, however the company has a South African Rand loan which exposes the company to risks in respect of South African Rand fluctuations.

The only exposure to foreign currency risk is a long-term borrowing with Discovery Limited, the ultimate parent company. The directors choose to not actively manage the risk of fluctuations in foreign currency given equal gains and losses to those recorded within this company are recorded within the immediate parent company leading to no impact on the overall group.

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

The company minimises this risk by utilising only counterparties with satisfactory credit ratings as determined by the directors.

#### ***Market risk***

The company has a significant long-term investment in Discovery Holdings Europe Limited. The directors of the company are actively involved in managing Discovery Holdings Europe Limited to ensure that the value of the company's interest is maximised.

#### ***Post reporting date events***

Subsequent to the balance sheet date, the company received financing from the immediate parent company, Discovery Limited, of £13,000,000 in July 2019. £6,500,000 of this financing was funded by the issuance of 6,500,000 ordinary shares of £1 each and £6,500,000 of this financing was funded through a long term sub-ordinated loan of £6,500,000 with the interest rate of the Bank of England Base rate + 6.15% maturing in July 2029.

#### ***Future Outlook***

The directors have elected to include a description of the Company's future outlook, as required by regulations made under section 416(4) of the Companies Act 2006, within the Strategic Report as permitted by section 414(c)(11) of the Companies Act 2006.

#### ***Going Concern***

The company has net current liabilities and therefore requires and has received an undertaking of support from its immediate parent company, Discovery Limited. Funding is provided regularly by capital injection. The directors are therefore satisfied that the use of the going concern assumption is appropriate for the financial statements.

#### ***Independent Auditors***

The auditors, PricewaterhouseCoopers LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.



# **DISCOVERY GROUP EUROPE LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 30 JUNE 2019**

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### **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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, 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.

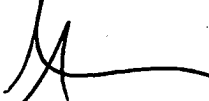
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

### **Statement of disclosure of information to auditors**

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



S Matisonn

Director

6 November 2019

## **DISCOVERY GROUP EUROPE LIMITED**

### **INDEPENDENT AUDITORS' REPORT**

#### **TO THE MEMBERS OF DISCOVERY GROUP EUROPE LIMITED**

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#### **Report on the financial statements**

##### **Opinion**

In our opinion, Discovery Group Europe Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); 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 2019; the statement of comprehensive income, 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**

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

## **DISCOVERY GROUP EUROPE LIMITED**

### **INDEPENDENT AUDITORS' REPORT**

#### **TO THE MEMBERS OF DISCOVERY GROUP EUROPE LIMITED**

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##### **Reporting on other information**

The other information comprises all of the information in the Annual Report and Financial Statements 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 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 Directors' Report, 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 Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2019 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 Directors' Report.

##### **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 6, 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.

## **DISCOVERY GROUP EUROPE LIMITED**

### **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF DISCOVERY GROUP EUROPE LIMITED**

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#### *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](http://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 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.



**Helen Viney (Senior Statutory Auditor)**  
**for and on behalf of PricewaterhouseCoopers LLP**  
**Chartered Accountants and Statutory Auditors**  
**Southampton**  
**7 November 2019**

# DISCOVERY GROUP EUROPE LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 £	2018 £
Administrative expenses		(2,154,064)	(1,919,024)
<b>Operating loss</b>	<b>5</b>	<b>(2,154,064)</b>	<b>(1,919,024)</b>
Finance income from group undertakings	7	5,630,206	3,663,676
Other interest receivable and similar income	7	2,413	471
Finance costs	8	(6,646,409)	(4,685,915)
Foreign exchange (losses)/gains		(236,151)	1,315,412
<b>Loss before taxation</b>		<b>(3,404,005)</b>	<b>(1,625,380)</b>
Tax on loss	9	-	-
<b>Loss for the financial year and total comprehensive income</b>		<b>(3,404,005)</b>	<b>(1,625,380)</b>

