SOLVENCY AND FINANCIAL CONDITION REPORT

DISCOVERY GROUP EUROPE LIMITED

FOR THE YEAR ENDING 30 JUNE 2016

DEFINITIONS

Solvency II "SII"

30 June 2016 "the reporting date"

Year to 30 June 2016 "the reporting period"

Year to 30 June 2015 "the prior period". No comparatives will be provided for the prior period SII numbers as the Group was not subject to SII reporting as at 30 June 2015 and is also not required to perform day one reporting.

Discovery Group Europe Limited and subsidiaries "the Group"

Discovery Group Europe Limited "DGEL"

Discovery Ltd Group "the Discovery Group"

The brand of Vitality selling Health policies "VitalityHealth"

The brand of Vitality selling Life policies "VitalityLife"

The PRA Rulebook for Solvency II firms as at the reporting date "the Rulebook"

Directive 2009/138/EC of the European Parliament and of the Council "the SII Directive"

Commission Delegated Regulation (EU) 2015/35 "the Delegated Regulation"

The Directive, the Delegated Regulation and the Technical Standards combined "the SII Requirements"

Solvency and Financial Condition Report "SFCR" – this is the SFCR as at 30 June 2016

Quantitative Reporting Template "QRT"

Quantitative Reporting Template S.02.01 "the SII Balance Sheet"

Referencing a QRT cell – [S.XX.XX.R0XXX.C0XXX] - e.g. [S.02.01.02.R0200.C0010]

Own Risk and Solvency Assessment "ORSA" – this is the ORSA as at 30 June 2016

Solvency Capital Requirement "SCR"

Minimum Consolidated Group Solvency Capital Requirement "MCGSCR"

Basic Solvency Capital Requirement "BSCR"

Technical Provisions "TP"

DEFINITIONS

Claims Technical Provision “CTP”

Premium Technical Provision “PTP”

Expected Profits Included In Future Premiums “EPIFP”

Risk Margin “RM”

Own Funds “OF”

International Financial Reporting Standards “IFRS”

IFRS Statement of Comprehensive Income “SOCI” or “the IFRS P&L”

IFRS Statement of Financial Position “SOFP”

Prudential Regulation Authority “PRA”

Private Medical Insurance “PMI”

Enterprise Risk Management “ERM”

CONTENTS

SUMMARY

1 BUSINESS AND PERFORMANCE SUMMARY

The Group is part of the Discovery Group, one of the leading providers of insurance solutions in the world, operating in 14 global markets, and impacting 6.9 million lives worldwide. The Group's business and performance is driven by the insurance results for Vitality Health Limited ("VHL"), which is the UK's fourth largest private medical insurer, and Vitality Life Limited ("VLL"), which is a long term life insurance business and income protection provider.

At the centre of the Group's business is a core purpose to make people healthier and enhance and protect their lives. This is delivered through a proprietary Shared Value Insurance model. Recognising that in modern society health risk is primarily driven by lifestyle behaviours, Vitality believes that through incentivising healthier behaviours from its members, and providing them with the tools to make positive changes in their lives, it can deliver value on multiple fronts. The Group benefits from reduced claims from a healthier member base; Vitality members benefit from improved health, access to a wide range of partners and rewards, and potentially lower premiums; while society benefits from a reduced healthcare burden on the state, as well as a more healthy and productive population.

The Group delivers Shared Value by helping members to understand their health, making it cheaper and easier to get healthy, and rewarding them for making healthy lifestyle choices. The model is underpinned by significant actuarial, behavioural and clinical science, which informs the product and member approach. A key part of this is the provision of discounted access to a broad network of health and wellness partners, which includes prominent brands such as Virgin Active, Garmin, British Airways and Sweatshop, as well as incentives that reward members for engaging in health-enhancing activities.

In early 2015, the Group further enhanced its proposition through its new Active Rewards programme, which has now become an established pillar of the Vitality model. Active Rewards links short-term activity goals to weekly rewards, incentivising members to get active through free Starbucks drinks and cinema tickets. The behavioural impact of Active Rewards has been unprecedented, with an 8-fold increase in the number of members reaching their weekly activity targets since its introduction.

Something which the Group prides itself on as a business is that it is always looking to innovate in terms of its approach. In order to ensure that its model remains relevant, and backed up by the latest research on health and wellbeing, Vitality has for the last four years been running, in partnership with University of Cambridge and Rand Europe, Britain's Healthiest Workplace, a study on the drivers and impacts of ill-health on the UK workforce. Since inception in 2013, 400 organisations and approximately 100,000 individuals have taken part, making this the largest and most comprehensive study of workplace health in the UK.

The Group continues to invest in growing its brand in the UK through sponsorship, advertising and PR. Through sponsorship, the Vitality brand is aligned with a broad portfolio of elite teams and benefits from promotion nationally through sport; including Premier League football, national Rugby Union, England cricket and England netball. In addition, mass participation events including the Vitality Run Series, RSPCA Big Walkies with Vitality and the recently launched VitalityMove promote the benefits of activity to consumers, members and intermediaries across the UK.

The Everyday Athlete campaign has provided a unifying brand idea, launched ahead of the Olympics and continuing to build momentum through our channels. Everyday Athlete articulates that health can be inclusive and accessible, and that simple everyday activity at home and at work, can contribute to significant improvements in people's long-term health, as well as their short-term physical and mental wellbeing. National TV, press and outdoor Everyday Athlete campaigns have successfully promoted the Vitality brand, established its positioning in the market and contributed to acquisition and retention efforts.

The Group has also extended its Ambassador portfolio, securing partnerships with two new brand Ambassadors, Joe Root and Maro Itoje, who join current Ambassadors Jessica Ennis-Hill and Jonny Wilkinson. Vitality Ambassadors continue to exemplify the benefits of a healthy lifestyle, authentically encourage the involvement of others and create more strength of differentiation from the brand strategies of our competitors.

VitalityLife was launched in 2007 as 'PruProtect', a joint venture with The Prudential Assurance Company Limited ("PAC"). In November 2014 Discovery acquired the shares held by PAC and now owns 100% of VLL.

Following the acquisition of the shares held by PAC, PruProtect was rebranded as 'VitalityLife' on all internal and market-facing materials. Communications took place to make existing customers aware of the new Vitality brand. A major marketing programme was also undertaken to promote the brand in the market place.

On 23 December 2015, VLL received authorisation from the PRA to write long term insurance business. Hence in 2016 VLL started to issue policies itself (until that point policies had been issued by PAC and continue to be liabilities of PAC). "PruProtect business" refers to the contracts for which Discovery owns the economic interest but which are currently liabilities of PAC. This PruProtect business will be transferred to VLL via a Part VII (of the Financial Services and Markets Act 2000) transfer by November 2019, subject to the relevant legal and regulatory approvals.

The Discovery Group has a value equivalent to a FTSE 100 company and on 10 November 2014 DGEL purchased the remaining 25% share of the holding company of VHL which led to a rebranding of the entities that carried the Prudential name to that of Vitality.

VHL has performed strongly in the period, writing profitable business illustrated by the low claims loss ratio of 69.9% (2015: 70.2%)[1]. Sales increased in the year, with Gross Written Premiums increasing by 5% between 2015 and 2016, showing that the rebranding exercise has been a success and that customers understand the benefit of the Vitality offering.

VLL has performed strongly since it started writing business from 1 January 2016. On an IFRS basis it produced a pre-tax profit of £5,169k, with annual premium equivalent sales of £26,965k.

The Group's products are all underpinned by Vitality. Vitality is an incentive program where customers earn points for undertaking healthy activities such as visiting the gym, giving up smoking, making healthy nutritional choices and undertaking health screenings. The accumulation of points achieves a Vitality status from Bronze through to Silver, Gold and Platinum. Each status delivers increased rewards including potentially lower premiums (dependent on claims experience).

The Group's product range covers a range of benefit choices and is available in the individual market, SME market and large corporate market.

2 SYSTEM OF GOVERNANCE SUMMARY

DGEL's principle activity is that of an insurance holding company. DGEL owns 98.9% of DHEL. DHEL owns Vitality Health Insurance Limited ("VHIL") and indirectly VHL, both licensed insurance companies. VHIL no longer has any active policyholders due to the migration of business underwritten by VHIL to VHL. VHL offers an innovative private medical insurance product in the UK. DHEL also funds and operates VLL, the life insurance business launched in October 2007 with policies underwritten by PAC and then underwritten on its own insurance license from 1 January 2016.

[1] See section A.2 for the calculation of claims loss ratio

The DGEL Board is ultimately responsible for the management and oversight of DHEL, the only committees are the Reporting Committee and the Board. The Reporting Committee reviews the Solvency II reporting prior to submission to the regulator and publication. The DHEL Board is ultimately responsible for the oversight of the regulated insurance undertakings. The regulated insurance undertakings have their own respective board and board sub-committees which are responsible for the performance and strategy of those undertakings. Refer to the regulated insurance undertakings' SFCRs for additional information.

The governance structure of the Group has not materially changed in the year to 30 June 2016.

3 RISK PROFILE SUMMARY

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

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

The principal risks of VHL, VHIL and VLL are found within their respective regulated insurance undertakings SFCRs.

4 VALUATION FOR SOLVENCY PURPOSES SUMMARY

An analysis of the valuation of the Group's assets and liabilities per the Solvency II balance sheet [S.02.01.02.C0010] is provided in the report in sections D.1 and D.3 respectively. The sections provide details of the recognition and valuation basis applied, including inputs and methods used, as well as judgments made and any assumptions, including those about the future and other sources of estimation uncertainty. Comparisons to the prior period are not provided as the Solvency II regime only came in to force on 1 January 2016, after the end of the prior period. Comparisons are made between IFRS and SII valuations as at the reporting date, with the main differences in receivables and reinsurance payables. The Group's technical provisions are discussed in section D.2, though these are equal to the sum of the technical provisions arising in each of its regulated insurance subsidiaries and no additional technical provisions arise from other companies within the Group.

5 CAPITAL MANAGEMENT SUMMARY

The Group eligible own funds over SCR ratio was 173.6% as at the reporting date, with eligible own funds of £184,006k over a group SCR of £106,015k.

The Group eligible own funds over MCGSCR ratio was 417.1% as at the reporting date with eligible own funds of £147,501k over the MCGSCR of £35,361k.

The Group has complied continuously with both the MCGSCR and the SCR throughout the reporting period.

The objective of the Group's capital management strategy is to maintain sufficient own funds to cover the SCR and MCGSCR. The Group carries out a regular review of the solvency ratio as part of the risk monitoring and capital management system.

A BUSINESS AND PERFORMANCE

A.1 BUSINESS

A.1.1 Name and legal form of the undertaking

DGEL is a company limited by shares incorporated in the United Kingdom. The address of the registered office is:

3 More London Riverside
London
SE1 2AQ

The SFCR covers the Group as per the Group Structure outlined in A.1.5 below.

The ultimate insurance holding company of DGEL is Discovery Limited ("Discovery"), which has its head office in the Republic of South Africa.

SFCR documents are also submitted to the PRA on a solo basis for the Group regulated insurance undertakings, VHL, VHIL and VLL.

A.1.2 Name of the Supervisory Authority responsible for the financial supervision of the undertaking and group

DGEL is an undertaking of:

a. Discovery Limited, the ultimate insurance holding company which does not have its head office in an EEA State, the Republic of South Africa.

Under Solvency II, the group supervisor of Discovery Limited is the PRA as the Republic of South Africa is not an equivalent country for Solvency II group supervision purposes. In the absence of equivalence, Discovery Limited is subject to full Solvency II group supervision or the Group can apply to the PRA to use another method. On 23 December 2015, the Group obtained a waiver, effective 1 January 2016, from the PRA modifying the Rulebook on Group Supervision to use another method. This method requires that the Group must provide certain information to the PRA including the following information sent to the South African Financial Services Board prepared using the South African Solvency Assessment and Management regime basis:

a. Discovery Limited group solvency quantitative reporting templates;
b. At least annually, the Discovery Limited Group Own Risk and Solvency Assessment Report, or equivalent document, and a supporting note summarising the areas that focus upon Discovery Group Europe Limited and its subsidiaries; and
c. At least annually, the Discovery Limited group annual report and, if not included in that report, a supporting note detailing the governance measures applicable to the group.

Discovery is also subject to group supervision by the South African Financial Services Board. The South African Financial Services Board can be contacted at:

Financial Services Board
P.O. Box 35655
Menlo Park
Pretoria
South Africa
0102

The supervisory authority of DGEL and the Group, is the PRA and they can be contacted at:

Prudential Regulation Authority
Bank of England
Threadneedle Street
London
EC2R 8AH

A.1.3 Name and contact details of the external auditor of the undertaking

The independent auditors of DGEL and subsidiaries of the Group are:

PricewaterhouseCoopersLLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

A.1.4 Holders of qualifying holdings in the undertaking

The persons, to the knowledge of DGEL, who were direct and indirect holders of qualifying holdings in DGEL at any time during the reporting period were:

a. Discovery Limited - a limited company incorporated in the Republic of South Africa. As at the reporting date, Discovery Limited owned 100% of the shares of DGEL and was able to exercise 100% of the voting power at any general meeting.

