SOLVENCY AND FINANCIAL CONDITION REPORT

DISCOVERY GROUP EUROPE LIMITED

FOR THE YEAR ENDING

30 JUNE 2017

CONTENTS

Abbreviations

SII	Solvency II
Rulebook	The PRA Rulebook for Solvency II firms
Directive	Directive 2009/138/EC of the European Parliament and of the Council
Delegated Regulation	Commission Delegated Regulation (EU) 2015/35
SFCR	Solvency and Financial Condition Report
QRT	Quantitative Reporting Template
Group SCR	Consolidated Group Solvency Capital Requirement
Group MCR	Minimum Group Consolidated Solvency Capital Requirement
BSCR	Basic Solvency Capital Requirement
IFRS	International Financial Reporting Standards
SOFP	Statement of Financial Position
PRA	Prudential Regulation Authority
PMI	Private Medical Insurance
ERM	Enterprise Risk Management
TRS	Total Return Swap
DGEL	Discovery Group Europe Limited
DHEL	Discovery Holdings Europe Limited
VCSL	Vitality Corporate Services Limited
NHVCSL	Nuffield Health and Vitality Corporate Services Limited
VHIL	Vitality Health Insurance Limited
VHL	Vitality Health Limited
VLL	Vitality Life Limited
HPA	Healthcare Purchasing Alliance Limited
HPL	Health Protect Limited
IYH	Insure Your Health Limited
KYS	KYS Paid Limited
PAC	The Prudential Assurance Company Limited

SUMMARY

1. BUSINESS AND PERFORMANCE SUMMARY

This Solvency and Financial Condition Report ("SFCR") is presented in respect of Discovery Group Europe Limited ("DGEL") and the undertakings consolidated by DGEL, together "the Group".

DGEL is part of the Discovery Group, one of the leading providers of insurance solutions in the world, operating in 16 global markets, and impacting close to 10 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.

On 23 December 2015, VLL received authorisation from the Prudential Regulation Authority ("PRA") to write long term insurance business. Hence in 2016 VLL started to issue policies itself (until that point policies had been issued by The Prudential Assurance Company Limited ("PAC") and continue to be liabilities of PAC). "PAC book" refers to the contracts for which Discovery owns the economic interest but which are currently liabilities of PAC. This PAC book 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. While VLL is consolidated into the Group, the PAC book will continue to be excluded from the Group until such time as the Part VII of the PAC book business is completed.

The Vitality Model

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 the resultant lower premiums, as well as improved health and wellbeing, and access to a wide range of partners and rewards; 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 Apple, 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 more than a 10-fold increase in the number of members reaching their weekly activity targets since its introduction.

In 2016, two new additions to the Active Rewards programme were launched to the UK market. Active Rewards with Apple Watch allows members to purchase an Apple Watch at a significant upfront discount, with monthly repayments over the next two years which themselves are discounted on the basis of members' physical activity levels. The Apple Watch benefit has driven a 46% increase in physical activity points earned among members who were already engaging, clearly indicating that offering a choice of compelling benefits is key to continuing to improve physical activity behaviours.

In addition, a new Healthy Food benefit - through which members can qualify for discounts of up to 25% and free delivery on grocery shopping from Ocado, the UK's largest dedicated online grocery retailer was launched to incentivise healthier nutrition behaviours among Vitality members. Integration with Ocado allows Vitality to sign-post healthy food choices, through a dedicated 'Vitality food aisle' in the online store, while qualification for a discount is dependent on members earning points through physical activity, meaning that the benefit incentivises both healthy exercise and nutrition behaviours. When analysing the shopping behaviours of Vitality members who used Ocado before and after the launch of the benefit, a 19% increase in the proportion of their shopping baskets which is healthy was observed.

Something which Vitality 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 five 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, 370 unique organisations and approximately 124,000 distinct individuals have taken part, making this one of the largest and most comprehensive studies of workplace health in the UK.