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

# DISCOVERY GROUP EUROPE LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	2019 £	2018 £
<b>Non-current assets</b>			
Intangible fixed assets	10	63,515	63,515
Investments	12	709,810,411	680,514,501
Debtors: amounts falling due after more than one year	15	100,750,000	75,350,000
		<u>810,623,926</u>	<u>755,928,016</u>
<b>Current assets</b>			
Debtors	15	41,721	123,477
Cash at bank and in hand		569,177	340,473
		<u>610,898</u>	<u>463,950</u>
<b>Current liabilities</b>			
Trade and other payables	18	1,212,336	1,217,423
<b>Net current liabilities</b>		<u>(601,438)</u>	<u>(753,473)</u>
<b>Total assets less current liabilities</b>		<u>810,022,488</u>	<u>755,174,543</u>
<b>Non-current liabilities</b>			
Loans and other borrowings	16	111,463,073	83,349,818
<b>Net assets</b>		<u>698,559,415</u>	<u>671,824,725</u>
<b>Equity</b>			
Called up share capital	21	732,671,109	702,532,414
Accumulated losses	22	(34,111,694)	(30,707,689)
<b>Total equity</b>		<u>698,559,415</u>	<u>671,824,725</u>

**DISCOVERY GROUP EUROPE LIMITED**

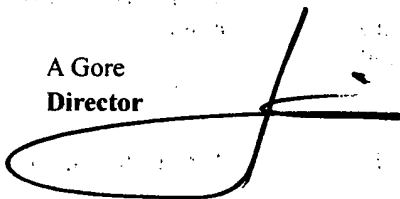
**STATEMENT OF FINANCIAL POSITION (CONTINUED)**

**AS AT 30 JUNE 2019**

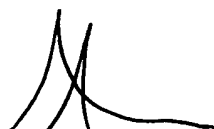
The notes on pages 14 to 33 form an integral part of the financial statements.

The financial statements were approved by the board of directors and authorised for issue on 6 November 2019 and are signed on its behalf by:

A Gore  
Director

A stylized signature of A Gore, consisting of a large, sweeping loop followed by a horizontal stroke.

S Matisonn  
Director

A stylized signature of S Matisonn, featuring a series of sharp, overlapping peaks and valleys.

**Company Registration No. 05029900**

**DISCOVERY GROUP EUROPE LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 30 JUNE 2019**

	Note	Called up share capital £	Accumulated losses £	Total equity £
<b>Balance at 1 July 2017</b>		677,132,414	(29,082,309)	648,050,105
Loss for the financial year and total comprehensive expense		-	(1,625,380)	(1,625,380)
Issue of share capital	21	25,400,000	-	25,400,000
<b>Balance at 30 June 2018 and 1 July 2018</b>		702,532,414	(30,707,689)	671,824,725
Loss for the financial year and total comprehensive expense		-	(3,404,005)	(3,404,005)
Issue of share capital	21	30,138,695	-	30,138,695
<b>Balance at 30 June 2019</b>		732,671,109	(34,111,694)	698,559,415



# DISCOVERY GROUP EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

### 1 Company information

Discovery Group Europe Limited is a private company limited by shares incorporated in England and Wales. The registered office is 3 More London Riverside, London, SE1 2AQ.

### 2 Adoption of new and revised standards and changes in accounting policies

In the current year, the following new and revised Standards and Interpretations have been adopted by the company and have an effect on the current period or a prior period or may have an effect on future periods:

#### IFRS 9

#### Financial instruments

This standard addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through the statement of comprehensive income.

Accounting policies have been updated, no reclassifications and no adjustments were made as a result of adoption as the impact was immaterial to the opening balance sheet.

## **DISCOVERY GROUP EUROPE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **FOR THE YEAR ENDED 30 JUNE 2019**

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### **3 Accounting policies**

#### **3.1 Basis of preparation**

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable law.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

These financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006. The principal accounting policies adopted and applied consistently to all periods presented are set out below.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n) (ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations. Equivalent disclosures are included in the consolidated financial statements of Discovery Limited in which the entity is consolidated;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment and (iii) paragraph 118 (e) of IAS 38 Intangibles Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The company is a wholly owned subsidiary of Discovery Limited and where required, equivalent disclosures are given in the consolidated financial statements of Discovery Limited. The consolidated financial statements of Discovery Limited are available to the public and can be obtained as set out in note 24.

The company has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare consolidated financial statements. The financial statements present information about the company as an individual entity and not about its group.