A.1.5 Legal structure and the governance and organizational structure of the group

A.1.5.1 Details of the legal structure of the group

A list of related undertakings within the Group is listed below:

NAME OF RELATED UNDERTAKING	LEGAL FORM	COUNTRY	PARTICIPATING UNDERTAKING	PROPORTION OF OWNERSHIP INTEREST HELD BY THE PARTICIPATING UNDERTAKING	PROPORTION OF VOTING RIGHTS HELD BY THE PARTICIPATING UNDERTAKING
Discovery Limited	Limited by shares	South Africa			
Discovery Group Europe Limited	Limited by shares	United Kingdom	Discovery Limited	100%	100%
Discovery Offshore Holdings No.2 Limited	Limited by shares	United Kingdom	Discovery Group Europe Limited	100%	100%
Discovery Holdings Europe Limited	Limited by shares	United Kingdom	Discovery Group Europe Limited	98.9%	98.9%
Health Protect Limited	Limited by shares	United Kingdom	Discovery Holdings Europe Limited	100%	100%
KYS Paid Limited	Limited by shares	United Kingdom	Discovery Holdings Europe Limited	100%	100%
Insure Your Health Limited	Limited by shares	United Kingdom	Discovery Holdings Europe Limited	100%	100%
Vitality Life Limited	Limited by shares	United Kingdom	Discovery Holdings Europe Limited	100%	100%
Vitality Corporate Services Limited	Limited by shares	United Kingdom	Discovery Holdings Europe Limited	100%	100%
Vitality Health Insurance Limited	Limited by shares	United Kingdom	Discovery Holdings Europe Limited	100%	100%
Healthcode Limited	Limited by shares	United Kingdom	Vitality Health Insurance Limited	20%	20%
Vitality Health Limited	Limited by shares	United Kingdom	Vitality Health Insurance Limited	100%	100%
Healthcare Purchasing Alliance Limited	Limited by shares	United Kingdom	Vitality Corporate Services Limited	50%	50%

A.1.5.2 Details of the governance and organizational structure of the group

The Group structure chart below explains the ownership and legal links between the Group, its parent undertaking, Discovery Limited and its related undertakings.

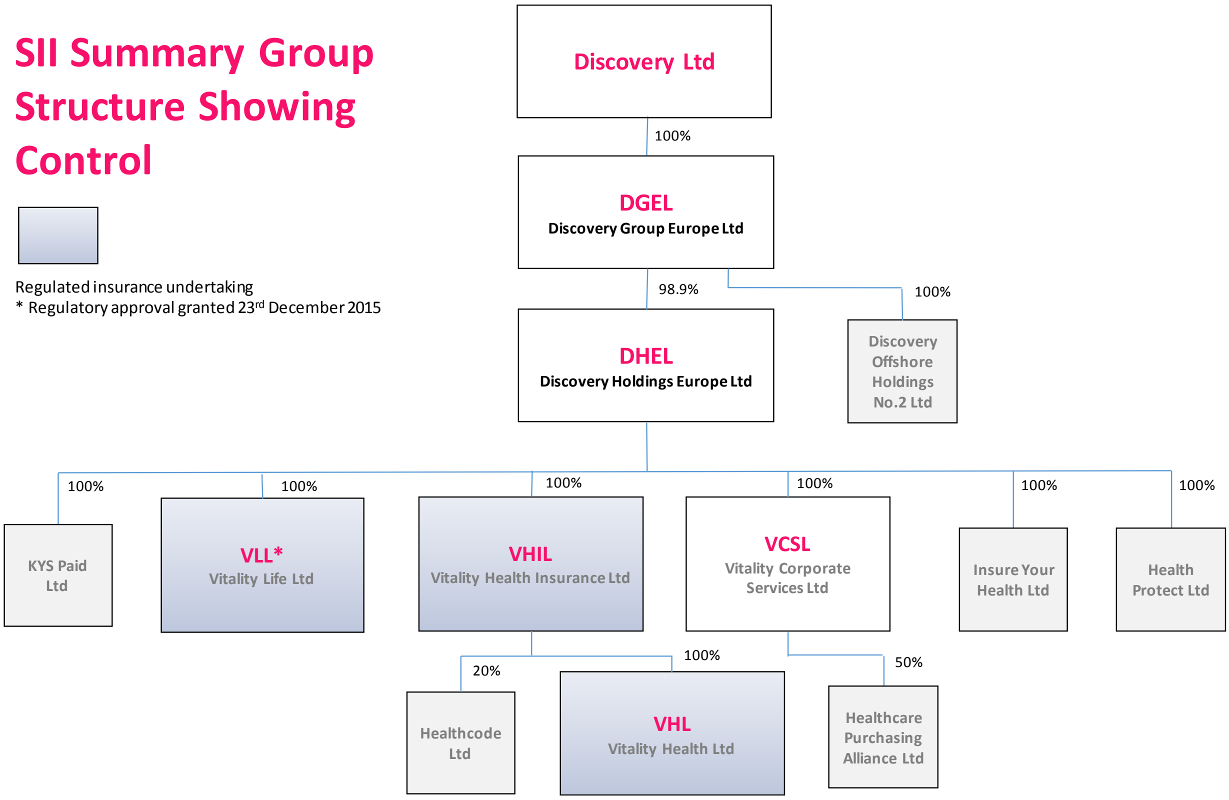

Figure 1 – Summary group structure

Discovery Limited is the ultimate parent company, incorporated in the Republic of South Africa.

DGEL is the topmost European entity and is a holdings company for DHEL and also owns a dormant company, Discovery Offshore Holdings No.2 Limited. The 1.1% minority interest ownership of DHEL relates to an executive share scheme. For more information on the share scheme refer to the statutory financial statements of DHEL.

DHEL, the holdings company, owns three regulated insurance undertakings (VHL, VLL and VHIL). DHEL also owns a services company (“VCSL”), a distributor (Insure Your Health Limited (“IYH”) which is an appointed representative of VCSL), a dormant company Health Protect Limited (“HPL”) and a leads generating business called KYS Paid Limited (“KYS”).

Healthcode Limited is a joint venture of which VHIL owns 20%. It is not a regulated insurance undertaking, and thus has no capital requirement.

VCSL owns 50% of Healthcare Purchasing Alliance Limited (“HPA”), which is a joint venture between VHL and Aviva Health. It is not a regulated insurance undertaking and thus has no capital requirements.

VCSL provides a number of services to both VHL and VLL including;

- Paying for the cost of the Vitality programmes and other administration costs which are then recharged;
- Holding all employment contracts and managing the payroll; and
- The administration of trust PMI schemes.

A.1.6 The undertaking's material lines of business and material geographical areas where it carries out business

The Group writes PMI business which is classified under Solvency II as medical expense insurance, and long-term insurance business providing death, serious illness and disability cover. The Group's long-term insurance business is classified into two Solvency II lines of business: Other Life Insurance ("Other Life"); and Health Insurance similar to Life ("Health SLT").

All business is conducted in the United Kingdom.

A.1.7 Any significant business or other events that have occurred over the reporting period that have had a material impact on the undertaking.

There were no distributions to shareholders in the reporting period.

During the year DGEL allotted 207,600,000 ordinary shares with a nominal value of £1 each. DGEL received consideration of £156,600,000 in cash and £51,000,000 in a pound for pound debt-equity conversion in respect of this allotment from Discovery Limited.

The implementation of Solvency II with effect from 1 January 2016 is a material business event. Solvency II introduces a new, harmonised EU-wide insurance regulatory regime and in particular prescribes new capital requirements and asset and liability valuation standards for assessing regulatory solvency amongst other organisational requirements. As the Group includes two regulated insurance undertakings in the EU, it falls into scope of the Solvency II regime. The impacts of Solvency II are further detailed throughout this document.

A major event occurred in the prior period, which has impacted the Group in the current period. On 10 November 2014 there was a change of ownership, with DGEL purchasing the remaining 25% share of DHEL. Following this the entities which formerly held the Prudential name were rebranded to the group shown in the structure chart (Figure 1) and summarised as follows:

NAME PRIOR TO 14 NOVEMBER 2014:	NEW NAME (AS OF 14 NOVEMBER 2014)
Prudential Health Limited	Vitality Health Limited (VHL)
Prudential Health Insurance Limited	Vitality Health Insurance Limited (VHIL)
Prudential Health Services Limited	Vitality Corporate Services Limited (VCSL)
Prudential Health Holdings Limited	Discovery Holdings Europe Limited (DHEL)

Figure 2

On 23 June 2016 the United Kingdom European membership referendum resulted in a vote for the United Kingdom to leave the European Union. As the Group only sells and underwrites policies to UK residents the impact of the referendum is not expected to significantly impact the Group, however, given the uncertainty the referendum result is likely to bring to the UK economy the Group will continue to monitor the impact carefully.

A.1.8 Material differences between the scope of the group used for the consolidated financial statements and the scope for the consolidated data determined in accordance with Article 335 of the Delegated Regulation

DGEL does not publish consolidated financial statements as it has taken advantage of the exemption under Section 401 of the Companies Act 2016. A consolidated Group SOFP is produced under IFRS but not published. There are no differences between the scope of the Group used for the consolidated Group SOFP under IFRS and the scope for the consolidated data determined in accordance with Article 335 of the Delegated Regulation.

A.2 UNDERWRITING PERFORMANCE

Medical Expenses Insurance

The following table summarises the underwriting performance of the Group's PMI business which is classified as Medical expense insurance for Solvency II purposes:

	FOR THE YEAR TO 30 JUNE 2016 (£'000)	FOR THE YEAR TO 30 JUNE 2015 (£'000)
Gross Written Premiums	407,912	390,119
Earned Premiums	398,321	385,948
Net Earned Premiums	303,758	313,130
Claims Incurred	279,632	258,561
Net Claims Incurred	196,742	190,477
Claims Loss Ratio	70.2%	67.0%

The increase in claims loss ratio (claims incurred divided by earned premiums) from 2015 is as a result of under reserving for claims at 30 June 2015. This under reserving came about as a result of the migration of policies between administration platforms which led to the need to significantly modify workflow systems and claims processes. This in turn led to a backlog of processing claims invoices from hospital groups and consultants creating uncertainty when setting final claims reserves at 30 June 2015. If the above table was adjusted for this under reserving then the Claims Loss Ratio would increase for the year to 30 June 2015 and decrease for the year to 30 June 2016, leaving the ratio largely flat between the two periods.

The above table includes the underwriting results for VHL and VHIL. Additional information can be found in the individual regulated insurance undertaking SFCRs.

Long-Term Life Insurance

Long-term life insurance business has only been underwritten since 1st January 2016, hence there are no prior period comparatives for the results discussed below. Since VLL prepares its financial statements in accordance with IFRS, the underwriting performance information given in this section is on an IFRS basis.

The Group utilises reinsurance on its life insurance business to limit the overall risk exposure as well as to reduce the volatility of claims and hence underwriting performance. This is of particular importance since the Group only started underwriting life insurance policies in 2016 and hence the overall volume of business to date is small. During the reporting period five material reinsurance arrangements were entered into that remain effective at 30 June 2016.

The table below shows the Group's life insurance premiums, claims and expenses split by SII lines of business for the period ended 30 June 2016:

	OTHER LIFE (£'000)	HEALTH SLT (£'000)	TOTAL (£'000)
Gross Earned Premiums	4,825	919	5,745
Reinsurer's Share of Earned Premiums	(807)	(154)	(961)
Gross Claims Incurred	(654)	(85)	(739)
Reinsurer's Share of Claims Incurred	337	44	381
Expenses Incurred	(57,379)	(10,671)	(68,050)

On an IFRS basis the movement in insurance contract reserves for the life insurance business (after allowing for the reinsurers' share) was £(40,262)k. The reserves are negative overall due to the nature and duration of the book of business. The setting up of these negative reserves therefore results in a £40,262k contribution to pre-tax profit.

The Group uses reinsurance financing for the life insurance business to help offset the financial strain of writing new business, which is then repaid in future periods contingent on policyholders' premium payments. The net income from reinsurance financing during the period was £29,056k which is offset against expenses in VLL's financial statements.

The reconciliation between the information included in the SII table above reported in Life [S.05.01.02.R0110.C0010] to pre-tax IFRS profit is as follows:

	TOTAL (£'000)
Gross Earned Premiums	5,745
Reinsurer's Share of Earned Premiums	(961)
Gross Claims Incurred	(739)
Reinsurer's Share of Claims Incurred	381
Expenses Incurred	(68,050)
Reinsurance financing	29,056
Movement in insurance contract reserves	40,262
Other income and expenses	(525)
Pre-tax IFRS profit	5,169

A.3 INVESTMENT PERFORMANCE

A.3.1 Information on income and expenses arising from investments by asset class

The interest and gains on assets are included below for each asset class disclosed in the Group's SOFP. The asset classes disclosed in the Group's SOFP on which an investment return is generated are 'financial assets at fair value through profit and loss' and 'cash and cash equivalents'. The Group SOFP line item cash and cash equivalents includes deposits, cash and cash equivalents and collective investment undertakings, as these are highly liquid investments.

There are no material expenses in relation to cash and cash equivalents. The only fees incurred are on investments in financial assets at fair value through profit and loss.