Vitality continues to invest in growing its brand in the UK through sponsorship, advertising and public relations. 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 have included the Vitality Run Series, RSPCA Big Walkies with Vitality and the VitalityMove initiative, in partnership with Jessica Ennis-Hill, which promote the benefits of activity to consumers, members and intermediaries across the UK.

Business review

VHL has performed strongly in the period, generating a pre-tax International Financial Reporting Standards ("IFRS") profit of £14,459k (2016: £7,152k). VHL has grown its profitability significantly over the period driven by investments in a number of successful initiatives that have resulted in considerable improvement in loss ratio as well as API growth.

VLL has also performed strongly in the period, generating a pre-tax IFRS profit of £20,677k (2016: £5,169k), with annual premium equivalent ("APE") sales of £58,169k (2016: £26,965k). Gross premiums were £45,807k (2016: £5,745k). The key drivers for increased pre-tax profits and gross premiums in the period were a) the year ended 30 June 2017 was a 12 month period of trading compared to the prior period being six months and b) the 216% growth in VLL's new business APE compared to the prior period. It should be noted that these performance measures for VLL exclude the impact of VitalityLife policies underwritten by PAC.

Further information on the performance of VHL and VLL can be found in their respective SFCRs.

2. SYSTEM OF GOVERNANCE SUMMARY

DGEL's principle activity is that of an insurance holding company. DGEL owns 99.0% of Discovery Holdings Europe Limited ("DHEL"). DHEL owns Vitality Health Insurance Limited ("VHIL") and indirectly VHL, both licensed insurance companies. VHIL no longer has any active policyholders since the migration of business underwritten by VHIL to VHL completed in 2015. VHL offers an innovative private medical insurance product in the UK. DHEL also funds the PAC book, the life insurance business launched in October 2007 with policies underwritten by PAC

The DGEL Board is ultimately responsible for the management and oversight of DHEL. The DGEL Board has set up a Reporting Committee which reviews the Solvency II reporting and recommends the reporting to the DGEL Board for approval prior to submission to the regulator and publication. The DHEL Board is ultimately responsible for the oversight of the regulated insurance undertakings which each have a unique entrepreneurial spirit with a strong emphasis on innovation. The regulated insurance undertakings have their own respective board and board sub-committees which have the responsibility to preserve these special attributes, while at the same time ensuring that the principles of good governance are observed. Please 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 2017.

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.

Underwriting risk is the largest risk measured by the standard formula Consolidated Group Solvency Capital Requirement ("Group SCR") and arises through the provision and administration of short term private medical insurance by VHL and of long term protection business (including life, serious illness and income protection cover) by VLL. Default and market risk as components of the SCR are small in relation. Writing whole of life business in VLL means there is exposure to a reduction in interest rates.

The risk profile of the Group has not changed materially over the reporting period, aside from a movement towards long-term underwriting risks as VLL grows more quickly than VHL.

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

4. VALUATION FOR SOLVENCY PURPOSES SUMMARY

Although the starting point for the valuation of assets and liabilities under Solvency II is the same as IFRS, there are some significant differences as highlighted in the table below:

	£000
IFRS excess of assets over liabilities in Group SOFP	**554,685**
Adjustments for Solvency II:	
Difference in technical provisions	234,399
Difference in reinsurance recoverables	(66,395)
Difference in investments	(164)
Difference in insurance and intermediaries receivables	(198,093)
Difference in reinsurance receivables	(101,616)
Difference in receivables (trade, not insurance)	(10,605)
Removal of goodwill	(123,727)
Removal of deferred acquisition costs	(29,222)
Removal of intangible assets	(56,521)
Difference in value of insurance and intermediary payables	1,004
Difference in reinsurance payables	41,355
Difference in payables (trade, not insurance)	(4,078)
Solvency II ("SII") excess of assets over liabilities	**241,022**

5. CAPITAL MANAGEMENT SUMMARY

The Group SCR coverage ratio at 30 June 2017 position was 160%, with eligible own funds of £245,217k and a Group SCR of £153,168k.