## **DISCOVERY GROUP EUROPE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 30 JUNE 2019**

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#### **3 Accounting policies (Continued)**

##### **3.2 Going concern**

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company continues to receive support from its immediate parent company, Discovery Limited. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

##### **3.3 Finance income**

Finance income is recognised when it is probable that the economic benefits will flow to the company and the amount of income can be measured reliably. Interest income is accrued by reference to the principal outstanding and the effective interest rate applicable.

##### **3.4 Current and deferred Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates 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 tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit 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 against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

##### **3.5 Intangible assets other than goodwill**

The internet domain names have been determined to have an indefinite life and as such no amortisation has been charged. Intangible assets are stated at cost and are reviewed for impairment annually. Intangible assets have been treated in accordance with the requirements of IAS 38 and instead of being amortised over a useful life are tested for impairment annually.

## **DISCOVERY GROUP EUROPE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 30 JUNE 2019**

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#### **3 Accounting policies (Continued)**

##### **3.6 Property, plant and equipment**

Property, plant and equipment are initially measured at cost and subsequently measured at cost less subsequent depreciation and impairment.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following basis:

Fixtures, fittings & equipment	3 year straight line
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##### **3.7 Non-current asset investments**

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

##### **3.8 Impairment of tangible and intangible assets**

Where a reasonable and consistent basis of allocation can be identified, assets are allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

## **DISCOVERY GROUP EUROPE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **FOR THE YEAR ENDED 30 JUNE 2019**

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### **3 Accounting policies (Continued)**

#### **2.8 Impairment of tangible and intangible assets (continued)**

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### **3.9 Fair value measurement**

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13.

#### **3.10 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### **3.11 Financial assets**

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value and are subsequently carried at amortised cost.

##### ***Loans and receivables***

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables' and included in Debtors. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

## DISCOVERY GROUP EUROPE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

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#### 3 Accounting policies (Continued)

##### 2.11 Financial assets (continued)

###### *Impairment of financial assets*

Financial assets, other than those at fair value through profit or loss (FVTPL), are assessed for indicators of impairment at each reporting end date.

IFRS 9 introduces a new impairment model which will result in earlier recognition of losses based on the expected credit loss method. The impairment requirements relate to financial assets measured at amortised cost, contract assets and lease receivables. For the Company, this relates to items disclosed on the Statement of financial position as 'Loans and receivables (but excluding insurance receivables)', Cash and Cash Equivalents and Investments held at amortised cost. The Company has assessed these balances for impairment using the methodology prescribed by IFRS 9. There was no material difference in respect of impairment provisions held at 1 July 2018 and those required using the IFRS 9 methodology. No adjustments to opening balances at 1 July 2018 have therefore been made.

###### *Derecognition of financial assets*

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

##### 3.12 Financial liabilities

The company recognizes financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

###### *Other financial liabilities*

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

###### *Derecognition of financial liabilities*

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

##### 3.13 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

## **DISCOVERY GROUP EUROPE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 30 JUNE 2019**

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#### **3 Accounting policies (Continued)**

##### **3.14 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

##### **3.15 Retirement benefits**

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the statement of comprehensive income in the year they are payable.

##### **3.16 Foreign exchange**

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the statement of comprehensive income for the period.

#### **4 Critical accounting estimates and judgements**

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

## DISCOVERY GROUP EUROPE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

#### 4 Critical accounting estimates and judgements (Continued)

##### Critical judgements

###### Deferred tax asset

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statements.

Deferred tax assets should only be recognised to the extent that it is probable that taxable profit will be available against which these deductible temporary differences, carried forward tax credits or tax losses can be utilised.

The directors believe it is unlikely that the tax losses will be utilised as the business does not have a track record of profitability. When a track record of profitability has been established with sufficient certainty, a deferred tax asset will be recognised.

###### Impairment of non-current assets

The directors have valued the investment in Discovery Holdings Europe Limited based on their estimate of the recoverable amount. The directors' valuation is arrived at using an Embedded Value approach. The Embedded Value is calculated as the value of projected future after-tax profits of the business in force discounted at the risk discount rate.