FINANCIAL STATEMENT ASSET CLASS	GAINS / INCOME ON INVESTMENTS IN THE YEAR TO 30 JUNE 2016	GAINS / INCOME ON INVESTMENTS IN THE YEAR TO 30 JUNE 2015
Financial assets at fair value through profit and loss	453	443
Fair value gain on derivatives	2,745	-
Cash and cash equivalents	2,630	5,844
Investment in associates	31	2
Loan interest	3,179	-
	9,038	**6,289**

FINANCIAL STATEMENT ASSET CLASS	EXPENSES ON INVESTMENTS IN THE YEAR TO 30 JUNE 2016	EXPENSES ON INVESTMENTS IN THE YEAR TO 30 JUNE 2015
Financial assets at fair value through profit and loss	(44)	(39)
	(44)	**(39)**

A.3.2 Information about any gains and losses recognised directly in equity

No gains and losses are taken directly to equity. All gains on investments are taken straight to the Statement of Comprehensive Income.

A.3.3 Information about any investments in securitisation

The Group did not invest directly in securitised investments during the reporting period.

A.4 PERFORMANCE OF OTHER ACTIVITIES

A.4.1 Other material income and expenses

The other material income and expenses of the Group are shown in the following table:

	FOR THE YEAR TO 30 JUNE 2016 (£'000)	FOR THE YEAR TO 30 JUNE 2015 (£'000)
Finance Costs	(357)	(150)
Reinsurance Income	61,056	17,500

Reinsurance Income reported above reflects the sum of the Financing Reinsurance recognised by both VHL and VLL.

A.4.1.1 Finance Costs

A long-term subordinated loan of in the amount of £23,500k (2015: £Nil) was provided to DHEL by another Discovery company. The loan is repayable on 1 July 2021 and accrues interest at a floating rate of 365 basis points above 3 month GBP LIBOR. Interest related to this loan of £59k is included in finance costs. The remainder of finance costs relate to costs associated with the financing reinsurance treaties described below.

A.4.1.2 Reinsurance Income

Financing reinsurance is an important part of the Group's funding strategy, alongside shareholder and other forms of capital. Financing is obtained to partially offset the upfront cost of writing new business, and this financing is then repaid in future periods through ceded premiums and claims under a quota share treaty. This balance is accounted for as a reduction in acquisition expenses.

During the reporting period and remaining effective as at the reporting date, the Group was party to a number of reinsurance quota share agreements. These agreements are all financing in nature, effectively creating income to the Group at the start of the agreement which is then repaid via ceded premiums and claims over the duration of the agreement.

A.4.2 Leases

A.4.2.1 Financial leases

The Group is not party to any material finance leases as either lessee or lessor.

A.4.2.2 Operating leases

The Group is committed to several commercial non-cancellable leases of different terms in respect of its office properties. All leases are managed by VCSL. Additional information can be found in the VCSL statutory financial statements prepared under IFRS.

A.5 BUSINESS AND PERFORMANCE – ANY OTHER INFORMATION

There is no further information in regards to business and performance.

B SYSTEM OF GOVERNANCE

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

B.1.1 Role and responsibilities of the administrative, management or supervisory body and key functions

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

The only committees in DGEL are the Board and the Reporting Committee. The Reporting Committee reviews the Solvency II reporting prior to submission to the regulator and publication. The DHEL board is ultimately responsible for the oversight of the regulated insurance undertakings. The regulated insurance undertakings have their own respective board and board sub-committees which are responsible for the performance and strategy of those undertakings.

General information on the key functions

The Risk, Compliance and Internal Audit functions all operate across the regulated insurance undertakings and the Group non-insurance entities. The general information on the key functions is provided in the respective regulated insurance undertakings' SFCRs.

The system of governance is considered to be appropriate for the Group, taking into account the nature, scale and complexity of the risks inherent in the business.

B.1.2 Material changes in the system of governance that have taken place over the reporting period

There have been no material changes in the systems of governance in the period for the Group apart from those disclosed in the regulated insurance undertaking SFCRs.

B.1.3 Remuneration policy for the administrative, management or supervisory body and employees

B.1.3.1 Principles of the remuneration policy

The principles of the remuneration policy outlined in the regulated insurance undertakings' SFCRs apply across the Group.

B.1.3.2 Share options, shares or variable components of remuneration

The individual and collective performance criteria on which share options, shares or variable components of remuneration are awarded is the same as outlined in the regulated insurance undertakings' SFCRs.

B.1.3.3 Supplementary pension or early retirement schemes for the members of the administrative, management or supervisory body and other key function holders

The Group offers all staff the choice of making contributions into a defined contribution pension scheme, which the Group matches up to a limit.

The Group has no defined benefit pension liabilities.

B.1.4 Material transactions during the reporting period with shareholders, with persons who exercise a significant influence on the undertaking, and with members of the administrative, management or supervisory body.

Material transactions during the reporting period between the DGEL Group and Discovery Limited are summarised below:

	Transaction Date	Amount (£'000)
Issue of DGEL ordinary share capital to Discovery Limited	2015/08/12	5,000
Issue of DGEL ordinary share capital to Discovery Limited	2015/10/16	11,200
Issue of DGEL ordinary share capital to Discovery Limited	2015/10/29	5,000
Issue of DGEL ordinary share capital to Discovery Limited	2015/11/06	5,000
Issue of DGEL ordinary share capital to Discovery Limited	2015/12/01	51,000
Issue of DGEL ordinary share capital to Discovery Limited	2015/12/23	111,400
Issue of DGEL ordinary share capital to Discovery Limited	2015/02/05	5,000
Issue of DGEL ordinary share capital to Discovery Limited	2015/04/06	10,000
Issue of DGEL ordinary share capital to Discovery Limited	2015/06/27	4,000
Partial repayment of loan - Discovery Limited/ DGEL	2015/12/01	32,746
Repayment of loan - Discovery Limited/DGEL	2015/12/01	18,254
Loan interest capitalisation – Discovery Limited/DGEL	2016/06/30	2,699

There have been no material transactions during the reporting period between the DGEL Group and persons who exercise a significant influence on the DGEL Group or with members of the administrative, management or supervisory body.

B.2 FIT AND PROPER REQUIREMENTS

All employees of the regulated insurance undertakings in the Group have their employment contracts with Vitality Corporate Services Limited. The fit and proper requirements for the regulated insurance undertakings are documented in section B.2 of their respective SFCRs.

B.2.1 Requirements for skills, knowledge and expertise

See above.

B.2.2 Fitness and propriety of persons

See above.

B.3 RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT

B.3.1 Risk management system

The risk management system in place across the Group has been described in section B.3.1 of the regulated insurance undertakings' SFCRs.

The Risk Function produces the Group Chief Risk Officer report every quarter. This report is designed to provide the DHEL Board, Risk and Audit Committees with sufficient oversight of the ERM framework and risk exposures, focusing on the out of appetite and watch-list risks.

A description of the ORSA process for the regulated insurance undertakings is included in section B.3.1 of the regulated insurance undertakings' SFCRs. The same process is adopted for the DGEL ORSA.

B.3.2 Implementation of Risk management system

The regulated insurance undertakings' Boards are responsible for taking all decisions within those entities but delegate some of their decision making responsibilities to the respective Executive, Risk and Audit Committees. The output of the risk management system is reviewed by the regulated insurance undertakings' Boards as well as the DHEL Board. This is taken to the decision making committees by the Risk Function following their review. This process facilitates the integration of the risk management system in the decision making process within the regulated insurance undertakings and the Group.

B.3.3 Implementation of risk management and internal control systems and reporting procedures

See B.3.2 above.

B.3.4 Statement that the group has made use of the option to prepare a single document for own funds and solvency assessment at the level of the group and at the level of any EEA insurance undertaking

The Group has not exercised the option to prepare a single document for own funds and solvency assessment.

B.4 Internal control system

B.4.1 Internal control system

A description of the internal control system is included in the regulated insurance undertakings' SFCRs, the application is consistent across the Group.

B.4.2 Implementation of the compliance function

A description of the implementation of the Compliance function is included in the regulated insurance undertakings' SFCRs, the application is consistent across the Group.

B.5 INTERNAL AUDIT FUNCTION

B.5.1 Implementation of the internal audit function

The internal audit function is a Group wide function and its implementation is as described in the regulated insurance undertakings' SFCRs and is consistent across the Group.

B.5.2 Independence of the internal audit function

The internal audit function for the Group is managed by the Internal Audit Director who is an employee of the business, has no responsibility for any other function across the business and reports into the chair of the Audit Committee, which is a Non-executive Director role. This reporting structure delivers independence by the internal audit function.

The Group outsources the performance of the internal audit activity to Ernst & Young, therefore the people that carry out the reviews and report the findings are independent from the people that work in the areas under review.

A key advantage of using this model to carry out Internal Audit activity is that it gives the business a wider array of skills at its disposal to carry out audits of different parts of the business.

B.6 ACTUARIAL FUNCTION

Each regulated insurance undertaking within the Group provides for an Actuarial Function as required in the Rulebook. The position of Chief Actuary (SIMF20, under the Senior Insurance Management Function 'SIMF' regime) in each case is held by an individual with a wealth of experience in the fields of the respective businesses. The role holders are Fellows of the Institute and Faculty of Actuaries and hold relevant Practicing Certificates. Each has complied continuously with the specific professional obligations this requires, and is supported by Fellows and members of the Institute and Faculty of Actuaries, international actuaries with equivalent qualifications, as well as other technical professionals. Each has unrestricted access to the Chairman of the Actuarial Committee (who is a Non-Executive Director of VHL, VHIL, VLL and DHEL). Each Actuarial Function produces a suite of written reports which are submitted to their respective Boards annually setting out the key tasks that have been undertaken by the function, their results, and any relevant recommendations.

B.7 OUTSOURCING

A description of the outsourcing policy and the critical or important functions that have been outsourced were outlined in the regulated insurance undertakings' SFCRs.

B.8 SYSTEM AND GOVERNANCE – ANY OTHER INFORMATION

There is no further information to be reported.

C RISK PROFILE

C.1 UNDERWRITING RISK

There is no additional underwriting risk exposure at the Group level. The underwriting risk exposure is within the regulated insurance undertakings and is described within their respective SFCRs.

C.1.1 Description of the measures used to assess underwriting risks

Not applicable.

C.1.2 Description of the material underwriting risks

Not applicable.

C.1.3 Investment assets and prudent person principle as applied to underwriting risks (as appropriate)

Not applicable.

C.1.4 Risk mitigation techniques used for underwriting risks

Not applicable.

C.1.5 Risk sensitivity for underwriting risks

Not applicable.

C.2 MARKET RISK

C.2.1 Description of the measures used to assess market risks

The following measures are used to assess market risks:

- Risk and control assessments – the ERM framework of the business requires all teams across the business to carry out a risk and control self-assessment which would highlight any market risk issues that need to be taken into account when assessing the risk profile for the business.
- Risk review of investment strategy – any proposals of changes to the investment strategy include a risk review. This involves a risk assessment of the proposal using metrics such as the reviewing the Value at Risk of the proposed strategy.
- The Solvency Capital Requirement – the standard formula Solvency Capital Requirement includes an assessment and quantification of the market risk exposure.

C.2.2 Description of the material market risks

The main market risk exposures at the Group level arise from foreign currency risk, interest rate and market risk.

- Interest rate risk – the Group's financial instruments are invested in floating rate interest accounts. The sterling loans fluctuate with 3 month GBP LIBOR.
- Foreign currency risk – DGEL conducts all of its operations in Pounds Sterling, however the Group has some exposure to South African Rand which exposes the Group to risks in respect of South African Rand fluctuations.

- Market risk - DGEL does not hold any securities that are traded on public exchanges. VHL holds a corporate bond portfolio. The Group has a significant long-term investment in DHEL. The directors of DGEL are actively involved in managing DHEL to ensure that the value of DGEL's interest is maximised.

  DHEL is exposed to gilt yields through a total return swap ("TRS") which hedges part of the interest rate risk it is also exposed to in regard to the cash flows arising from PAC with respect to the legacy business.

  Refer to the regulated insurance undertakings' SFCRs for additional information.

C.2.3 Investment assets and prudent person principle as applied to market risks (as applicable)

In relation to the prudent person principle, the assets held by the Group are compliant with the Solvency II Directive.

The assets held are appropriately understood and the associated risks have been identified, measured and taken into account in the Group's overall solvency needs assessment.

The assets held to meet the MCGSCR and SCR meet the required security, quality, liquidity and availability.

Technical provisions at the Group level are a function of the provisions held in the regulated insurance undertakings and are described in their respective SFCRs.

The Group does not invest in derivative vehicles for investment income purposes.

C.2.4 Risk concentration

DGEL has relatively small amounts of cash assets compared to the regulated insurance undertakings, therefore the concentration risk is immaterial. Refer to the regulated insurance undertakings' SFCRs for additional information.

C.2.5 Risk mitigation techniques used for market risks

DGEL does not hold any securities that are traded on public exchanges. Refer to the regulated insurance undertakings' SFCRs for additional information on VHL's corporate bond portfolio.

C.2.6 Risk sensitivity for market risks

Refer to the regulated insurance undertakings' SFCRs.

C.3 CREDIT RISK

C.3.1 Description of the measures used to assess credit risks

The Group minimises this risk by utilising only counterparties with very high credit ratings. Refer to the regulated insurance undertakings' SFCRs.

C.3.2 Description of the material credit risks

There is very limited credit risk exposure at the Group level arising from the risk of default by the institutions where the Group entities' assets are deposited and loans to the subsidiaries. Refer to the regulated insurance undertakings' SFCRs.

C.3.3 Investment assets and prudent person principle as applied to credit risks (as applicable)

Not applicable.

