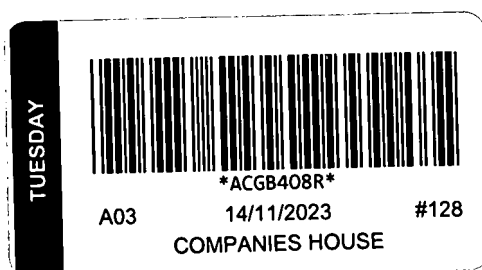


Company Registration No. 05029900 (England and Wales)

DISCOVERY GROUP EUROPE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023



DISCOVERY GROUP EUROPE LIMITED

COMPANY INFORMATION

Directors

A Gore
M I Hilkowitz
S Matisonn
R Farber
I Slonim

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

DISCOVERY GROUP EUROPE LIMITED

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DISCOVERY GROUP EUROPE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2023

The directors present the strategic report and audited financial statements for the year ended 30 June 2023.

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") through which it owns Vitality Health Limited ("VitalityHealth"; "VHL"), VitalityLife and VitalityInvest. VitalityHealth offers innovative private medical insurance products in the UK. VitalityLife, the life insurance business is funded by Holdings and from October 2007 to 31 December 2015 written by the Prudential Assurance Company Limited ("PAC") and by Vitality Life Limited ("VLL") since 1 January 2016. VitalityInvest is an investment provider whose business is written by VLL. VLL and VHL are regulated UK entities.

Review of the business

During the year, Holdings required a capital injection of £4.5 million to fund its operations and that of VLL which the company funded via an equity issue. Holdings also refinanced its £100m HSBC debt with a termination date of 31 July 2023. The new financing is split £25m with HSBC repayable on 23 December 2025 and £75m with Barclays repayable on 21 December 2024 providing some certainty over its financing needs for the medium term.

VitalityHealth's number of insured lives increased significantly during the year to 918,214 insured lives (year ended 30 June 2022: 815,684). VitalityHealth is also in a position where it has a solid profitable base and is expected to continue to be profitable in the future as it exploits its scale and position in the market.

VitalityLife exceeded its operating planned profit and almost achieved its earned premiums. The number of in force policies grew to 618,119 by 30 June 2023 (30 June 2022: 563,338) with new business annual premium income higher than both budget and prior year. A strong new business result in a very challenging environment.

The Vitalitylife business was written using PAC's licence until December 2015. During the year, an agreement was reached with PAC to continue to underwrite these policies on the PAC balance sheet for an indefinite period of time.

Following the closure to advised new business in July 2022, VitalityInvest exited the retail investment market, no longer accepted top-ups and transfers into existing plans from 6 April 2023, and no longer received or processed recurring contributions from 1 July 2023. VitalityInvest has partnered with abrdn as the preferred provider to deploy an easy transfer solution for both advised and non-advised policies to be transferred off the VLL book next financial year. The Company expects all remaining VitalityInvest business to transfer away from the Company during the financial year ended 30 June 2024. The Company expects to incur a small level of expenditure during the financial year ended 30 June 2024 whilst the business runs off.

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 for each of the businesses in which Holdings has a direct or indirect interest.

DISCOVERY GROUP EUROPE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

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 £1,049.1 million (2022: £1,028.8 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 which relate to conditions existing at the balance sheet date. The internal experience is augmented by reinsurance and industry information.

It is envisaged that limited capital will be required for the life business in the coming year. The directors are still considering the options around the source of the funding.

The company generated a profit after tax for the year to 30 June 2023 of £2.1m (2022: loss after tax of £1.1m).

The net assets of the company as at 30 June 2023 were £793.6m (2022: £787.1m).

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 over the coming year.

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.

The volatility in financial markets is being monitored by management who have assessed that the company remains in a robust position to continue to perform its primary activity. The impact due to the cost of living crises and inflation is being monitored closely. We do not expect there to be any material financial impact on the company at the time of writing.