In projecting future after-tax profits of the business, it is necessary to make certain assumptions about the future performance of the business. These assumptions were arrived at based on internal experience, including all relevant experience between year-end and the date of these financial statements. The internal experience is augmented by reinsurance and industry information. Any provision for impairment is assessed by management on a regular basis considering the Embedded Value and future after-tax profits of the business that management believe will be realised from investments held.

#### 5 Operating loss

	2019	2018
	£	£
Operating loss for the year is stated after charging:		
Fees payable to the company's auditors for the audit of the company's financial statements	15,836	12,837



# DISCOVERY GROUP EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

### 6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2019 Number	2018 Number
Administration	3	3

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	1,744,782	1,494,984
Social security costs	246,536	251,644
Other pension costs	17,126	16,971
	<u>2,008,444</u>	<u>1,763,599</u>

Included within employment costs are directors emoluments of £2,500 (2018: £nil) in relation to one director. The remaining directors received no incremental emoluments for their services to the company (2018: £nil) as their services provided to the company are incidental to their wider role in the group.

### 7 Finance income

	2019 £	2018 £
<b>Interest income</b>		
Interest on bank deposits	2,413	471
Finance income from group undertakings	5,630,206	3,663,676
<b>Total finance income</b>	<u>5,632,619</u>	<u>3,664,147</u>

# DISCOVERY GROUP EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

### 8 Finance costs

	2019	2018
	£	£
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest payable to group undertakings	6,646,409	4,685,915

### 9 Tax on loss

	2019	2018
	£	£
<b>Tax charge included in Statement of comprehensive income</b>		
<b>Current tax</b>		
Current year taxation	-	-

The charge for the year can be reconciled to the Statement of comprehensive income as follows:

	2019	2018
	£	£
Loss before taxation	(3,404,005)	(1,625,380)
Expected tax credit based on a corporation tax rate of 19% (2018: 19%)	(646,761)	(308,822)
Group relief	646,761	421,512
Other permanent differences	-	3,485
Deferred tax not recognised	-	(116,175)
<b>Total tax charge for the year</b>	<b>-</b>	<b>-</b>

Tax charge for the year is the same (2018: the same) as the standard rate of corporation tax in the UK for the year ended 30 June 2019 of 19% (2018: 19%)

### Factors affecting current and future tax charges

On 15 September 2016, the Finance Bill received Royal Assent to enact the previously amended reductions in the rate of corporation tax from 20% to 19% from 1 April 2017 and 17% from 1 April 2020.

# DISCOVERY GROUP EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

### 10 Intangible fixed assets

	Internet domain names £
<b>Cost</b>	
At 1 July 2018	63,515
At 30 June 2019	63,515
<b>Carrying amount</b>	
At 30 June 2019	63,515
At 30 June 2018	63,515

The carrying amount of intangible assets with an indefinite useful life is £63,515. The intangible assets relate to domain names which were purchased. These are considered to have an indefinite life as there is no intention to stop using the domain names.

### 11 Property, plant and equipment

	Fixtures, fittings & equipment £
<b>Cost</b>	
At 1 July 2018	189,285
Disposals	(189,285)
At 30 June 2019	-
<b>Accumulated depreciation</b>	
At 1 July 2018	189,285
Eliminated on disposal	(189,285)
At 30 June 2019	-
<b>Carrying amount</b>	
At 30 June 2019	-
At 30 June 2018	-

# DISCOVERY GROUP EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

### 12 Investments

	Shares in group undertakings	
	2019	2018
	£	£
Investments in subsidiaries	709,810,411	680,514,501
	<u>709,810,411</u>	<u>680,514,501</u>

#### Fair value of financial assets carried at amortised cost

The directors have assessed the recoverability of the carrying value of the investment in Discovery Holdings Europe Limited based on their estimate of the recoverable amount. The directors' valuation is arrived at using an Embedded Value approach. The Embedded Value is calculated as the value of projected future after-tax profits of the business in force discounted at the risk discount rate.

In assessing the recoverability of investments in subsidiaries the company needs to consider their recoverable amount through projecting future after tax profits. The directors' valuation of the investment at £969 million (2018: £887 million) is in excess of the company's investment in Holdings. In projecting future after-tax profits of the business, it is necessary to make certain assumptions about the future performance of the business. These assumptions were arrived at based on internal experience, including all relevant experience between year-end and the date of these financial statements. The internal experience is augmented by reinsurance and industry information.