C.3.4 Risk mitigation techniques used for credit risks

The credit quality of any interest-bearing investment should be investment grade i.e. only legal entities or paper rated "BBB" or higher by Standard & Poor's, Moody's or Fitch credit ratings agencies.

C.3.5 Risk sensitivity for credit risks

Refer to the regulated insurance undertakings' SFCRs.

C.4 LIQUIDITY RISK

C.4.1 Description of the measures used to assess liquidity risks

A working budget is maintained to ensure that the Group has sufficient cash resources for at least the following financial year.

C.4.2 Description of the material liquidity risks

The inherent risk is that funds are not available to meet obligations as they fall due. The timing of cash flows between DHEL and PAC with respect to the legacy business, together with the flows in respect of the TRS, present a potential liquidity strain. DHEL typically receives cash flows from PAC, however there is a low likelihood scenario under which DHEL would need to send cash flows to PAC.

C.4.3 Investment assets and prudent person principle as applied to liquidity risks (as applicable)

Not applicable.

C.4.4 Risk mitigation techniques used for liquidity risks

The Group maintains sufficient liquid assets to meet all anticipated commitments as they fall due. It also has access to short term funding if required to cover unexpected obligations arising.

C.4.5 Expected profit included in future premiums

The expected profit in future premiums is disclosed in the regulated insurance undertakings' SFCRs, the inclusion at the Group is the addition of the solo undertaking amounts.

C.4.6 Risk sensitivity for liquidity risks

Refer to the regulated insurance undertakings' SFCRs.

C.5 OPERATIONAL RISK

C.5.1 Description of the measures used to assess operational risks

The following measures are used to assess operational risks:

- Risk and control assessments – the ERM framework of the business requires all teams across the business to carry out a risk and control self-assessment which would highlight any operational risk issues that need to be taken into account when assessing the risk profile for the business.
- The Solvency Capital Requirement – the standard formula Solvency Capital Requirement includes an assessment and quantification of the operational risk exposure.

C.5.2 Description of the material operational risks

The material operational risks that were assessed as being material over the period include:

- Reputation risk – any risk that has a detrimental impact on the Vitality brand could have an effect on the entire Group.

Other operational risks are managed at the regulated insurance undertaking level and described in their respective SFCRs.

C.5.3 Investment assets and prudent person principle as applied to operational risks (as applicable)

Not applicable.

C.5.4 Risk mitigation techniques used for operational risks

The following list outlines the techniques used for mitigating operational risks:

- Risk reduction – where possible, the Group takes action to reduce the impact of a risk. The required actions vary by risk.
- Risk removal – where risks are outside risk appetite and there are no commercially viable means of reducing the risk, the business may remove the risk.
- Risk transfer – the Group outsources a number of activities and, in some cases, the associated risks with carrying out those activities. Whilst the Group can outsource activities, it can't transfer responsibility and therefore manages its outsourcing relationships accordingly.
- Risk acceptance – where the Group has considered all other mitigation techniques and the risk remains out of appetite, it may proceed to accept the risk with the approval of the Risk Committee.
- Reporting – the material operational risks which the Group is exposed to are identified and recorded in the risk register. The risks are assessed and once the actions required to manage the risks have been agreed, the risks are reported to senior management, the Risk Committee and the Board.

C.5.5 Risk sensitivity for operational risks

Refer to the regulated insurance undertakings' SFCRs.

C.6 OTHER MATERIAL RISKS

C.6.1 Description of the measures used to assess other material risks

Refer to the regulated insurance undertakings' SFCRs.

C.6.2 Description of the material "other material risks"

Refer to the regulated insurance undertakings' SFCRs.

C.6.3 Investment assets and prudent person principle as applied to other material risks (as applicable)

Not applicable.

C.6.4 Risk mitigation techniques used for other material risks

Refer to the regulated insurance undertakings' SFCRs.

C.6.5 Risk sensitivity for other material risks

Refer to the regulated insurance undertakings' SFCRs.

C.7 CREDIT RISK – ANY OTHER INFORMATION

No other information.

D Valuation for Solvency Purposes

D.1 ASSETS

D.1.1 Solvency II valuation for each material class of asset

D.1.1.1 Deferred tax assets

The value of the deferred tax asset [S.02.01.02.R0040.C0010] is £18,831k as at the reporting date. The valuation of the deferred tax asset takes into account the reduction in the UK main corporation tax rate to 19% and 18% that will be effective from 1 April 2017 and 1 April 2020, respectively. These rate changes were substantively enacted into UK law on 26 October 2015 and are therefore recognised in calculating the deferred tax asset as at the reporting date.

Following a management assessment of the future profitability of the Group, a deferred tax asset of £14,292k has been recognized at 30 June 2016 in respect of unutilised historical trade losses. The remainder of the deferred tax asset consists of short term timing differences of £4,038k, which is supported by the expected future profitability of the Group, and accelerated capital allowances of £501k.

The valuation method used is as prescribed in Article 15 of the Delegated Regulation. The recognition of deferred tax assets are subject to a degree of estimation and judgment. The full potential deferred tax asset that the Group could recognise from unrelieved past losses of £170,072k is £32,199k. The level of deferred tax asset recognised is with reference to the expected future taxable profits of the Group. An internal valuation model is required as there is no external valuation of deferred tax available. The Group makes use of all available evidence when determining the future taxable profits. This evidence includes medium term business plans which incorporate discounted cash flow projections of the profits that are expected to emerge from the insurance policies underwritten by the Group. Due to the level of uncertainty around the business plan in assessing the availability and quantum of future profits the Group applies probability factors to determine a range of probable outcomes.

There was a change in the amount of the deferred tax asset in the current year from that of the prior period due to the changing tax rates and a revaluation that was performed using updated projections of future profitability.

D.1.1.2 Bonds

As at the reporting date the Group held an investment of £10,782k in a portfolio of bonds and the fair value of the portfolio increased by £452k in the period. The portfolio is split between asset classes Corporate Bonds [S.02.01.02.R0150.C0010] and Government Bonds [S.02.01.02.R0140.C0010]. These have a balance as at the reporting date of £9,902k and £880k respectively. A balance of £41k is included in the portfolio as cash and has been disclosed separately in cash and cash equivalents [S.02.01.02.R0410.C0010] in the balance sheet. This leaves a solvency valuation of bonds [S.02.01.02.R0130.C0010] of £10,782k which differs to the SOFP as at the reporting date by the cash held in the portfolio's dealing account. The assets aggregated in lines [S.02.01.02.R0140.C0010] and [S.02.01.02.R0150.C0010] are comparable by nature, function, risk and materiality.

Investment securities are valued at fair value based on market prices at the reporting date, which are quoted prices in active markets for identical assets per Article 10(2) of the Delegated Regulation. As these are publicly traded securities, the market prices are readily available and are actively traded – details of which are provided in a statement from the investment manager. There are no material assumptions or judgments made. The criteria for assessing market activity, and therefore the ability to rely on market values, includes reviewing the names of companies that have issued the bonds, discussions with the investment manager around the availability of market prices, and reviewing the ratings of the assets. The prices do not fluctuate dramatically or move in step changes and therefore this suggests that the prices are readily available. Gains or losses arising from the sale of investments and changes in the market value of investments are included in the value of the portfolio.

There are no significant estimates used in valuing these investments due to the nature of the corporate bonds and government bonds held. These are actively traded products.

D.1.1.3 Collective Investments Undertakings

As at the reporting date, the Group had £166,186k held in collective investment undertakings [S.02.01.02.R0180.C0010]. The SII valuation is the same as the valuation method in the consolidated Group SOFP. The market value for each of the investments is reported by the investment managers at the end of each period. There are no significant estimates or judgments used in valuing these investments due to the nature of the collective investment undertakings held.

Collective investment undertakings are valued at fair value under Solvency II based on market prices at the reporting date, which are quoted prices in active markets for identical assets per Article 10(2) of the Delegated Regulation. As these are publicly traded securities, the market prices are readily available and are actively traded – details of which are provided in a statement from the investment manager. The criteria for assessing market activity, and therefore the ability to rely on market values, include reviewing the names of companies that have issued the securities, discussions with the investment manager around the availability of market prices, and reviewing the ratings of the assets. The prices do not fluctuate dramatically or move in step changes and therefore this suggests that the prices are readily available. Finally, the investment manager has bought and sold securities on behalf of the Group in the past without restriction and therefore this suggests there is an active market for the assets.

The assets allocated to the collective investment undertakings line [S.02.01.02.R0180.C0010] are aggregated as they are comparable by nature, function, risk and materiality. Additional information can be found in VHL and VLL's SFCRs.

D.1.1.4 Deposits other than cash equivalents

As at the reporting date, the Group had £13,306k held in deposits other than cash equivalents [S.02.01.02.R0200.C0010]. Deposits other than cash equivalents are valued at fair value for solvency as reported to the Group by the relevant financial institutions at the end of the period.

There are no material estimations or judgments made due to the nature of the asset. The valuation of the deposits does not rely on market prices, as these are cash deposits. The assets allocated to the deposits other than cash equivalents line [S.02.01.02.R0200.C0010] are aggregated as they are comparable by nature, function, risk and materiality.

D.1.1.5 Receivables

Receivables in the Solvency II balance sheet at the reporting date are valued at £40,778k and consist of negative reinsurance recoverable [S.02.01.02.R0300.C0010] of £4,052k, insurance and intermediaries receivables of £26,800k [S.02.01.02.R0360.C0010], reinsurance receivables of £1,256k [S.02.01.02.R0370.C0010] and receivables (trade, not insurance) of £16,774k [S.02.01.02.R0380.C0010].

The reinsurance recoverable of negative £4,052k [S.02.01.02.R0300.C0010] consists of two elements, a liability for the reinsurance payables within the contract boundary of PTP of negative £16,780k and an asset for the reinsurance recoverables within CTP of positive £12,728k as disclosed in [S.17.01.02.R0140.C0010] and [S.17.01.02.R0240.C0010] respectively, in the VHL SFCR, resulting in a net negative reinsurance recoverable of £4,052k. The vast majority of the PTP reinsurance payables relate to the financial reinsurance treaties. Per Article 2.1 of the Valuation section of the Rulebook, for Solvency II Firms, assets should be valued "at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction". As there are no quoted market prices available per Article 10(3) of the Delegated Regulation, the reinsurance recoverable balances are valued using alternative valuation methods per Article 10(5) of the Delegated Regulation. To meet the requirements of the Rulebook, a discounted cash flow has been used for the valuation method using relevant market inputs per Article 10(6) of the Delegated Regulation. Since the valuation only stems to the end of the contract boundary for each contract of insurance, the impact of discounting is immaterial.

Inputs for the PTP reinsurance recoverable calculation involve identifying the element of the financial reinsurance repayments that relates to the inforce policies up to their contract boundary and therefore this valuation uses contractual repayments which are not subject to judgment.

The inputs for the CTP reinsurance recoverable are the gross technical provisions, the valuation of which is covered in section D.2.1, as the recoverable simply arises from proportional reinsurance cover.

Insurance and intermediaries receivables of £26,800k consists of £13,894k of due premiums outstanding and £12,906k of intermediary receivables.

Due premiums outstanding of £13,894k are valued using a look through of IFRS outstanding premiums. Where outstanding premiums relate to future premium collection dates these are included in the PTP (see section D.2.1). Where the premium collection date fell before the reporting date, but the cash has not been received at the reporting date, this amount falls in due premiums outstanding. Systems reports are used as the basis of this amount, and it is further tested by taking a sample of policies. The assumptions and judgments behind the calculation are therefore limited. The amount is not discounted for Solvency II as the majority of cash receipts were received within a month of the reporting date.

The £12,906k of intermediary receivables is made up of £762k of intermediary receivables which are deemed immaterial and £12,144k of provider payments made. These are retained under a Solvency II basis as there are agreements in place that these amounts will be used to cover claims or will be paid back and therefore are valued at the amount in cash that was sent from the Group to providers. The main assumptions are that this amount is recoverable, and that the contracts could be exchanged between knowledgeable willing parties for the amount provided.

Receivables (trade, not insurance) of £16,774k consisted of:

- £9,278k in respect of loans provided to a number of members of key management in respect of their equity ownership of DHEL which are repayable on 12 March 2019 and accrue interest at 3.25%;
- £4,433k receivable from DGEL group companies that are accounted for under the adjusted equity method under SII;
- £792k receivable from PAC in respect of the VLL life insurance policies underwritten by PAC; and
- £2,271k for sundry trade receivables.

The carrying amounts reasonably approximate their fair value at the Group SOFP date.

The receivables above are aggregated due to the closely linked nature, function, risk and materiality of the assets.

For the receivables in balance sheet rows R0300, R0360, R0370 and R0380 there has been no changes made to the recognition and valuation bases used, valuation methods or to estimations during the reporting period.

There are no significant assumptions or judgments made about the future as all of the receivables in lines R0300, R0360, R0370 and R0380 are either short term receivables or fixed term loans and therefore no material assumptions have been made for future events.

D.1.1.6 Cash and cash equivalents

As at the reporting date, the Group had £113,828k held as cash and cash equivalents [S.02.01.02.R0410.C0010]. The majority of the cash and cash equivalents at the period end held by the Group were in pounds sterling and no estimation methods, adjustments for future value or valuation judgments were used in valuing these balances. Cash and cash equivalents were also held in cash in a South African bank account denominated in South African Rand ("ZAR") and were translated into pounds sterling at the period end rate of exchange for reporting purposes.