The Minimum Consolidated Group Solvency Capital Requirement ("Group MCR") ratio was 378% as at the reporting date with eligible own funds of £178,050k over the Group MCR of £47,086k.

DGEL received £62,050k of ordinary share capital injections and the value of tier 2 subordinated liabilities included within Group own funds eligible to cover the SCR increased by £37,943k during the reporting period to support the growth of the Group. The primary use of this funding was the financing of new business in VLL which requires regular capital injections until such time as the in-force business is large enough for the business to be cash flow positive overall.

The capital management objective is to maintain sufficient own funds to cover both the Group SCR and Group MCR with an appropriate buffer. The Group carries out regular reviews of the solvency ratio as part of its risk monitoring and capital management system and has complied continuously with both the Group MCR and the Group SCR throughout the reporting period.

A BUSINESS AND PERFORMANCE

A.1 BUSINESS

A.1.1 Name and legal form of the undertaking

DGEL is incorporated in the United Kingdom and is a company limited by shares. The address of the registered office is:
3 More London Riverside
London
SE1 2AQ

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

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 but in 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. The Group has a waiver in place, effective 1 January 2016, from the PRA modifying the PRA Rulebook on Group Supervision to use another method.

Discovery Limited 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 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 are:

PricewaterhouseCoopers LLP
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 and at the end of the financial year 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 Discovery Group Europe Limited and was able to exercise 100% of the voting power at any general meeting.

A.1.5 Legal structure and the governance and organisational 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	99.0%	99.0%
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%
Nuffield Health and Vitality Corporate Services Limited	Limited by shares	United Kingdom	Vitality Corporate Services Limited	50%	50%

A.1.5.2 Details of the governance and organisational 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.