#### Movements in non-current investments

	Shares in group undertakings
	£
<b>Cost or valuation</b>	
At 1 July 2018	680,514,501
Additions	29,295,910
At 30 June 2019	<u>709,810,411</u>
<b>Impairment</b>	
At 1 July 2018 & 30 June 2019	-
<b>Carrying amount</b>	
At 30 June 2019	<u>709,810,411</u>
At 30 June 2018	<u>680,514,501</u>

## DISCOVERY GROUP EUROPE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

#### 13 Related undertakings

These financial statements are separate company financial statements for Discovery Group Europe Limited.

Details of the company's subsidiaries at 30 June 2019 are as follows (\* indirect holding):

	Country of incorporation (or residence)	Proportion of ownership interest (%)	Proportion of voting power held (%)	Nature of business
Discovery Holdings Europe Limited	England and Wales	100.00	100.00	Holding company
Vitality Health Limited*	England and Wales	100.00	100.00	Provider of medical insurance
Vitality Corporate Services Limited*	England and Wales	100.00	100.00	Provider of admin services
Vitality Health Insurance Limited*	England and Wales	100.00	100.00	Holding company
Better Health Insurance Advice Limited*	England and Wales	100.00	100.00	Insurance intermediary
Vitality Life Limited*	England and Wales	100.00	100.00	Provider of life insurance
Discover Offshore Holdings No2 Limited	England and Wales	100.00	100.00	Dormant
Health Protect Limited	England and Wales	100.00	100.00	Dormant
Vitality Invest Trustee Company Limited	England and Wales	100.00	100.00	Dormant
Vitality Healthy Workplace Limited	England and Wales	100.00	100.00	Provider of Wellbeing Services

The investments are stated at cost less provision for impairment.

With the exception of Better Health Insurance Advice Limited, all subsidiary undertakings listed above share the same registered address as the company.

Better Health Insurance Advice Limited's registered address is: First Floor Roddis House, 4-12 Old Christchurch Road, Bournemouth, BH1 1LG.

## DISCOVERY GROUP EUROPE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019

#### 14 Joint ventures

Details of the company's joint ventures at 30 June 2019 are as follows (\* indirect holding):

Name of undertaking	Registered office	Ownership interest (%)	Voting power held (%)	Nature of business
Healthcare Purchasing Alliance Limited	England and Wales	50.00	50.00	Purchasing consortium

Healthcare Purchasing Alliance Limited's registered address is: 99 Bishopsgate, London, EC2M 3XD

#### 15 Debtors

	Current		Non-current	
	2019	2018	2019	2018
	£	£	£	£
<b>Loans and receivables</b>				
- Amounts due from subsidiary undertakings	-	-	100,750,000	75,350,000
- Other loans and other receivables	41,721	123,477	-	-
	<u>41,721</u>	<u>123,477</u>	<u>100,750,000</u>	<u>75,350,000</u>

Other receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

## DISCOVERY GROUP EUROPE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

#### 15 Debtors (Continued)

A loan of £25.7 million to the company's subsidiary undertaking, Discovery Holdings Europe Limited was made in three tranches. The first on 28 May 2010 of £3.0 million, the second on 30 June 2010 of £8.2 million and the final tranche of £14.5 million on 28 December 2010. The first two tranches of the loan were originally repayable on 30 November 2010 and are now repayable after 1 January 2021 following an amendment to the original loan agreement. The last tranche of the loan was originally repayable on 31 July 2017 and is also repayable after 1 January 2021. The loan carries interest at 4.5% above 3 month GBP LIBOR.

The company made a loan of £8.5 million to Discovery Holdings Europe Limited on 30 June 2016. The loan matures on 1 July 2026, with the earliest repayment date of 1 July 2021. Interest is payable monthly in arrears at a rate of 4.15% above 3 month GBP LIBOR. The loan is unsecured.

On 31 March 2017, the company made a loan of £24.65 million to Discovery Holdings Europe Limited. The loan matures on 1 April 2027, with the earliest repayment date of 1 April 2022. Interest is payable quarterly in arrears at a rate of 6.25% above 3 month GBP LIBOR. The loan is unsecured.