Cash and cash equivalents are valued at fair value as reported to the Group by the relevant financial institution at the end of the period, per Article 10(2) of the Delegated Regulation. There are no significant estimates or judgments used in valuing cash holdings due to the nature of the asset.

The cash holdings are instant access and the Group has had no issues withdrawing or moving money held in these accounts in the past.

The assets allocated to the cash and cash equivalents line are aggregated as they are comparable by nature, function, risk and materiality.

There has been no change in the valuation method used during the period.

D.1.2 Differences between Solvency II valuation and local GAAP/IFRS valuation by material class of asset

D.1.2.1 Deferred tax assets

There is no difference between the recognised deferred tax asset in the consolidated Group SOFP and the deferred tax asset recognised in the balance sheet for solvency and therefore there are no closing procedures for providing Solvency II figures.

D.1.2.2 Bonds

The valuation according to IFRS is based on fair value through profit and loss including accrued interest and therefore the valuation is the same between IFRS and Solvency II which also values the bonds at the market value, including accrued interest. When reporting under Solvency II the bond portfolio must be split between cash and cash equivalents (R0410) for the amount of dealing cash held, government bonds (R0140) for the amount of government bonds held and corporate bonds (R0150) for corporate bonds held.

D.1.2.3 Collective Investments Undertakings

Under IFRS collective investment undertakings are valued as loans and receivables at amortised cost which is equivalent to the fair value model used under Solvency II. In the SOFP these fall under the cash and cash equivalents financial statement line item.

D.1.2.4 Deposits other than cash equivalents

There are no differences between the Solvency II valuation and the IFRS valuation of deposits other than cash equivalents.

D.1.2.5 Receivables

The valuation of insurance and intermediaries receivables [S.02.01.02.R0360.C0010] differs under IFRS and Solvency II. Under IFRS the amount is the total of gross written premium and insurance premium tax up to the contract boundary for all policies for VHL. Under Solvency II, the future premium collections are included under PTP in technical provisions

[S.02.01.02.R0560.C0010] and the actual due premiums outstanding are included in [S.02.01.02.R0360.C0010] (see section D.1.1.5).

There is a difference of £18,000k in the valuation of reinsurance receivables [S.02.01.02.R0370.C0010] under IFRS and Solvency II. This difference is driven by a reinsurance receivable balance that does not meet the Solvency II recognition criteria. The SOFP values reinsurance receivables as loans and receivables and therefore values them using amortised cost. This is deemed to approximate fair value due to the short term nature of the receivable and therefore the Solvency II and IFRS valuation methods are the same.

The valuation of receivables (trade not insurance) [S.02.01.02.R0380.C0010] is the same between Solvency II and IFRS, the only exceptions are prepayments which do not meet the Solvency II valuation criteria in Article 2.1 of the Valuation section of the Rulebook for Solvency II firms – as prepayments could not be exchanged between knowledgeable willing parties in an arm's length transaction. The Group SOFP values receivables (trade not insurance) as loans and receivables and therefore they are valued using amortised cost. This is deemed to approximate fair value due to the short term nature of the majority of receivables combined with the fixed maturity of the staff loans and therefore the Solvency II and IFRS valuations are the same.

D.1.2.6 Cash and cash equivalents

There are no differences between the Solvency II valuation and the IFRS valuation of cash and cash equivalents.

D.1.3 Differences between group and any of its undertakings for asset valuation for solvency purposes

There are no differences between the Solvency II valuation and the IFRS valuation for asset valuation for solvency purposes.

D.2 TECHNICAL PROVISIONS

D.2.1 Technical provisions analysed by each material line of business

The value of the Group's technical provisions are equal to the sum of the technical provisions arising in each of its regulated insurance undertakings. No reassessment of the technical provisions of these companies is made at the Group level, and no additional technical provisions arise from other companies within the Group.

For a description of the assumptions and methodologies used to determine the technical provisions (including reinsurance recoverables) for each material SII line of business, the uncertainty that is associated with their respective valuations and the differences between the Solvency II valuation and local GAAP/IFRS valuations, please refer to the SFCRs of VHL, VHIL and VLL.

D.2.2 Uncertainty associated with the value of technical provisions

See comments above in section D.2.1. Please refer to the regulated insurance undertakings' SFCRs.

D.2.3 Differences between Solvency II valuation and local GAAP/IFRS valuation of Technical Provisions analysed by each material line of business

See comments above in section D.2.1. Please refer to the regulated insurance undertakings' SFCRs.

D.2.4 Matching adjustment

Matching adjustments are not applied.

D.2.5 Volatility adjustment

Volatility adjustments are not applied.

D.2.6 Transitional risk-free interest rate-term structure

Transitional measures are not applied.

D.2.7 Transitional deduction

Transitional measures are not applied.

D.2.8 Technical provisions - Other

D.2.8.1 Recoverables from reinsurance contracts and special purpose vehicles

See comments above in section D.2.1. Please refer to the regulated insurance undertakings' SFCRs.

D.2.8.2 Material changes in the relevant assumptions made in the calculation of technical provisions compared to the previous reporting period

An analysis of the change in technical provisions over the reporting period has not been provided as the Group was not subject to the Solvency II regime in the prior period.

D.2.8.3 Differences between group and any of its undertakings for technical provisions valuation for solvency purposes

No reassessment of the technical provisions of the Group's regulated reinsurance undertakings are made at the Group level.

D.3 OTHER LIABILITIES

D.3.1 Solvency II valuation for each material class of other liabilities

D.3.1.1 Financial liabilities other than debts owed to credit institutions

Not applicable.

D.3.1.2 Insurance & intermediaries payables

Insurance & intermediaries payables of £17,129k [S.02.01.02.R0820.C0010] consist of claims outstanding of £7,872k of claims outstanding, £8,495k of commission payable with the remaining balance related to sundry creditors of £762k, which is immaterial to be analysed in the SFCR.

The claims outstanding amounts are valued at fair value and therefore the Solvency II valuation meets Article 10(4) of the Delegated Regulation. The claims that make up the claims outstanding balance are system generated, where on authorisation the system includes the claim in claims outstanding. The inputs to this valuation are claims reports and approvals from employees and therefore there is not deemed to be a high level of judgment in the valuation approach. There is also little future uncertainty of the economic outflow as the amount is paid within a month of the claim being authorised and as such the liability is not discounted. From experience, when claims are paid the amount does not differ materially to the original valuation.

Commission payable to insurance brokers and intermediaries is calculated in accordance with the terms and conditions of the contract with the individual broker or intermediary – no adjustments or judgments are made for valuation purposes. There is a high degree of certainty over the economic outflow due to the relatively short timeframe between the commission liabilities arising and the broker or intermediary receiving payment from the Group. The value of the liability for Solvency II is the same as for IFRS.

There were no changes to the claims outstanding or commission payable solvency valuation approach during the period.

The liabilities allocated to the line 'Insurance & intermediaries payables' are aggregated as they are comparable by nature, function, risk and materiality. These all relate to insurance payables based on insurance contracts with similar terms and therefore are aggregated for solvency.

D.3.1.3 Reinsurance payables

The balance owed to reinsurers at the end of the reporting period was £66,088k as shown in line 'Reinsurance payables' [S.02.01.02.R0830.C0010] in the Solvency II balance sheet. This is attributable to the contracts of financial reinsurance in force as at the reporting date, which are detailed in section A.4.1, and aggregated based on their comparable nature, function, risk and materiality. These are categorised as reinsurance payables as they are finite reinsurance per the definition of finite reinsurance in the Glossary of the Rulebook for Solvency II firms. Per Article 2.1(2) of the Valuation section of the Rulebook liabilities should be valued "*at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction."* And 2.2 *"For the purposes of 2.1(2) when valuing liabilities no adjustment must be made to take account of the own credit standing of the firm*". To meet the requirements of Article 2.1(2) a discounted cashflow has been used for the valuation method using relevant market inputs per Article 10(6) of the Delegated Regulation.

The main assumptions applied when valuing the liabilities under the discounted cash flow model are that London Interbank Offer Rate (LIBOR) is the correct risk free rate to use for the calculation and that using the UK commercial bank monthly spot curve is an appropriate method of assuming future LIBOR levels. The pricing of the financial reinsurance contracts are based on LIBOR and therefore this indicates that this is a main driver of the liability. These assumptions will be reviewed on an annual basis. The future LIBOR rates are predictions based on Bank of England published UK commercial bank monthly spot curve and although this is market data, it is a forecast which will deviate from future LIBOR rates.

The timing of the economic outflows is predictable as these are contractually based, however, the contracts may be changed or renegotiated for reasons including, but not limited to, potential reinsurance recaptures. From past experience, the contractual amount of the liabilities does not deviate materially from the original valuation.

D.3.1.4 Payables (trade, not insurance)

Payables (trade, not insurance) [S.02.01.02.R0840.C0010] are valued at the fair value of the payables at the reporting date. The material items within the year-end balance of £73,224k are as follows:

- £35,072k in accrued expenses payable to third party service providers;
- £11,621k in Insurance Premium Tax (IPT);
- £8,899k liability related to an executive share scheme;
- £3,241k loan to PAC;
- £4,840 liability representing the negative net assets of IYH and KYS;
- £8,500k loan to another Discovery company; and
- £1,051 in other creditors.

IPT payable is valued on the written premiums of the period up to the valuation date. This is calculated by the Group's systems and verified through separate calculations. The IPT is valued by the system using the correct rate on that policy type, therefore there is no judgment applied to this. The IPT is therefore valued at fair value, as future cash flows are used to value the IPT payable and this is in line with Article 14(1) of the Delegated Regulation. The movement in IPT is driven by an IPT rate change in the period and changing business levels.

The liability related to an executive share scheme is a DGEL Group consolidation adjustment required for shares issued to DHEL executives that are required to be derecognised from capital upon consolidation as DGEL has committed to purchase the shares back from the executives after a period of no more than 4 years. For more information on the share scheme refer to the statutory financial statements of DHEL.

DHEL funds the VitalityLife policies underwritten by PAC by way of a loan to PAC. Repayment of the loan is contingent upon the emergence of regulatory surplus in respect of the VitalityLife products underwritten by PAC. The first repayment of the loan was received in the year ended 30 June 2013 with further repayments in subsequent years.

IYH and KYS are accounted for under the adjusted equity method under SII. Both entities have negative net assets and therefore a liability has been set up in DHEL to reflect this.

A loan of £8,500k (2015: £Nil) was provided to DGEL by another Discovery company. The loan is repayable on 31 December 2017. The loan accrues interest at a rate of 365 basis points above 3 month GBP LIBOR.

The balances are aggregated in line R0840 as they are similar in nature, function, risk and materiality. There is no considerable estimation uncertainty, as these balances are based on historical data. The majority of the balances are settled in the short term except for the Discovery company loan which has a fixed repayment date. Therefore, the valuation of the year-end balance of £73,224k is not adjusted for uncertainty over timing. From past experience, the final settled amount of the liabilities does not deviate materially from the original valuation.

The valuation approach for payables (trade, not insurance) has not changed during the period.

D.3.1.5 Subordinated liabilities

Subordinated liabilities totaling £51,176k [S.02.01.02.R0870.C0010] relate to a DHEL subordinated loan in the amount of £23,500k (2015: £nil) received from another Discovery company and DGEL subordinated loans of £27,676k (2015: £76,310k) received from DGEL's parent undertaking, Discovery Limited, which are detailed below.

The subordinated loan of £23,500k owed to another Discovery company is repayable on 1 July 2026 with the earliest breakpoint being 1 July 2021 and accrues interest at a floating rate of 365 basis points above 3 month GBP LIBOR.

The balance represents two subordinated loans totaling £27,676k which are due to Discovery Limited from DGEL. At the beginning of the fiscal year there were two loans, the first was received in two tranches with the first tranche on 27 July 2010 of £35.5 million, the second on 24 December 2010 of £14.5 million. On 1 December 2015 DGEL settled £51.0 million of the loans through the issuance of ordinary shares. This amount settled the whole of the £14.5 million tranche and part of the first tranche, including the interest accrued. The balance of the loan represents the remaining loan outstanding and interest accrued since the partial settlement was made. The terms of the loan were extended on 10 November 2014 with the loan being repayable on 31 July 2020 and accruing interest at 4% above GBP LIBOR.

The Group's subordinated liabilities had a solvency valuation of £51,176k at the reporting date. Per Article 2.1(2) of the Valuation section of the Rulebook liabilities should be valued "*at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction."* And 2.2 *"For the purposes of 2.1(2) when valuing liabilities no adjustment must be made to take account of the own credit standing of the firm*". As there are no quoted market prices available per Article 10(3) of the Delegated Regulation, to meet the requirements of Article 2.1(2) a discounted cashflow has been used for the valuation method using relevant market inputs per Article 10(6) of the

Delegated Regulation. There is no subsequent adjustment to take account of any change in own credit standing of the Group following initial recognition. See section D.3.2.5 for the comparison to the IFRS SOFP.

The main assumptions are the discount rate used and the arm's length rate of interest. The risk free rate was determined at GBP LIBOR as interest in the loans are based on a floating GBP LIBOR balance. The arm's length interest rate must be considered as the subordinated loans are provided by Discovery group companies. The arm's length rate of interest is deemed to be reasonable and meet the arm's length requirement of Article 2.1(2) of the Valuation section of the Rulebook – it is equivalent to a rate for a commercial loan of the same size.