Corporate Governance

The company does not meet the qualifying thresholds to report on its Corporate Governance arrangements pursuant to the Companies (Miscellaneous Reporting) Regulation 2018. Vitality Corporate Services Limited (company number 05933141) a company in the same UK Group as the company, does report its Corporate Governance arrangements pursuant to the Companies (Miscellaneous Reporting) Regulation 2018 as it meets the qualifying thresholds, and has adopted the Wates Principles.

The Wates Principles have been applied across the UK Group. Full details of these Corporate Governance arrangements can be found in the statutory financial statements of Vitality Corporate Services Limited.

DISCOVERY GROUP EUROPE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

Principal decisions made (S.172)

The principal decisions outlined below relate directly to the company.

Investment/funding

The primary function of the company is an investment and commercial vehicle investing in Discovery Holdings Europe Limited which in turn supports VitalityLife, VitalityHealth and VitalityInvest. Investment is made mainly through equity investments and subordinated loans with funding received primarily from the company's parent, Discovery Limited. The board considers separately each request for funding and the most efficient way of financing the funding be it equity or subordinated loans.

Regulatory/legal & compliance

The company does not meet the qualifying thresholds to report on its Corporate Governance arrangements pursuant to the Companies (Miscellaneous Reporting) Regulation 2018. Vitality Corporate Services Limited (company number 05933141) is in the same UK Group as the company, does report its Corporate Governance arrangements pursuant to the Companies (Miscellaneous Reporting) Regulation 2018 as it meets the qualifying thresholds, and has adopted the Wates Principles. Nevertheless, as part of the annual cycle of items for consideration, the following matters were approved by the board:

- Annual regulatory submissions and year-end financial statements;
- Directors' conflicts of interest;

The Wates Principles have been applied across the UK Group. Full details of these Corporate Governance arrangements can be found in the statutory financial statements of Vitality Corporate Services Limited.

Social matters

The organisation believes that ethical and well-governed organisations create trust with stakeholders. The board seeks to influence all stakeholders to consider more responsible business practices that are good for members, employees and society.

Conflicts

See Wates Principles included in the Annual Report and Financial Statements of Vitality Corporate Services Limited, which is in the same group as the company. Vitality Corporate Services Limited qualifies for Corporate Governance arrangement reporting pursuant to the Companies (Miscellaneous Reporting) Regulation 2018.

Capital management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

DISCOVERY GROUP EUROPE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

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



R Farber

Director

6 November 2023

DISCOVERY GROUP EUROPE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2023

The directors present their report and audited financial statements for the year ended 30 June 2023.

Results and dividends

The results for the year are set out on page 13.

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 Hilkwitz
S Matisonn
R Farber
I Slonim

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.

Supplier payment policy

The company's current policy concerning the payment of trade creditors is to follow the CBI's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU).

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

Trade creditors of the company at the year end were equivalent to 0 day's purchases, based on the average daily amount invoiced by suppliers during the year.

DISCOVERY GROUP EUROPE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

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 the GBP 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.

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.

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 limited net current assets. For additional comfort, the company 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.

DISCOVERY GROUP EUROPE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have been appointed by the Board as the Company's auditors in accordance with the elective resolution passed by the Company under the Companies Act 2006.

PricewaterhouseCoopers LLP have been the Company's auditors since 2016. Legislation regarding audit firm rotation requires that the external audit contract be put out to tender at least every 10 years.

Due to the rotation at the ultimate parent company, the directors participated in a competitive tender for the audit of the Company. As a result a recommendation will be made to the Board to appoint Deloitte LLP for the audit of the Company for the financial year ending 30 June 2024. A resolution proposing their appointment will be made following the finalisation of the 30 June 2023 audit.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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 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 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.