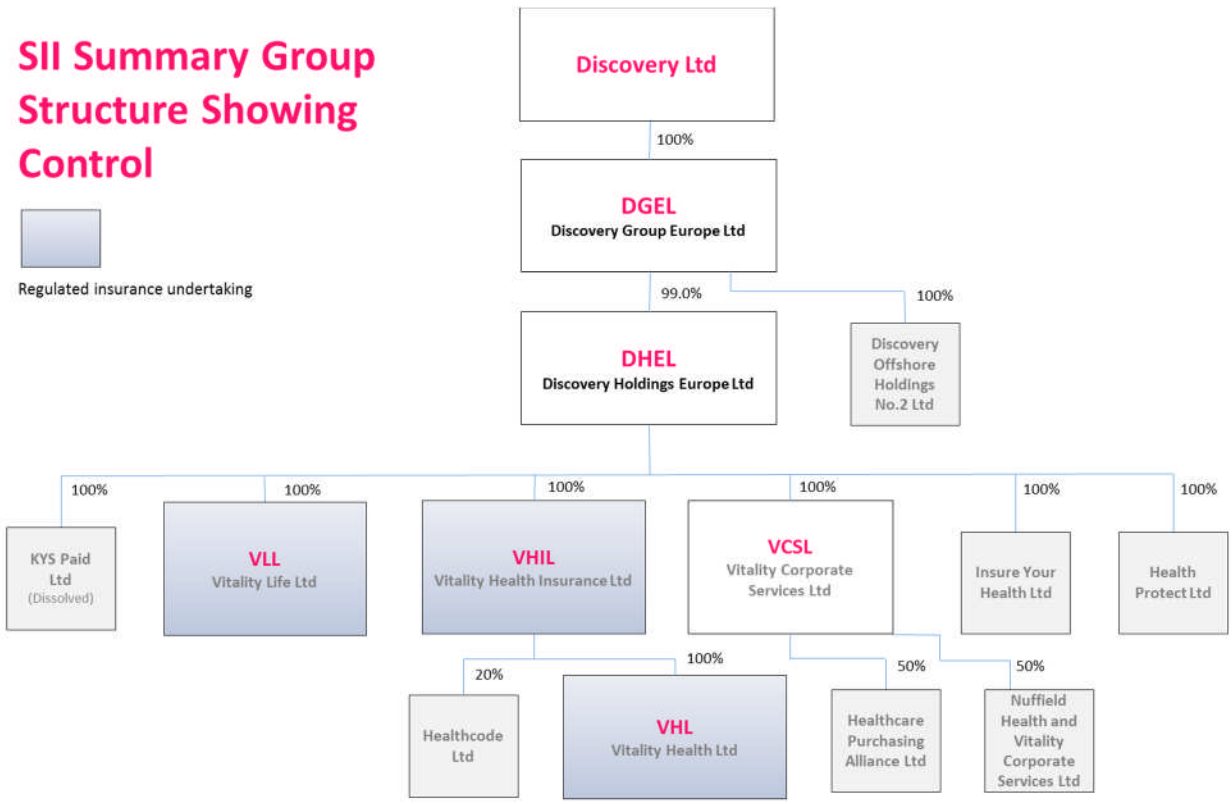


Figure 1 – Summary group structure

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

DGEL is the topmost European entity and is a holding company for DHEL and also owns a dormant company called Discovery Offshore Holdings No.2 Limited.

DHEL, a holding company, owns three regulated insurance entities (VLL, VHL and VHIL). It also owns Vitality Corporate Services Limited ("VCSL"), which is a services company, a distributor called Insure Your Health Limited ("IYH") which is an appointed representative of VCSL, a dormant company Health Protect Limited ("HPL") and a leads generating business dissolved during the year ended 30 June 2017 called KYS Paid Limited ("KYS").

DHEL itself is not a regulated insurance entity, and thus has no capital requirement. VCSL, IYH and KYS similarly have no insurance capital requirements, although as VCSL is an intermediary it requires small amounts of net assets to be held.

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

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 entity and thus has no capital requirements.

VCSL owns 50% of Nuffield Health and Vitality Corporate Services Limited ("NHVCSL"), a new joint venture incorporated on 28 June 2017 but which had not begun trading by 30 June 2017. NHVCSL will provide large employers with a health and engagement solution for their entire workforce, providing a range of tools to help employers understand their employees' physical and mental wellbeing needs and motivations with the aim of improving productivity.

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 employment contracts and managing the payroll; and
- The administration of trust medical schemes.

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

The Group underwrites insurance business through two of its subsidiary regulated insurance undertakings. VHL writes medical expenses insurance classified as Health Insurance not similar to Life ("Health Non-SLT"). VLL's long-term protection business is classified into two Solvency II lines of business: Other Life Insurance ("Other Life"); and Health Insurance similar to Life ("Health SLT").

These companies prepare their financial statements in accordance with IFRS. For VLL, under IFRS (and also for management reporting purposes), all business is considered to be one type of business, namely 'protection business'.

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 62,050,000 ordinary shares with a nominal value of £1 each. DGEL received consideration of £62,050,000 in cash in respect of this allotment from Discovery Limited.

In February 2017 VLL announced its plans to launch a suite of investment products within unit-linked insurances with an anticipated launch date in the financial year ended 30 June 2018. This proposition is subject to regulatory approval.

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 Statement of Financial Position ("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 Private Medical Insurance ("PMI") business which is classified as Medical expense insurance for Solvency II purposes:

Medical Expenses Insurance £'000	June 17	June 16	YoY change
Gross Earned Premium	407,018	398,321	8,697
Reinsurance Share of Premium	(76,745)	(94,563)	17,818
Gross Claims Incurred	(253,969)	(278,457)	24,488
Reinsurance Share of Claims	58,175	82,650	(24,475)
Expenses	(119,693)	(103,604)	(16,089)
Other Income	(327)	2,805	(3,132)
IFRS Profit before tax	**14,459**	**7,152**	**7,307**

The PMI underwriting performance experienced significant growth over the financial year ended 30 June 2017, with IFRS profit before tax growing from £7,152k to £14,459k. The primary driver of the improved profitability was favorable claims experience over the year.