The timing of the economic outflows are all contractually agreed upon.

There is some uncertainty about the future economic outflows, as the valuation assumes that the loans will be held until the repayment date. However, this may not be the case if the loans are settled early, which is allowable under the agreements.

D.3.2 Differences between Solvency II valuation and local GAAP/IFRS valuation by material class of other liabilities

D.3.2.1 Financial liabilities other than debts owed to credit institutions

Not applicable.

D.3.2.2 Insurance & intermediaries payables

There are no material differences in the solvency valuation of claims payable to the valuation approach taken in the SOFP. Under IFRS, these are valued as financial liabilities under IAS39 and recognised as other financial liabilities measured at amortised cost using the effective interest method. Therefore, the initial valuation is at fair value. This is established as the cost of settling those liabilities to the customer - the value of the cash to be paid. The financial liabilities are not subsequently revalued to amortised cost, as this is deemed to be approximately equivalent to fair value. The valuation under Solvency II and in the SOFP is therefore equivalent

There are no material differences in the solvency valuation of commission payable to the valuation approach taken in the SOFP and therefore the valuation under Solvency II is the same as for IFRS.

D.3.2.3 Reinsurance payables

The financial reinsurance contracts for VHL are accounted for in the statutory accounts per IFRS 4 Insurance Contracts under IFRS, with no liability recognised for the future repayments expected under the reinsurance contracts. Under Solvency II the future repayments expected under the financial reinsurance contracts are valued using a discounted cash flow and recognised as a reinsurance payable.

D.3.2.4 Payables (trade, not insurance)

All amounts included in Payables (trade, not insurance) are financial liabilities for which there are no differences in the valuation under IFRS. There is therefore no difference between the valuation under Solvency II and under IFRS.

D.3.2.5 Subordinated liabilities

The valuation of the subordinated liabilities in basic own funds is valued using a discounted cash flow and the difference is immaterial and therefore under Article 14 of the Delegated Regulation the IFRS valuation is utilised.

D.3.3 Differences between group and any of its undertakings for other liabilities valuation for solvency purposes

There are no differences between the Group and any of its undertakings for other liabilities valuation for solvency purposes.

D.4 ALTERNATIVE METHODS OF VALUATION

D.4.1 Assets and liabilities valued using alternative methods of valuation

There are no alternative methods of valuation used by the Group to value assets or liabilities. All assets and liabilities are valued using either the applicable Solvency II valuation method or IFRS as prescribed by the Delegated Regulation.

D.4.2 Justification for using alternative methods of valuation

Not applicable.

D.4.3 Documentation of the assumptions underlying the alternative methods of valuation

Not applicable.

D.4.4 Valuation uncertainty

Not applicable.

D.4.5 Regular comparison

Not applicable.

D.5 VALUATION FOR SOLVENCY PURPOSES – ANY OTHER INFORMATION

D.5.1 Risk management areas

D.5.1.1 Underwriting and reserving

Please refer to the regulated insurance undertakings' SFCRs.

D.5.1.2 Asset-liability management

Please refer to the regulated insurance undertakings' SFCRs.

D.5.1.3 Investment risk management

Please refer to the regulated insurance undertakings' SFCRs.

D.5.1.4 Liquidity risk management

Please refer to the regulated insurance undertakings' SFCRs.

D.5.1.5 Concentration risk management

See section C.2.4 for concentration risk management.

D.5.1.6 Operational risk management

See section C.5.1 for measures used to assess operational risks.

D.5.1.7 Reinsurance and other insurance risk mitigation techniques

See section C.1.4 for the approach to reinsurance risk mitigation techniques and sections C.3.1 and C.3.2 for the analysis of credit risk in the Group.

D.5.2 Other (to be specified)

There are no other risk management areas to cover.

E CAPITAL MANAGEMENT

E.1 OWN FUNDS

E.1.1 Objective, policies and processes for managing own funds

The Group's available own funds, eligible own funds and ratio of eligible own funds over SCR and MCGSCR are disclosed in [S.23.01.22]. The objectives of the business are to maintain sufficient own funds to cover the SCR and MCGSCR with an appropriate buffer. The majority of surplus capital in the Group is held in the regulated insurance undertakings. As a result, some of that surplus held in the regulated insurance undertakings are restricted from contributing to Group solvency and if such restriction was not applied Group SCR cover would be even higher. The available own funds should be of sufficient quality to meet the eligibility requirements in Article 82 of the Delegated Regulation. The Group holds at least quarterly meetings of senior management, in which the ratio of eligible own funds over SCR and MCGSCR are reviewed. The committees that review solvency are described in more detail in section B.1.1 General Information on the System of Governance and ultimately rest with the Group's Board. As part of own funds management, the Group prepares ongoing annual solvency projections and reviews the structure of own funds and future requirements. The business plan contains a five year projection of funding requirements as part of the business plan and this helps focus actions for future funding. There were no material changes in the objectives, policies and processes employed by the Group for managing its own funds.

The following basic own-fund items are deemed to substantially possess the characteristics set out in Article 3.5(1) and (2) of the Own Funds section of the Rulebook. Per Article 69 of the Delegated Regulation they take into consideration the features set out in Article 3.6 of the Own Funds section of the Rulebook when determining the tier of own funds in to which the basic own fund items fall.

E.1.2 Own funds classified by tiers

The Solvency II regime was not in place as at 30 June 2015 and therefore comparatives are not available and as such the movements of own fund items during the period are not available.

E.1.2.1 Tier 1 unrestricted:

Total available tier 1 unrestricted own funds of £140,428k consists of £615,082k of ordinary share capital and is reduced by the £474,654k negative reconciliation reserve. All of these are basic own funds which are analysed as follows:

Ordinary share capital:

There is £615,082k of called up, issued and fully paid ordinary share capital at the reporting date. This is a high quality, available, own fund item that meets the tier 1 features determining classification as specified in Article 71 of the Delegated Regulation. The ordinary share capital is available, is not subordinated in any way, and has no restricted duration. Article 71 (1)(e) of the Delegated Regulation does not apply and therefore there is no loss absorbency mechanism described here.

Reconciliation reserve:

The negative reconciliation reserve of (£474,654k) is made up of £205,014k Solvency II excess of assets over liabilities less (£633,914k) of other basic own fund items per Article 70 of the Delegated Regulation and the Technical Standards and (£45,754k) of other non-available own funds. The other non-available own funds represents (£38,790k) of the ineligible portion of the PAC loan asset which are unable to be transferred within the Group within a maximum of 9 months and is therefore considered to be illiquid, combined with (£6,964k) of ineligible negative long-term life insurance reserves that exceed VLL's contribution to the Group SCR. Further details of the excess of assets over liabilities is provided in E.1.5. There are no foreseeable dividends or own shares held. The reconciliation reserve is available, is not subordinated, and has no restricted duration. Article 71 (1)(e) of the Delegated Regulation does not apply and therefore there is no loss absorbency mechanism described here.

E.1.2.2 Tier 2:

Subordinated liabilities:

Total available tier 2 own funds consists of £27,676k in subordinated liabilities. The subordinated liabilities are basic own fund items subject to transitional arrangements (see section E.1.6). Details regarding the subordinated liabilities are documented in Valuation for Solvency Purposes section D.3.1.5. The fully subordinated loans are available and form a part of basic own funds. The additional £23,500k in subordinated liabilities are not available own funds. See E.1.8.

E.1.2.3 Tier 3:

An amount equal to the value of net deferred tax assets:

Total available tier 3 own funds consist of £16,497k net deferred tax assets at 30 June 2016. This is consistent with Articles 76 and 77 of the Delegated Regulation. The deferred tax asset will be unwound over future periods dependent on future available profits. The deferred tax asset is deemed a basic own fund item. The amount equal to the value of net deferred tax assets is available, is subordinated to the extent that it ranks after the claims of all policyholders and beneficiaries and non-subordinated creditors, and has no restricted duration as it is based on carried forward losses that do not expire.

E.1.3 Eligible amount of own funds to cover the consolidated group solvency capital requirement, classified by tiers

The limits on eligible tier 3 capital per Article 82 of the Delegated Regulation are the only restrictions on available own funds to meet the SCR. Total available tier 3 own funds to meet the SCR are £16,497k. The available tier 3 own funds to meet the SCR is reduced to £15,902k due to the limit of 15% of the SCR, a reduction of £595k. This leaves total eligible own funds to meet the SCR of £184,006k, with each tier contributing the following: tier 1 unrestricted £140,428k; tier 2 £27,676k and tier 3 £15,902k.

The eligible own funds over SCR ratio was 173.6% as at 30 June 2016.

E.1.4 Eligible amount of own funds to cover the minimum consolidated group solvency capital requirement, classified by tiers

The total available own funds to meet the MCGSCR are £168,104k. Tier 3 own funds cannot form part of total available own funds to meet the MCGSCR. Article 82 of the Delegated Regulation limits tier 2 items to 20% of the MCGSCR and therefore this reduces the tier 2 own fund items by £20,604k to £7,072k. The total eligible own funds to meet the MCGSCR are £147,500k, with each tier contributing the following: tier 1 unrestricted £140,428k and tier 2 £7,072k.

The eligible own funds over MCGSCR ratio was 417.1% as at 30 June 2016.

E.1.5 Difference between equity as shown in the financial statements and the Solvency II value excess of assets over liabilities

Total equity per the Group SOFP was £481,977k as at 30 June 2016. Excess over liabilities as calculated for solvency was £205,014k. There are no differences between ordinary share capital in the SOFP and the amount reported in basic own funds. The difference of £276,963k between the net assets of the Group in the SOFP and the solvency valuation of the excess of assets over liabilities is due to adjustments to the Statutory Accounts Value in order to value assets and liabilities at their solvency valuations and the subsequent impact on accumulated losses when performing these adjustments combined with the elimination of investment in subsidiaries upon consolidation. The adjustments are documented in section D covering valuation of material assets and liabilities per Article 296 of Delegated Regulation. The summary of taxed adjustments to the Statutory Accounts Value to give the solvency II value [S.02.01.02.C0010] are detailed below:

ADJUSTMENT DESCRIPTION	AS AT 30 JUNE 2016 (£'000)
Net assets under IFRS	**481,977**
Adjustments for Technical Provisions under SII	(3,998)
Recognise Reinsurance Payable	(64,563)
Adjust for Prepaids and Intangibles	(51,866)
Adjust for Goodwill	(123,728)
Adjust for elimination of Investment in subsidiaries	36,746
Other SII Adjustments	195
Restrict Deferred Tax Asset – SII adjustments	(69,749)
Excess of assets over liabilities [S.02.01.02.R1000.C0010]	**205,014**

Figure 3

E.1.6 Basic own-fund items subject to transitional arrangements

The two Tier 2 subordinated loans totaling of £27,676k described in Other Liabilities section D.3.1.5 are subject to the transitional arrangements.

The subordinated loan agreements were signed prior to 18 January 2015 and were recognised as lower Tier 2 capital as at 31 December 2015 and therefore, per Article 4.2 of the Transitional Measures section of the Rulebook, the Group must include the item in Tier 2 own funds for up to 10 years after 1 January 2016.

E.1.7 Ancillary own funds

There are no ancillary own funds at the reporting date.

E.1.8 Items deducted from own funds

Subordinated liabilities of £23,500k have been deducted from Group own funds as the funds did not enter the DGEL group at the top level of the SII group as DHEL was the borrower rather than DGEL. Therefore they are unable to contribute to Group solvency.

There are no own fund items within ring-fenced funds and matching adjustment portfolios.

E.1.9 Other information on own funds – groups

There is no other information on own Group funds.

E.1.9.1 Own funds issued by an undertaking of the group other than the participating insurance undertaking or insurance holding company

Not applicable.

E.1.9.2 Own funds issued by an equivalent third country insurance undertaking

Not applicable.

E.1.9.3 Own funds by a non-insurance undertaking subject to tiering requirements other than Solvency II Requirements

Not applicable.

E.1.9.4 Group own funds net of intra-group transactions

Not applicable as there are no intra-group transactions.

E.1.9.5 Transferability and fungibility of own funds items in the related undertakings

Group own fund items are transferrable between entities within the Group apart from the £23,500k in subordinated liabilities described in E.1.8 above.

Group own funds are fungible and not dedicated to absorb only certain losses.

E.2 GROUP SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CONSOLIDATED GROUP SOLVENCY CAPITAL REQUIREMENT

E.2.1 Amount of group solvency capital requirement and minimum consolidated group solvency capital requirement

The SCR and MCGSCR for the Group are set out in templates 25.01.01 (Solvency Capital Requirement – for undertakings on standard formula) and 28.01.01 (Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity) respectively.

The table below shows the total consolidated Group Solvency Capital Requirement (the “Group SCR”) and Minimum Consolidated Group Solvency Capital Requirement (the “Group MCGSCR”) at 30 June 2016:

	(£’000)
Group SCR	106,015
MCGSCR	35,366

E.2.2 Group solvency capital requirement split by risk modules

The Group applies the standard formula to its calculation of its Group SCR. This is split by risk module as set out in in template 25.01.01 (Solvency Capital Requirement – for undertakings on standard formula).