DISCOVERY GROUP EUROPE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

Directors' confirmations

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

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

On behalf of the board



R Farber

Director

6 November 2023

DISCOVERY GROUP EUROPE LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DISCOVERY GROUP EUROPE LIMITED

Report on the audit of 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 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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 2023; 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

DISCOVERY GROUP EUROPE LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DISCOVERY GROUP EUROPE LIMITED

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial 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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2023 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, 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

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation and unethical and prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to improve results in the current year, and management bias in accounting estimates and judgemental areas of the financial statements, such as the impairment assessment of the investments in subsidiaries held. Audit procedures performed by the engagement team included:

- Gaining an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates and considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.
- Reviewing Board minutes.
- Discussions with the Board and management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- Selecting manual journals for investigation and testing based on certain risk based criteria.
- Reviewed and tested the judgements made and assumptions used in significant accounting estimates, such as the impairment assessment of investments in subsidiaries.
- Reviewing the disclosures in the Annual Report and Financial Statements against the specific legal requirements, for example within the Directors' Report.
- Performing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

DISCOVERY GROUP EUROPE LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF DISCOVERY GROUP EUROPE LIMITED

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 obtained 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 Grainger (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
6 November 2023

DISCOVERY GROUP EUROPE LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023**

		2023	2022
	Note	£	£
Administrative expenses		(2,726,823)	(1,260,930)
Other operating income		1,649,407	-
Operating loss	5	(1,077,416)	(1,260,930)
Interest receivable and similar income	8	9,150,953	6,710,689
Other interest receivable and similar income	8	24,770	-
Interest payable and similar expenses	9	(10,191,342)	(7,048,179)
Foreign exchange gains		4,172,107	297,432
Profit/(Loss) before taxation		2,079,072	(1,300,988)
Tax on profit/(loss)	10	33,767	180,057
Profit/(Loss) for the financial year and total comprehensive income/(expense)		2,112,839	(1,120,931)

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 2023

	Note	2023 £	2022 £
Non-current assets			
Intangible assets	11	63,515	63,515
Investments	12	804,810,411	800,310,411
Debtors: amounts falling due after more than one year	15	107,301,583	107,250,000
		<u>912,175,509</u>	<u>907,623,926</u>
Current assets			
Debtors	15	95,000	236,498
Cash at bank and in hand		668,322	1,799,827
		<u>763,322</u>	<u>2,036,325</u>
Current liabilities			
Borrowings	16	-	24,464,002
Trade and other payables	18	716,740	713,679
		<u>716,740</u>	<u>25,177,681</u>
Net current assets/(liabilities)		<u>46,582</u>	<u>(23,141,356)</u>
Total assets less current liabilities		<u>912,222,091</u>	<u>884,482,570</u>
Non-current liabilities			
Loans and other borrowings	16	118,497,325	97,339,489
Liability for share based payments	20	162,575	-
		<u>118,659,900</u>	<u>97,339,489</u>
Net assets		<u>793,562,191</u>	<u>787,143,081</u>

DISCOVERY GROUP EUROPE LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2023

Equity			
Called up share capital	22	827,671,109	823,171,109
Share based payment reserve		(271,981)	(78,252)
Accumulated losses	23	(33,836,937)	(35,949,776)
Total equity		<u>793,562,191</u>	<u>787,143,081</u>

The notes on pages 17 to 37 form an integral part of the financial statements.

The financial statements on pages 13 to 37 were approved by the board of directors and authorised for issue on 6 November 2023 and are signed on its behalf by:



R Farber
Director



I Slonim
Director

Company Registration No. 05029900

DISCOVERY GROUP EUROPE LIMITED

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

	Note	Called up share capital £	Share based payment reserve £	Accumulated losses £	Total equity £
Balance at 1 July 2021		<u>809,171,109</u>	<u>-</u>	<u>(34,828,845)</u>	<u>774,342,264</u>
Loss for the financial year and total comprehensive expense	23	-	-	(1,120,931)	(1,120,931)
Issue of share capital	22	14,000,000	-	-	14,000,000
Credit to equity for equity settled share- based payments		-	(78,252)	-	(78,252)
Balance at 30 June 2022 and 1 July 2022		<u>823,171,109</u>	<u>(78,252)</u>	<u>(35,949,776)</u>	<u>787,143,081</u>
Profit for the financial year and total comprehensive income	23	-	-	2,112,839	2,112,839
Issue of share capital	22	4,500,000	-	-	4,500,000
Credit to equity for equity settled share- based payments	20	-	(193,729)	-	(193,729)
Balance at 30 June 2023		<u>827,671,109</u>	<u>(271,981)</u>	<u>(33,836,937)</u>	<u>793,562,191</u>

DISCOVERY GROUP EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

1 Company information

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

2 New and amended standards adopted

In the current year, there have been no new or revised Standards or Interpretations that have a significant impact on the company.