The growth in earned premiums was stable at 2.2% - in line with the growth in the lives insured.

The IFRS profits include the benefit of Financial Reinsurance ("FinRe") and Deferred Acquisition Costs ("DAC") which partially offset the IFRS profit strain of writing new business. The benefit of FinRe and DAC are not recognised under the Solvency II basis as noted under Section D.

The above table includes the underwriting results for VHL alone. VHIL is excluded on the basis that VHIL ceased to underwrite PMI business and completed a migration of its policyholders to VHL by 30 June 2015. Additional information can be found in the individual regulated insurance undertaking SFCRs.

Long-Term Life Insurance

The following table summarises the underwriting performance of the Group's long-term life insurance business, underwritten by VLL:

£'000	Year ended 30 June 2017			6 months ended 30 June 2016*		
	Other Life	Health SLT	Total	Other Life	Health SLT	Total
Gross premiums	39,050	6,757	45,807	4,826	919	5,745
Reinsurers' share of premiums	(22,669)	(3,923)	(26,592)	(807)	(154)	(961)
Gross claims	(5,602)	(1,445)	(7,047)	(654)	(85)	(739)
Reinsurers' share of claims	3,061	697	3,758	337	44	381
Expenses	(137,979)	(26,401)	(164,380)	(57,379)	(10,671)	(68,050)
Reinsurance financing received	69,766	12,072	81,838	24,500	4,556	29,056
Movement in insurance contract reserves			91,424			40,262
Pre-tax underwriting performance			**24,808**			**5,694**
Other income and expenses			(4,131)			(525)
Pre-tax IFRS profit			**20,677**			**5,169**

**Vitality Life Limited received authorisation from the PRA to write long term insurance business on 23 December 2015, and commenced trading on 1 January 2016 hence the comparative period is the 6 month period from 1 January 2016 to 30 June 2016.*

All business is underwritten in the UK.

The year ended 30 June 2017 has seen an increase in gross premiums from £5,745k to £45,807k. Growth was in both the Health SLT and Other Life lines of business. The key drivers of the increase year on year are a) the year ended 30 June 2017 being a 12 month period of trading compared to the prior year being 6 months and b) the sale of £58,169k of new business (measured as annual premium equivalent).

On an IFRS basis, the movement in insurance contract reserves (after allowing for the reinsurers' share) was £91,424k (2016: £40,262K). VLL's reserves are negative overall due to the nature and duration of its book of business, with those negative reserves representing the present value of future profits.. The change in the negative reserves therefore resulted in a £91,424k (2016: £40,262k) contribution to pre-tax IFRS profit.

Pre-tax IFRS profit increased from £5,169k in the six month period to 30 June 2016 to £20,677k in the 12 month period ended 30 June 2017.

VLL utilises reinsurance to limit its overall risk exposure as well as to reduce the volatility of its claims and hence underwriting performance. During the year the reinsurer's share of claims was 53% compared to 52% for the prior period. The use of risk reinsurance is of particular importance since the VLL only started underwriting policies on 1 January 2016 and hence the overall volume of business to date is small, increasing the likelihood of volatility. Further details of this risk mitigation are set out in C.1.2.

VLL uses reinsurance financing to help offset the financial strain of writing new business, which is then repaid in future periods contingent on policyholders' premium payments. Income from reinsurance financing during the year was £81,838k, which, in the VLL's financial statements, is offset against expenses. Repayment of reinsurance financing in the year was £19,990k, these repayments are made by ceding premiums to the reinsurers and are therefore included in reinsurers' share of premiums in the VLL's financial statements.