The table below shows the capital requirement for each risk module that contributes to the Group SCR at 30 June 2016:

Net SCR	(£'000)
Health Underwriting Risk	72,310
Life Underwriting Risk	27,759
Market Risk	14,198
Counterparty Default Risk	12,216
Diversification between risk modules	(32,877)
Basic Group SCR	**93,606**
Operational Risk	12,409
MCGSCR	**106,015**

E.2.3 Which risk modules and sub-modules of the standard formula are using simplified calculations

Simplified calculations are not used for any of the risk modules or sub-modules of the standard formula.

E.2.4 Specific parameters pursuant to Article 104(7) of the Solvency II Directive (Directive 2009/138/EC)

Undertaking specific parameters are not used by the Group or any of its undertakings.

E.2.5 Option provided for in Article 51(2) of Directive 2009/138/EC

The Group has not received any imposed capital add-ons or imposed undertaking specific parameters.

E.2.6 Significant deviations from the assumptions underlying the standard formula calculation

There are no significant deviations from the assumptions underlying the standard formula.

E.2.7 Inputs used to calculate the minimum consolidated group solvency capital requirement

The MCGSCR is the sum of the reported minimum capital requirements of each of its regulated insurance undertakings as follows:

	(£'000)
Vitality Life Limited	8,573
Vitality Health Limited	20,693
Vitality Health Insurance Limited	6,100
MCGSCR	**35,366**

E.2.8 Material changes to the group solvency capital requirement and minimum consolidated group solvency capital requirement

An analysis of the change in solvency requirements over the reporting period has not been provided as the Group was not subject to the Solvency II regime in the prior period.

E.2.9 Other information on group capital requirements

E.2.9.1 Method used to calculate group solvency

The Group uses Method 1 as defined by the Rulebook and EU regulations in its calculations of Group solvency.

E.2.9.2 Analysis of group solvency capital requirement

An analysis of the change in solvency requirements over the reporting period has not been provided as the Group was not subject to the Solvency II regime in the prior period.

E.2.9.3 Group diversification benefits

The table below shows the contribution of each undertaking to the Group SCR at 30 June 2016:

	Solo SCR after impact of consolidation eliminations (£'000)	Contribution to Group SCR (£'000)
Vitality Life Limited	34,292	26,365
Vitality Health Limited	82,769	63,637
Vitality Health Insurance Limited	35	27
Vitality Corporate Services Limited	2,103	2,103
Discovery Holdings Europe Limited	14,173	10,897
Discovery Group Europe Limited	3,884	2,986
Diversification between solo undertakings	(31,241)	-
MCGSCR	**106,015**	**106,015**

E.2.9.4 Minimum consolidated group solvency capital requirement

The MCGSCR is the sum of the reported minimum capital requirements of each of its regulated insurance undertakings as shown in section E.2.7.

E.3 USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

E.3.1 Duration-based equity risk sub-module

Not applicable.

E.3.2 Amount of capital requirement when using the duration-based equity risk sub-module

Not applicable.

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

The Group uses the standard formula and has not applied to use an internal or partial internal model.

E.5 NON-COMPLIANCE WITH THE MINIMUM CONSOLIDATED GROUP SOLVENCY CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE GROUP SOLVENCY CAPITAL REQUIREMENT

E.5.1 Non-compliance with the minimum consolidated group solvency capital requirement

The Group has complied continuously with both the MCGSCR and SCR throughout the reporting period.

E.5.2 Where non-compliance with the group's minimum consolidated group solvency capital requirement has not been subsequently resolved: the amount of the non-compliance at the reporting date

The Group has complied continuously with both the MCGSCR and SCR throughout the reporting period.

E.5.3 Significant non-compliance with the group solvency capital requirement

The Group has complied continuously with both the MCGSCR and SCR throughout the reporting period.

E.5.4 Where a significant non-compliance with the group’s solvency capital requirement has not been subsequently resolved: the amount of the non-compliance at the reporting date.

The Group has complied continuously with both the MCGSCR and SCR throughout the reporting period.

E.6 CAPITAL MANAGEMENT – ANY OTHER INFORMATION

The Group has no other material information to disclose regarding its capital management.

F ADDITIONAL VOLUNTARY INFORMATION

F.1 TRANSITIONAL INFORMATION

Please refer to the regulated insurance undertakings' SFCRs.

F.2 OTHER ADDITIONAL VOLUNTARY INFORMATION

The Group has no other voluntary material information to disclose.

G TEMPLATES

The templates are provided alongside this document. The Group is required to disclose the following templates as set out in the Commission Implementing Regulation (EU) 2015/2452 of 2 December 2015 laying down implementing technical standards with regard to the procedures, formats and templates of the solvency and financial condition report in accordance with Directive 2009/138/EC of the European Parliament and of the Council.

TEMPLATE CODE	TEMPLATE NAME
S.02.01.02	Balance sheet
S.05.01.02 N	Premiums, claims and expenses – Non-life
S.05.01.02 L	Premiums, claims and expenses – Life
S.05.02.01 N	Premiums, claims and expenses by country – Non-life
S.05.02.01 L	Premiums, claims and expenses by country – Life
S.23.01.22	Own Funds
S.25.01.22	Solvency Capital Requirement – for groups on Standard Formula
S.32.01.22	Undertakings in the scope of the group

H VALIDATIONS

Not applicable.

I APPROVAL BY THE ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY BODY (AMSB) OF THE SFCR AND REPORTING TEMPLATES

Discovery Group Europe Limited

Approval by the Board of Directors of the Solvency and Financial Condition Report

Financial period ended 30 June 2016

We certify that:

1 the Solvency and Financial Condition Report ("SFCR") has been properly prepared in all material respects in accordance with the PRA rules and Solvency II Regulations; and

2 we are satisfied that:

a. throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to the insurer; and
b. it is reasonable to believe that, at the date of the publication of the SFCR, the insurer has continued so to comply, and will continue so to comply in future.

Richard Farber
Director
Date: 21 December 2016

General information

Participating undertaking name	Discovery Group Europe Limited
Group identification code	213800W4KXJIK7R3CV51
Type of code of group	LEI
Country of the group supervisor	GB
Language of reporting	en
Reporting reference date	30 June 2016
Currency used for reporting	GBP
Accounting standards	The group is using IFRS
Method of Calculation of the group SCR	Standard formula
Method of group solvency calculation	Method 1 is used exclusively
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses
S.05.02.01 - Premiums, claims and expenses
S.23.01.22 - Own Funds
S.25.01.22 - Solvency Capital Requirement - for groups on Standard Formula
S.32.01.22 - Undertakings in the scope of the group

S.02.01.02
Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	18,831
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	5,720
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	193,019
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	10,782
R0140	*Government Bonds*	880
R0150	*Corporate Bonds*	9,902
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	166,186
R0190	*Derivatives*	2,745
R0200	*Deposits other than cash equivalents*	13,307
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	49,687
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	49,687
R0270	Reinsurance recoverables from:	-47,218
R0280	*Non-life and health similar to non-life*	-4,052
R0290	*Non-life excluding health*	
R0300	*Health similar to non-life*	-4,052
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	-43,166
R0320	*Health similar to life*	-6,679
R0330	*Life excluding health and index-linked and unit-linked*	-36,487
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	26,801
R0370	Reinsurance receivables	1,256
R0380	Receivables (trade, not insurance)	16,774
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	113,828
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	378,698

S.02.01.02
Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	42,563
R0520	*Technical provisions - non-life (excluding health)*	0
R0530	*TP calculated as a whole*	
R0540	*Best Estimate*	
R0550	*Risk margin*	
R0560	*Technical provisions - health (similar to non-life)*	42,563
R0570	*TP calculated as a whole*	
R0580	*Best Estimate*	35,061
R0590	*Risk margin*	7,502
R0600	Technical provisions - life (excluding index-linked and unit-linked)	-76,495
R0610	*Technical provisions - health (similar to life)*	-20,180
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	-25,355
R0640	*Risk margin*	5,175
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	-56,315
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	-82,028
R0680	*Risk margin*	25,713
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	
R0710	*Best Estimate*	
R0720	*Risk margin*	
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	17,129
R0830	Reinsurance payables	66,088
R0840	Payables (trade, not insurance)	73,224
R0850	Subordinated liabilities	51,176
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	51,176
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	173,684
R1000	**Excess of assets over liabilities**	205,014

S.05.01.02
Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)					
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance
		C0010	C0020	C0030	C0040	C0050	C0060
	Premiums written						
R0110	*Gross - Direct Business*	407,912					
R0120	*Gross - Proportional reinsurance accepted*						
R0130	*Gross - Non-proportional reinsurance accepted*						
R0140	*Reinsurers' share*	109,537					
R0200	*Net*	298,375					
	Premiums earned						
R0210	*Gross - Direct Business*	398,321					
R0220	*Gross - Proportional reinsurance accepted*						
R0230	*Gross - Non-proportional reinsurance accepted*						
R0240	*Reinsurers' share*	94,563					
R0300	*Net*	303,758					
	Claims incurred						
R0310	*Gross - Direct Business*	279,632					
R0320	*Gross - Proportional reinsurance accepted*						
R0330	*Gross - Non-proportional reinsurance accepted*						
R0340	*Reinsurers' share*	82,890					
R0400	*Net*	196,742					
	Changes in other technical provisions						
R0410	*Gross - Direct Business*						
R0420	*Gross - Proportional reinsurance accepted*						
R0430	*Gross - Non-proportional reinsurance accepted*						
R0440	*Reinsurers' share*						
R0500	*Net*	0					
R0550	**Expenses incurred**	102,975					
R1200	**Other expenses**						
R1300	**Total expenses**						

S.05.01.02
Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)					
		Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss
		C0070	C0080	C0090	C0100	C0110	C0120
	Premiums written						
R0110	*Gross - Direct Business*						
R0120	*Gross - Proportional reinsurance accepted*						
R0130	*Gross - Non-proportional reinsurance accepted*						
R0140	*Reinsurers' share*						
R0200	*Net*						
	Premiums earned						
R0210	*Gross - Direct Business*						
R0220	*Gross - Proportional reinsurance accepted*						
R0230	*Gross - Non-proportional reinsurance accepted*						
R0240	*Reinsurers' share*						
R0300	*Net*						
	Claims incurred						
R0310	*Gross - Direct Business*						
R0320	*Gross - Proportional reinsurance accepted*						
R0330	*Gross - Non-proportional reinsurance accepted*						
R0340	*Reinsurers' share*						
R0400	*Net*						
	Changes in other technical provisions						
R0410	*Gross - Direct Business*						
R0420	*Gross - Proportional reinsurance accepted*						
R0430	*Gross - Non-proportional reinsurance accepted*						
R0440	*Reinsurers' share*						
R0500	*Net*						
R0550	**Expenses incurred**						
R1200	**Other expenses**						
R1300	**Total expenses**						

S.05.01.02
Premiums, claims and expenses by line of business

Non-life

		Line of business for: accepted non-proportional reinsurance				Total
		Health	Casualty	Marine, aviation and transport	Property	
		C0130	C0140	C0150	C0160	C0200
	Premiums written					
R0110	*Gross - Direct Business*					407,912
R0120	*Gross - Proportional reinsurance accepted*					0
R0130	*Gross - Non-proportional reinsurance accepted*					0
R0140	*Reinsurers' share*					109,537
R0200	*Net*					298,375
	Premiums earned					
R0210	*Gross - Direct Business*					398,321
R0220	*Gross - Proportional reinsurance accepted*					0
R0230	*Gross - Non-proportional reinsurance accepted*					0
R0240	*Reinsurers' share*					94,563
R0300	*Net*					303,758
	Claims incurred					
R0310	*Gross - Direct Business*					279,632
R0320	*Gross - Proportional reinsurance accepted*					0
R0330	*Gross - Non-proportional reinsurance accepted*					0
R0340	*Reinsurers' share*					82,890
R0400	*Net*					196,742
	Changes in other technical provisions					
R0410	*Gross - Direct Business*					0
R0420	*Gross - Proportional reinsurance accepted*					0
R0430	*Gross - Non-proportional reinsurance accepted*					0
R0440	*Reinsurers' share*					0
R0500	*Net*					0
R0550	**Expenses incurred**					102,975
R1200	**Other expenses**					
R1300	**Total expenses**					102,975

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations					
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations
		C0210	C0220	C0230	C0240	C0250	C0260
	Premiums written						
R1410	*Gross*	1,010			5,302		
R1420	*Reinsurers' share*	174			912		
R1500	*Net*	836			4,390		
	Premiums earned						
R1510	*Gross*	919			4,825		
R1520	*Reinsurers' share*	154			807		
R1600	*Net*	765			4,018		
	Claims incurred						
R1610	*Gross*	85			654		
R1620	*Reinsurers' share*	44			337		
R1700	*Net*	41			317		
	Changes in other technical provisions						
R1710	*Gross*						
R1720	*Reinsurers' share*						
R1800	*Net*	0			0		
R1900	**Expenses incurred**	10,670			57,379		
R2500	**Other expenses**						
R2600	**Total expenses**						

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Life reinsurance obligations		Total
		Health reinsurance	Life reinsurance	
		C0270	C0280	C0300
	Premiums written			
R1410	*Gross*			6,312
R1420	*Reinsurers' share*			1,086
R1500	*Net*			5,226
	Premiums earned			
R1510	*Gross*			5,745
R1520	*Reinsurers' share*			961
R1600	*Net*			4,784
	Claims incurred			
R1610	*Gross*			739
R1620	*Reinsurers' share*			381
R1700	*Net*			358
	Changes in other technical provisions			
R1710	*Gross*			0
R1720	*Reinsurers' share*			0
R1800	*Net*			0
R1900	**Expenses incurred**			68,050
R2500	**Other expenses**			
R2600	**Total expenses**			68,050