3 Accounting policies

3.1 Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with the Companies Act 2006 and 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, as modified by the revaluation of certain financial assets and financial liabilities held at fair value through profit and loss, 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 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 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 25.

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 2023**

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. In making their assessment, the directors have taken into account the impact of to the cost of living crises and the inflation on the company and its subsidiaries as noted in the Strategic Report. 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 Interest receivable

Interest receivable 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 receivable 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 statement of comprehensive income, 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 2023

3 Accounting policies (Continued)

3.6 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.

3.7 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.

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.

3.8 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.

DISCOVERY GROUP EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

3 Accounting policies (Continued)

3.9 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.

3.10 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.

On initial recognition, financial assets are measured at fair value plus transaction costs. On subsequent measurement, financial assets are measured at either amortised cost or fair value dependent upon the company's business model for managing the asset and its cash flow characteristics.

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 introduced an impairment model which results 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 Cash and Cash Equivalents. The company has assessed these balances for impairment using the general three stage methodology prescribed by IFRS 9. This is assessed with reference to past default rates, reflects forward looking information such as local economic or market conditions, and takes 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 of the balance sheet date. No adjustments are required and therefore none have 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.

3.11 Financial liabilities

The company recognises 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.

DISCOVERY GROUP EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

3 Accounting policies (Continued)

3.11 Financial liabilities (continued)

Derecognition of financial liabilities

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

3.12 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.

3.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

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.

The Company has entered into an equity-settled share-based compensation plan. The company expenses the fair value of the employee services received in exchange for the grant of options, over the vesting period of the awards, as employee costs, with a corresponding credit to a share-based payment reserve in the statement of changes in equity. The total value of the services received is calculated with reference to the fair value of the options on the grant date.

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 Share-based payments

For cash-settled share-based payments, a liability is recognised for the goods and services acquired, measured initially at the fair value of the liability. At the balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

3.17 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.

DISCOVERY GROUP EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 30 JUNE 2023**

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.

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.

Judgement has been exercised by the directors in considering whether a deferred tax asset should be recognised in the balance sheet. 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.

DISCOVERY GROUP EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

4 Critical accounting estimates and judgements (Continued)

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.

The most significant of these assumptions are the following:

- VitalityHealth risk discount rate – 7.00% (2022: 5.02%)
- VitalityLife risk discount rate – 7.042% (2022: 4.997%)
- VitalityHealth risk free rate – 4.38% (2022: 2.39%)
- VitalityLife risk free rate – 4.417% (2022: 2.372%)
- Corporation tax rate – 25.00% from April 2023 (2022: 19.00, 25% from April 2023)
- VitalityHealth projection term – 20 years (2022: 20 years)
- VitalityLife asset return :
 - Pre December 2015 policies - 4.612% (2022: 3.074%)
 - Post December 2016 policies - 3.978% (2022: 2.915%)
- VitalityHealth 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. There remains an additional provision to allow for an expected catch up of claim costs for more severe illnesses which have seen delayed diagnosis due to COVID-19.
- VitalityLife 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 VitalityHealth, VitalityLife and benchmark information where available.

Of these assumptions, the most sensitive is the VitalityHealth loss ratio. An increase in the loss ratio of 1% has an impact of decreasing the valuation by 4.3% (2022: 4.2%). This attribute thus receives dedicated focus from Holdings' Board and management.

DISCOVERY GROUP EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

5 Operating loss

	2023 £	2022 £
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	18,169	16,517
Share-based payments	239,587	-

Fees payable to the company's auditors exclude any fees for the Group Solvency II audit. These are accounted for and paid for by its subsidiary company, Vitality Corporate Services Limited.