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 2017	GAINS / INCOME ON INVESTMENTS IN THE YEAR TO 30 JUNE 2016
Financial assets at fair value through profit and loss	54	453
Fair value gain on derivatives	-	2,745
Coupons earned on derivatives	3,362	-
Cash and cash equivalents	1,789	2,630
Investment in associates	48	31
Loan interest	2,682	3,179
	7,935	**9,038**

FINANCIAL STATEMENT ASSET CLASS	EXPENSES ON INVESTMENTS IN THE YEAR TO 30 JUNE 2017	EXPENSES ON INVESTMENTS IN THE YEAR TO 30 JUNE 2016
Fair value loss on derivatives	(9,629)	-
Financial assets at fair value through profit and loss	(45)	(44)
	(9,674)	**(44)**

The fair value loss on derivatives was incurred on over-the-counter total return interest rate swap derivatives held by DHEL, which provide DHEL with the capital depreciation / appreciation and coupon payments on a basket of Gilts designed to closely match that of the FTSE Actuaries UK Conventional Gilts Over 15 Year Index. These derivatives are held by DHEL to economically hedge an exposure that the Group has to this index as a result of the VitalityLife policies underwritten by PAC.

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

Not applicable – all gains and losses are recognised in 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 year ended 30 June 2017.

A.4 PERFORMANCE OF OTHER ACTIVITIES

A.4.1 Other material income and expenses

Financing reinsurance is an important part of VHL's funding strategy. 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. Further information on this use of financing reinsurance can be found in VHL's SFCR.

A.4.2 Leases

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

In February 2017 VLL announced its plans to launch a suite of investment products with unit-linked insurances with an anticipated launch date in the financial year ended 30 June 2018. This proposition is subject to regulatory approval. In developing this proposition VLL incurred expenses to research, develop and implement these products and build supporting processes and systems. These expenses reduced the pre-tax IFRS profit of VLL and are included within "Other income and expenses" in the table in A.2.

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 DGEL Board is ultimately responsible for the management and oversight of DHEL. The DGEL Board has set up a Reporting Committee which reviews the Solvency II reporting and recommends the reporting to the DGEL Board for approval 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

DGEL was not subject to any director resignations or appointments during the year ended 30 June 2017.

DHEL's Group Internal Audit function has been insourced during the year. The Chief Internal Auditor reports independently to the Chair of the Audit Committees of DHEL and its subsidiaires, who is an independent non-executive director and has a team of 5, including a technology auditor, delivering internal audits across DHEL and its subsidiaries. The function can also draw on additional resources as required on a case by case basis.

Additional information on changes in the regulated insurance undertaking are included in their respective SFCRs.

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

The directors of DGEL receive no remuneration in respect of their services provided to the Group. The remuneration policy applies to the directors of other undertakings within the Group.

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

	Transaction Date	Amount (£'000)
Issue of DGEL ordinary share capital to Discovery Limited	2016/08/10	1,000
Issue of DGEL ordinary share capital to Discovery Limited	2016/09/30	11,000
Issue of DGEL ordinary share capital to Discovery Limited	2016/12/15	10,000
Issue of DGEL ordinary share capital to Discovery Limited	2017/03/31	27,350
Issue of DGEL ordinary share capital to Discovery Limited	2017/06/30	12,700
Issue of Tier 2 subordinated loan from Discovery Finance Company Europe Limited to DHEL	2016/10/31	26,000
Issue of Tier 2 subordinated loan from Discovery Limited to DGEL	2016/12/31	8,500
Issue of Tier 2 subordinated loan from Discovery Limited to DGEL	2017/03/31	24,650
Loan interest and FX capitalisation – Discovery Limited/DGEL	2017/06/30	4,793

Persons who exercise a significant influence on the group

There were no material transactions between the Group and persons who exercise a significant influence on the Group.

Executive management and directors

There were no material transactions between the Group and executive management and directors.

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.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 Enterprise Risk Management ("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.

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 operates across DHEL and its subsidiaries, and its implementation is as described in the regulated insurance undertakings' SFCRs.