On 31 October 2017, the company made a loan of £6 million to Discovery Holdings Europe Limited. The loan matures on 1 November 2027, with the earliest repayment date of 1 November 2022. Interest is payable quarterly in arrears at a rate of 6.25% above 3 month GBP LIBOR. The loan is unsecured.

On 31 May 2018, the company made a loan of £10.5 million to Discovery Holdings Europe Limited. The loan matures on 1 June 2028, with the earliest repayment date of 1 June 2023. Interest is payable quarterly in arrears at a rate of 6.25% above 3 month GBP LIBOR. The loan is unsecured.

On 20 August 2018, the company made a loan of £9 million to Discovery Holdings Europe Limited. The loan matures on 21 August 2028, with the earliest repayment date of 21 August 2023. Interest is payable quarterly in arrears at a rate of 6.25% above 3 month GBP LIBOR. The loan is unsecured.

On 23 November 2018, the company made a loan of £6.5 million to Discovery Holdings Europe Limited. The loan matures on 24 November 2028, with the earliest repayment date of 24 November 2023. Interest is payable quarterly in arrears at a rate of 6.25% above 3 month GBP LIBOR. The loan is unsecured.

On 28 February 2019, the company made a loan of £2.8 million to Discovery Holdings Europe Limited. The loan matures on 1 March 2029, with the earliest repayment date of 1 March 2024. Interest is payable quarterly in arrears at a rate of 6.40% above the Bank of England base rate. The loan is unsecured.

On 31 May 2019, the company made a loan of £7.1 million to Discovery Holdings Europe Limited. The loan matures on 1 June 2029, with the earliest repayment date of 1 June 2024. Interest is payable quarterly in arrears at a rate of 6.40% above the Bank of England base rate. The loan is unsecured.

# DISCOVERY GROUP EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

### 16 Loans and other borrowings

	2019	2018
	£	£
<b>Unsecured borrowings at amortised cost</b>		
Loans from parent undertaking	102,963,073	74,849,818
Loans from fellow group undertakings	8,500,000	8,500,000
	<u>111,463,073</u>	<u>83,349,818</u>

#### Analysis of borrowings

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2019	2018
	£	£
Non-current liabilities	<u>111,463,073</u>	<u>83,349,818</u>

A balance of £12.7m is due to the company's parent undertaking, Discovery Limited. The loan was received 27 July 2010, part of which has subsequently been settled. The terms of the loan were extended on 10 November 2014 with the loan being repayable on 31 July 2020 and carries interest at 4% above 3 month GBP LIBOR.

A loan from the company's parent undertaking, Discovery Limited was received on 12 November 2014, carrying value of R335.8 million (£19.7 million). The loan is repayable on 11 November 2022 and carries interest at the 3 month ZAR JIBAR plus 2%.



## **DISCOVERY GROUP EUROPE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **FOR THE YEAR ENDED 30 JUNE 2019**

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#### **16 Loans and other borrowings (Continued)**

A loan of £8.5 million from Discovery Finance Company Europe Limited was entered into on 30 June 2016 with a maturity date of 1 July 2026, with the earliest repayment date being 30 June 2021. Interest is repayable monthly in arrears at a rate of 3.65% above 3 month GBP LIBOR.

A loan of £24.65 million from the company's parent undertaking, Discovery Limited, was received on 31 March 2017 with a maturity date of 1 April 2027, with the earliest repayment date being 1 April 2022. Interest is repayable quarterly in arrears at a rate of 6% above 3 month GBP LIBOR.

A loan of £6 million from the company's parent undertaking, Discovery Limited, was received on 31 October 2017 with a maturity date of 1 November 2027, with the earliest repayment date being 1 April 2022. Interest is repayable quarterly in arrears at a rate of 6% above 3 month GBP LIBOR.

A loan of £10.5 million from the company's parent undertaking, Discovery Limited, was received on 31 May 2018 with a maturity date of 1 June 2028, with the earliest repayment date being 1 June 2023. Interest is repayable quarterly in arrears at a rate of 6% above 3 month GBP LIBOR.