6 Employees

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

	2023 Number	2022 Number
Administration	4	2

Their aggregate remuneration comprised:

	2023 £	2022 £
Wages and salaries	2,094,098	1,025,224
Social security costs	261,243	119,108
Other pension costs	14,777	12,066
	2,370,118	1,156,398

DISCOVERY GROUP EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

7 Directors' remuneration

	2023 £	2022 £
Remuneration for qualifying services	273,228	368,825
Amounts receivable under short term incentive schemes	168,659	-
Amounts receivable under long term incentive schemes	131,786	50,962
Company pension contributions to defined contribution schemes	4,000	4,000
	<u>577,673</u>	<u>423,787</u>

Remuneration disclosed above include the following amounts paid to the highest paid director:

Remuneration for qualifying services	262,836	358,825
Short term incentive schemes	168,659	-
Long term incentive schemes	131,786	50,962
Company pension contributions to defined contribution schemes	4,000	4,000
	<u>567,281</u>	<u>413,787</u>

The highest paid director has not exercised share options during the year (2022: none).

The highest paid director has been entitled to receive shares under a long term incentive scheme during the year (2022: none).

8 Interest receivable and similar income

	2023 £	2022 £
Interest income		
Interest on bank deposits	23,363	-
Interest receivable from group companies	9,150,953	6,710,689
Other interest income	1,407	-
	<u>9,175,723</u>	<u>6,710,689</u>
Total income	<u>9,175,723</u>	<u>6,710,689</u>

9 Interest payable and similar expenses

	2023 £	2022 £
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	10,191,342	7,048,179
	<u>10,191,342</u>	<u>7,048,179</u>

DISCOVERY GROUP EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

10 Tax on profit/(loss)

	2023 £	2022 £
Tax credit included in Statement of comprehensive income		
Current tax		
Current year taxation	-	(236,498)
Adjustments in respect of prior periods	(33,767)	56,441
	<u>(33,767)</u>	<u>(180,057)</u>

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

	2023 £	2022 £
Profit/(loss) before taxation	<u>2,079,072</u>	<u>(1,300,988)</u>
Expected tax credit based on a corporation tax rate of 20.50% (2021: 19.00%)	426,210	(247,188)
Utilisation of tax losses not previously recognised	(426,210)	-
Under provided in prior periods	(33,767)	56,441
Group relief surrendered	-	236,498
Receipt for group relief	-	(236,498)
Remeasurement of deferred tax for changes in tax rates	-	(3,376)
Deferred tax not recognised	-	14,066
Total tax credit for the year	<u>(33,767)</u>	<u>(180,057)</u>

The Company has tax losses brought forward which are being utilised to offset tax due on 2023 profit.

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 company has applied the exception under the IAS 12 amendment to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes.

DISCOVERY GROUP EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

11 Intangible assets

	Internet domain names
	£
Cost	
At 1 July 2022	63,515
At 30 June 2023	63,515
Carrying amount	
At 30 June 2023	63,515
At 30 June 2022	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.

12 Investments

	Shares in group undertakings	
	2023	2022
	£	£
Investments in subsidiaries	804,810,411	800,310,411
	804,810,411	800,310,411

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 for each of the businesses in which Holdings has a direct or indirect interest.

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 £1,049.1 million (2022: £1,028.8 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 as detailed under note 4 were arrived at based on internal experience, including all relevant experience between year-end and the date of these financial statements which relate to conditions existing at the balance sheet date. The internal experience is augmented by reinsurance and industry information.