S.05.02.01
Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations		
R0010					
		C0080	C0090	C0100	C0110
	Premiums written				
R0110	*Gross - Direct Business*	407,912	0	0	0
R0120	*Gross - Proportional reinsurance accepted*	0	0	0	0
R0130	*Gross - Non-proportional reinsurance accepted*	0	0	0	0
R0140	*Reinsurers' share*	109,537	0	0	0
R0200	*Net*	298,375	0	0	0
	Premiums earned				
R0210	*Gross - Direct Business*	398,321	0	0	0
R0220	*Gross - Proportional reinsurance accepted*	0	0	0	0
R0230	*Gross - Non-proportional reinsurance accepted*	0	0	0	0
R0240	*Reinsurers' share*	94,563	0	0	0
R0300	*Net*	303,758	0	0	0
	Claims incurred				
R0310	*Gross - Direct Business*	279,632	0	0	0
R0320	*Gross - Proportional reinsurance accepted*	0	0	0	0
R0330	*Gross - Non-proportional reinsurance accepted*	0	0	0	0
R0340	*Reinsurers' share*	82,890	0	0	0
R0400	*Net*	196,742	0	0	0
	Changes in other technical provisions				
R0410	*Gross - Direct Business*	0	0	0	0
R0420	*Gross - Proportional reinsurance accepted*	0	0	0	0
R0430	*Gross - Non-proportional reinsurance accepted*	0	0	0	0
R0440	*Reinsurers' share*	0	0	0	0
R0500	*Net*	0	0	0	0
R0550	**Expenses incurred**	102,975	0	0	0
R1200	**Other expenses**				
R1300	**Total expenses**				

S.05.02.01
Premiums, claims and expenses by country

Non-life

		C0050	C0060	C0070
		Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010				
		C0120	C0130	C0140
	Premiums written			
R0110	*Gross - Direct Business*	0	0	407,912
R0120	*Gross - Proportional reinsurance accepted*	0	0	0
R0130	*Gross - Non-proportional reinsurance accepted*	0	0	0
R0140	*Reinsurers' share*	0	0	109,537
R0200	*Net*	0	0	298,375
	Premiums earned			
R0210	*Gross - Direct Business*	0	0	398,321
R0220	*Gross - Proportional reinsurance accepted*	0	0	0
R0230	*Gross - Non-proportional reinsurance accepted*	0	0	0
R0240	*Reinsurers' share*	0	0	94,563
R0300	*Net*	0	0	303,758
	Claims incurred			
R0310	*Gross - Direct Business*	0	0	279,632
R0320	*Gross - Proportional reinsurance accepted*	0	0	0
R0330	*Gross - Non-proportional reinsurance accepted*	0	0	0
R0340	*Reinsurers' share*	0	0	82,890
R0400	*Net*	0	0	196,742
	Changes in other technical provisions			
R0410	*Gross - Direct Business*	0	0	0
R0420	*Gross - Proportional reinsurance accepted*	0	0	0
R0430	*Gross - Non-proportional reinsurance accepted*	0	0	0
R0440	*Reinsurers' share*	0	0	0
R0500	*Net*	0	0	0
R0550	**Expenses incurred**	0	0	102,975
R1200	**Other expenses**			
R1300	**Total expenses**			102,975

S.05.02.01
Premiums, claims and expenses by country

Life

		C0150	C0160	C0170	C0180
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations		
R1400					
		C0220	C0230	C0240	C0250
	Premiums written				
R1410	*Gross*	6,312			
R1420	*Reinsurers' share*	1,086			
R1500	*Net*	5,226	0	0	0
	Premiums earned				
R1510	*Gross*	5,745			
R1520	*Reinsurers' share*	961			
R1600	*Net*	4,784	0	0	0
	Claims incurred				
R1610	*Gross*	739			
R1620	*Reinsurers' share*	381			
R1700	*Net*	358	0	0	0
	Changes in other technical provisions				
R1710	*Gross*				
R1720	*Reinsurers' share*				
R1800	*Net*	0	0	0	0
R1900	**Expenses incurred**	68,050			
R2500	**Other expenses**				
R2600	**Total expenses**				

S.05.02.01

Premiums, claims and expenses by country

Life

		C0190	C0200	C0210
		Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
R1400				
		C0260	C0270	C0280
	Premiums written			
R1410	*Gross*			6,312
R1420	*Reinsurers' share*			1,086
R1500	*Net*	0	0	5,226
	Premiums earned			
R1510	*Gross*			5,745
R1520	*Reinsurers' share*			961
R1600	*Net*	0	0	4,784
	Claims incurred			
R1610	*Gross*			739
R1620	*Reinsurers' share*			381
R1700	*Net*	0	0	358
	Changes in other technical provisions			
R1710	*Gross*			0
R1720	*Reinsurers' share*			0
R1800	*Net*	0	0	0
R1900	**Expenses incurred**			68,050
R2500	**Other expenses**			
R2600	**Total expenses**			68,050

S.23.01.22
Own Funds

	Basic own funds before deduction for participations in other financial sector	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	615,082	615,082		0	
R0020	*Non-available called but not paid in ordinary share capital at group level*	0				
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0060	*Non-available subordinated mutual member accounts at group level*	0				
R0070	Surplus funds	0	0			
R0080	*Non-available surplus funds at group level*	0	0			
R0090	Preference shares	0		0	0	0
R0100	*Non-available preference shares at group level*	0				
R0110	Share premium account related to preference shares	0		0	0	0
R0120	*Non-available share premium account related to preference shares at group level*	0				
R0130	Reconciliation reserve	-474,654	-474,654			
R0140	Subordinated liabilities	51,176		0	51,176	0
R0150	*Non-available subordinated liabilities at group level*	23,500			23,500	
R0160	An amount equal to the value of net deferred tax assets	18,831				18,831
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*	2,335				2,335
R0180	Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
R0190	*Non available own funds related to other own funds items approved by supervisory authority*	0				
R0200	Minority interests (if not reported as part of a specific own fund item)	0				
R0210	*Non-available minority interests at group level*	0				

Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	

Deductions

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
R0230	Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	0				
R0240	*whereof deducted according to art 228 of the Directive 2009/138/EC*	0				
R0250	Deductions for participations where there is non-availability of information (Article 229)	0				
R0260	Deduction for participations included by using D&A when a combination of methods is used	0				
R0270	**Total of non-available own fund items**	25,835	0	0	23,500	2,335
R0280	**Total deductions**	25,835	0	0	23,500	2,335
R0290	**Total basic own funds after deductions**	184,601	140,428	0	27,676	16,497

Ancillary own funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				

S.23.01.22
Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector	C0010	C0020	C0030	C0040	C0050
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0380	Non available ancillary own funds at group level	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Own funds of other financial sectors					
R0410	Credit Institutions, investment firms, financial insitutions, alternative investment fund manager, financial institutions	0				
R0420	Institutions for occupational retirement provision	0				
R0430	Non regulated entities carrying out financial activities	0				
R0440	**Total own funds of other financial sectors**	0	0	0	0	0
	Own funds when using the D&A, exclusively or in combination of method 1					
R0450	Own funds aggregated when using the D&A and combination of method	0				
R0460	Own funds aggregated when using the D&A and combination of method net of IGT	0				
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	184,601	140,428	0	27,676	16,497
R0530	Total available own funds to meet the minimum consolidated group SCR	168,104	140,428	0	27,676	
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	184,006	140,428	0	27,676	15,902
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	147,501	140,428	0	7,072	
R0610	**Minimum consolidated Group SCR**	35,361				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	417.13%				
R0660	**Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)**	184,006	140,428	0	27,676	15,902
R0680	**Group SCR**	106,015				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	173.57%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	205,014
R0710	Own shares (held directly and indirectly)	
R0720	Forseeable dividends, distributions and charges	
R0730	Other basic own fund items	633,914
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0750	Other non available own funds	45,755
R0760	**Reconciliation reserve**	-474,654
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	64,217
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	27,010
R0790	**Total Expected profits included in future premiums (EPIFP)**	91,227

S.25.01.22

Solvency Capital Requirement - for groups on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
R0010	Market risk	14,198		
R0020	Counterparty default risk	12,217		
R0030	Life underwriting risk	27,759		
R0040	Health underwriting risk	72,310		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-32,877		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	93,606		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	12,409
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	**Solvency Capital Requirement excluding capital add-on**	106,015
R0210	Capital add-ons already set	
R0220	**Solvency capital requirement for undertakings under consolidated method**	106,015

S.25.01.22
Solvency Capital Requirement - for groups on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
	Other information on SCR			
R0400	Capital requirement for duration-based equity risk sub-module			
R0410	Total amount of Notional Solvency Capital Requirements for remaining part			
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds			
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios			
R0440	Diversification effects due to RFF nSCR aggregation for article 304			
R0470	Minimum consolidated group solvency capital requirement	35,361		
	Information on other entities			
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	0		
R0510	*Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies*			
R0520	*Institutions for occupational retirement provisions*			
R0530	*Capital requirement for non- regulated entities carrying out financial activities*			
R0540	Capital requirement for non-controlled participation requirements			
R0550	Capital requirement for residual undertakings			
	Overall SCR			
R0560	SCR for undertakings included via D&A			
R0570	**Solvency capital requirement**	106,015		

S.32.01.22
Undertakings in the scope of the group

Row	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking
	C0010	C0020	C0030	C0040
1	GB	213800W4KXJIK7F	LEI	Discovery Group Europe Limited
2	GB	213800JCOXJR5T\	LEI	Discovery Offshore Holdings No. 2 Limited
3	GB	213800BCIBD7CX7	LEI	Discovery Holdings Europe Limited
4	GB	213800XLX74K6W	LEI	Health Protect Limited
5	GB	2138006JOU6QC6	LEI	Vitality Corporate Services Limited
6	GB	213800W4KXJIK7F	Specific code	Healthcare Purchasing Alliance Limited
7	GB	213800KXM4SQVY	LEI	KYS Paid Limited
8	GB	213800Y6CME1PF	LEI	Insure Your Health Limited
9	GB	213800O647LRO3	LEI	Vitality Life Limited
10	GB	213800IPBGB4QH	LEI	Vitality Health Insurance Limited
11	GB	213800W4KXJIK7F	Specific code	Healthcode Limited
12	GB	213800D5I9HUP34	LEI	Vitality Health Limited

S.32.01.22
Undertakings in the scope of the group

Row	Type of undertaking
	C0050
1	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC
2	Other
3	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC
4	Other
5	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35
6	Other
7	Other
8	Other
9	Life insurance undertaking
10	Non life insurance undertaking
11	Other
12	Non life insurance undertaking

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Undertakings in the scope of the group

Row	Legal form	Category (mutual/non mutual)	Supervisory Authority
	C0060	C0070	C0080
1	Company limited by shares	Non-mutual	0
2	Company limited by shares	Non-mutual	0
3	Company limited by shares	Non-mutual	0
4	Company limited by shares	Non-mutual	0
5	Company limited by shares	Non-mutual	0
6	Company limited by shares	Non-mutual	0
7	Company limited by shares	Non-mutual	0
8	Company limited by shares	Non-mutual	0
9	Company limited by shares	Non-mutual	Financial Conduct Authority, Prudential Re
10	Company limited by shares	Non-mutual	Financial Conduct Authority, Prudential Re
11	Company limited by shares	Non-mutual	0
12	Company limited by shares	Non-mutual	Financial Conduct Authority, Prudential Re

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Undertakings in the scope of the group

	Criteria of influence					
	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation
Row	C0180	C0190	C0200	C0210	C0220	C0230
1	0.00%	0.00%	0.00%	0		0.00%
2	100.00%	100.00%	100.00%	0	Dominant	100.00%
3	100.00%	100.00%	100.00%	0	Dominant	100.00%
4	100.00%	100.00%	100.00%	0	Dominant	100.00%
5	100.00%	100.00%	100.00%	0	Dominant	100.00%
6	50.00%	50.00%	50.00%	0	Significant	50.00%
7	100.00%	100.00%	100.00%	0	Dominant	100.00%
8	100.00%	100.00%	100.00%	0	Dominant	100.00%
9	100.00%	100.00%	100.00%	0	Dominant	100.00%
10	100.00%	100.00%	100.00%	0	Dominant	100.00%
11	20.00%	20.00%	20.00%	0	Significant	20.00%
12	100.00%	100.00%	100.00%	0	Dominant	100.00%

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Undertakings in the scope of the group

Row	Inclusion in the scope of Group supervision		Group solvency calculation
	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
	C0240	C0250	C0260
1	Included in the scope		Method 1: Full consolidation
2	Included in the scope		Method 1: Adjusted equity method
3	Included in the scope		Method 1: Full consolidation
4	Included in the scope		Method 1: Adjusted equity method
5	Included in the scope		Method 1: Full consolidation
6	Included in the scope		Method 1: Adjusted equity method
7	Included in the scope		Method 1: Adjusted equity method
8	Included in the scope		Method 1: Adjusted equity method
9	Included in the scope		Method 1: Full consolidation
10	Included in the scope		Method 1: Full consolidation
11	Included in the scope		Method 1: Adjusted equity method
12	Included in the scope		Method 1: Full consolidation