A loan of £9 million from the company's parent undertaking, Discovery Limited, was received on 20 August 2018. The loan matures on 21 August 2028, with the earliest repayment date of 21 August 2023. Interest is payable quarterly in arrears at a rate of 6% above 3 month GBP LIBOR. The loan is unsecured.

A loan of £6.5 million from the company's parent undertaking, Discovery Limited, was received on 23 November 2018. The loan matures on 24 November 2028, with the earliest repayment date of 24 November 2023. Interest is payable quarterly in arrears at a rate of 6% above 3 month GBP LIBOR. The loan is unsecured.

A loan of £2.8 million from the company's parent undertaking, Discovery Limited, was received on 28 February 2019. The loan matures on 1 March 2029, with the earliest repayment date of 1 March 2024. Interest is payable quarterly in arrears at a rate of 6.15% above the Bank of England base rate. The loan is unsecured.

A loan of £7.1 million from the company's parent undertaking, Discovery Limited, was received on 31 May 2019. The loan matures on 1 June 2029, with the earliest repayment date of 1 June 2024. Interest is payable quarterly in arrears at a rate of 6.15% above the Bank of England base rate. The loan is unsecured.

#### **17 Fair value of financial liabilities**

The directors believe that the carrying amounts of financial liabilities carried at amortised cost in the financial statements approximate to their fair values.

# DISCOVERY GROUP EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2019

#### 18 Trade and other payables

	Current 2019	2018
	£	£
Accruals	1,212,336	1,217,423

#### 19 Deferred taxation

The company has measured its deferred tax assets as at 30 June 2019 at 17% (30 June 2018 at 17%). Deferred tax assets in respect of the following timing differences are not recognised as the directors are not certain when these might be used. This is on the basis that the current year losses create a level of uncertainty as to whether these tax losses will be utilised as the business does not have a track record of profitability. When a track record of profitability has been established with sufficient certainty, a deferred tax asset will be recognised. The unrecognised deferred tax asset as at 30 June is as follows:

	2019	2018
	£	£
Fixed assets	1,305	3,961
Short term provisions	155,465	162,472
Losses	607,882	607,882
	<u>764,652</u>	<u>774,315</u>

#### 20 Retirement benefit schemes

##### Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £17,126 (2018: £16,971).

#### 21 Called up share capital

	2019	2018
	£	£
Ordinary share capital		
<i>Issued and fully paid</i>		
732,671,109 (2018: 702,532,414) Ordinary shares of £1 each	<u>732,671,109</u>	<u>702,532,414</u>

During the year the company allotted 30,138,695 (2018: 25,400,000) ordinary shares with a nominal value of £1 each. The company received consideration of £30,138,695 (2018: £25,400,000) in cash.

# DISCOVERY GROUP EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

### 21 Called up share capital (Continued)

#### Reconciliation of movements during the year:

	Ordinary shares Number
At 1 July 2018	702,532,414
Issue of fully paid shares	30,138,695
At 30 June 2019	732,671,109

### 22 Accumulated losses

	£
At 1 July 2017	(29,082,309)
Loss for the financial year and total comprehensive expense	(1,625,380)
At 30 June 2018	(30,707,689)
Loss for the financial year and total comprehensive expense	(3,404,005)
At 30 June 2019	(34,111,694)

## DISCOVERY GROUP EUROPE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

#### 23 Related party transactions

The following amounts were outstanding at the reporting date:

	Amounts owed to related parties	
	2019 £	2018 £
Discovery Limited	102,963,073	74,849,818
Discovery Finance Company Europe Limited	8,500,000	8,500,000
	<u>111,463,073</u>	<u>83,349,818</u>

The following amounts were outstanding at the reporting date:

	Amounts owed by related parties	
	2019 £	2018 £
Discovery Holdings Europe Limited	100,750,000	75,350,000
	<u>100,750,000</u>	<u>75,350,000</u>

No guarantees have been given or received.

#### 24 Controlling party

The ultimate and immediate parent company and controlling party is Discovery Limited, a company registered in South Africa, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Discovery Limited consolidated statements can be obtained from the registered office of 1 Discovery Place, Sandhurst, Sandton, 2196.