DISCOVERY GROUP EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2023**

12 Investments (Continued)**Movements in non-current investments**

	Shares in group undertakings £
Cost or valuation	
At 1 July 2022	800,310,411
Additions	4,500,000
	<hr/>
At 30 June 2023	804,810,411
	<hr/>
Impairment	
At 1 July 2022 & 30 June 2023	-
	<hr/>
Carrying amount	
At 30 June 2023	804,810,411
	<hr/> <hr/>
At 30 June 2022	800,310,411
	<hr/> <hr/>

DISCOVERY GROUP EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

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 2023 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
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 2023

14 Joint ventures

Details of the company's joint ventures at 30 June 2023 are as follows (* indirect holding):

Name of undertaking	Registered office	Principal activities	% Held	
			Direct	Voting
Healthcare Purchasing Alliance Limited*	England and Wales	Purchasing consortium	50.00	50.00

Healthcare Purchasing Alliance Limited's registered address is: 8 Surrey Street, Norwich, Norfolk, England, NR1 3NG

15 Debtors: Current and amounts falling due after more than one year

	Current		Non-current	
	2023	2022	2023	2022
	£	£	£	£
Debtors: amounts falling due after more than one year	-	-	107,250,000	107,250,000
Amounts owed by joint ventures	-	-	51,583	-
Other debtors	95,000	236,498	-	-
	<u>95,000</u>	<u>236,498</u>	<u>107,301,583</u>	<u>107,250,000</u>

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 4.50% above the Bank of England base rate.

The company made a loan of £8.5 million to Discovery Holdings Europe Limited on 30 June 2016. The loan matures on 1 January 2027, with the earliest repayment date of 1 January 2022. Interest is payable monthly in arrears at a rate of 4.15% 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 2023

15 Debtors: Current and amounts falling due after more than one year (Continued)

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 the Bank of England base rate. 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 the Bank of England base rate. 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 the Bank of England base rate. 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 the Bank of England base rate. 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 the Bank of England base rate. 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.

On 31 July 2019, the company made a loan of £6.5 million to Discovery Holdings Europe Limited. The loan matures on 1 August 2029, with the earliest repayment date of 1 August 2024. Interest is payable quarterly in arrears at a rate of 6.40% above the Bank of England base rate. The loan is unsecured.

16 Loans and other borrowings

	2023	2022
	£	£
Unsecured borrowings at amortised cost		
Loans from parent undertaking	109,997,325	113,303,491
Loans from fellow group undertakings	8,500,000	8,500,000
	<u>118,497,325</u>	<u>121,803,491</u>

DISCOVERY GROUP EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

16 Loans and other borrowings (Continued)

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:

	2023	2022
	£	£
Current liabilities	-	24,464,002
Non-current liabilities	118,497,325	97,339,489
	<u>118,497,325</u>	<u>121,803,491</u>

A loan of £14.7m 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. The terms of the loan were extended further on 10 March 2020 with the loan repayable on 31 July 2025 and carries interest at 4.00% above the Bank of England base rate. The loan is unsecured.

A loan from the company's parent undertaking, Discovery Limited was received on 12 November 2014, carrying value of R335.8 million (£24.5 million). The loan is repayable on 11 November 2022 and carries interest at the 3 month ZAR JIBAR plus 2.00%. The loan is unsecured. On 10 July 2022 the repayment date was extended to 30 July 2030.

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 January 2027, with the earliest repayment date being 1 January 2022. Interest is repayable monthly in arrears at a rate of 3.65% above the Bank of England base rate. The loan is unsecured.

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 6.00% above the Bank of England base rate. The loan is unsecured.

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 November 2022. Interest is repayable quarterly in arrears at a rate of 6.00% above the Bank of England base rate. The loan is unsecured.

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 6.00% above the Bank of England base rate. The loan is unsecured.

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 6.00% 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 2023

16 Loans and other borrowings (Continued)

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 6.00% above the Bank of England base rate. 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.

A loan of £6.5 million from the company's parent undertaking, Discovery Limited, was received on 31 July 2019. The loan matures on 1 August 2029, with the earliest repayment date of 1 August 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.

18 Trade and other payables

	2023	2022
	£	£
Accruals	716,740	713,679

DISCOVERY GROUP EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

19 Deferred taxation

The company has measured its deferred tax assets as at 30 June 2023 at 25.00% (30 June 2022 at 19.00%). Deferred tax assets in respect of the following timing differences are not recognised as the directors are not certain when these might be used. The possibility of future 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 2023 and 30 June 2022 is as follows:

	2023 £	2022 £
Fixed assets	(3,912)	(3,912)
Short-term provisions	11,011	11,011
Losses	647,630	633,565
	<u>654,729</u>	<u>640,664</u>

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase from 19.00% to 25.00%. This new law was enacted on 10 June 2021. As this change was enacted as at the balance sheet date, its effects are included in these financial statements.

20 Share-based payments

Total expenses of £239,587 related to cash settled share based payment transactions were recognised in the year. (2022: £0).

Discovery's Phantom Scheme

Participants earn a cash bonus based on allocation of bonus scheme units which in turn are linked to the performance of the Discovery Limited share price. The bonus is earned if the participant is employed on each vesting date, with the vesting dates ranging between one and five years after allocation of the bonus units. The bonus may not be carried forward.

Equity instruments other than share options

Discovery's Long-Term Incentive Plan (Equity Settled)

The Discovery Long-term incentive plan (LTIP) was introduced in the financial year ended 30 June 2020 and replaced the cash-settled Discovery Phantom scheme (see point 2 above) with an equity-settled LTIP. Participants will receive Discovery Limited shares subject to performance criteria and if the participant is employed on each vesting date. For LTIP awards granted prior to the introduction of the Single Incentive Plan (SIP), the performance conditions are aligned to the organic growth methodology of the Group and will vest from between the third and fifth anniversary of these awards.

DISCOVERY GROUP EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2023

20 Share-based payments (Continued)

Modification

Single Incentive Plan (SIP)

During the financial year ended 30 June 2022, Discovery replaced its management short-term incentive scheme and long-term incentive schemes with a single incentive scheme called SIP, consisting of a cash incentive (short-term incentive) and deferred share awards (long-term incentive). The SIP is based on the annual award of a single total incentive relating to the performance of the Group, business unit and the individual, and is assessed against financial and non-financial measures as outlined by the Group scorecard as well as business unit and individual scorecards. The first deferred share awards were granted in November 2022. These shares will vest between one and three years after allocation of the shares for senior management and between three and five years for executive directors and prescribed officers.

	2023 £	2022 £
Liabilities		
Liabilities arising from share-based payment transactions	162,575	-
Expenses		
Related to cash settled share based payments	239,587	-

21 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 £14,777 (2022: £12,066).

DISCOVERY GROUP EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2023****22 Called up share capital**

	2023	2022
	£	£
Ordinary share capital		
<i>Issued and fully paid</i>		
827,671,109 (2022: 823,171,109) Ordinary shares of £1 each	827,671,109	823,171,109

During the year the company allotted 4,500,000 (2022: 14,000,000) ordinary shares with a nominal value of £1 each. The company received consideration of £4,500,000 (2022: £14,000,000) in cash.

Reconciliation of movements during the year:

	Ordinary shares Number
At 1 July 2022	823,171,109
Issue of fully paid shares	4,500,000
At 30 June 2023	827,671,109

23 Accumulated losses

	2023	2022
	£	£
At the beginning of the year	(35,949,776)	(34,828,845)
Profit/(loss) for the year	2,112,839	(1,120,931)
At the end of the year	(33,836,937)	(35,949,776)

DISCOVERY GROUP EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2023

24 Related party transactions

The following amounts were outstanding at the reporting date:

	Amounts owed to related parties	
	2023	2022
	£	£
Discovery Limited	110,159,900	113,303,491
Discovery Finance Company Europe Limited	8,500,000	8,500,000
	<u>118,659,900</u>	<u>121,803,491</u>

The following amounts were outstanding at the reporting date:

	Amounts owed by related parties	
	2023	2022
	£	£
Vitality Group	51,583	-
Discovery Holdings Europe Limited	107,250,000	107,250,000
	<u>107,301,583</u>	<u>107,250,000</u>

No guarantees have been given or received.

25 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, South Africa.