B.5.2 Independence of the internal audit function

DHEL's internal audit function is managed by the Chief Internal Auditor who is an employee of the business, has no responsibility for any other function across the business and has a primary reporting line into the Chair of the Audit Committees of DHEL and its subsidiaries, which is a Non-executive Director role. Internal audit has full access to all activities, documents, meetings and personnel necessary to carry out their duties.

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 Chair of the Actuarial Committees of VLL, VHL and VHIL(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

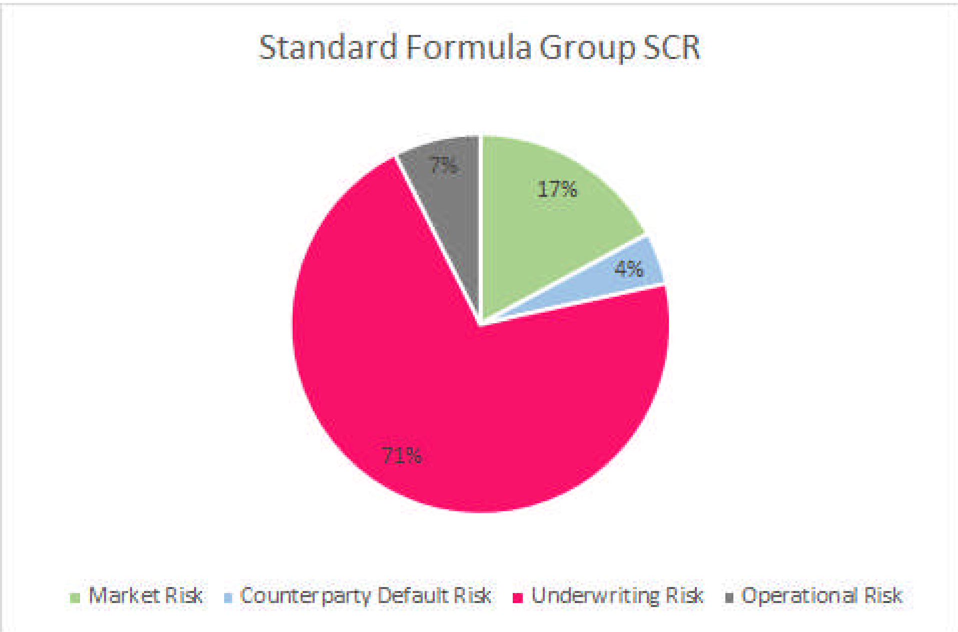
The principal risks that the Group faces are the profitability and continued success of its regulated insurance undertakings.

Underwriting risk is the largest risk measured by the standard formula Consolidated Group SCR and arises through the provision and administration of short term private medical insurance by VHL and of long term protection business (including life, serious illness and income protection cover) by VLL. Additional capital for market risk arises at the Group level though exposure to gilts through a derivative contract: this hedges part of the interest rate risk DHEL is indirectly exposed to in regard to the cash flows arising from PAC with respect to the legacy business, but due to technical rules in Solvency II cannot be eliminated from the SCR. Writing whole of life business in VLL means there is exposure to a reduction in interest rates. Default risk as a component of the SCR are small in relation.

Operational risk is the risk of loss arising from inadequate or failed internal processes, people, systems and/or external events. The Group operates an Enterprise Risk Management framework that sets out how all risks are identified, analysed, measured, reported and monitored.

The risk profile of the Group has not changed materially over the reporting period, aside from a movement towards long-term underwriting risks as VLL grows more quickly than VHL.

The distribution of its quantifiable risks at 30 June 2017, as reflected in the Group SCR before diversification benefits, is as follows:



The principal risks of VHL, VHIL and VLL are described in detail within their respective regulated insurance undertakings SFCRs. The following sections provide additional information relevant to the Group.

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, alongside details of how these risks are identified and measured, how concentrations of risk may occur, and how these risks are mitigated.

C.2 MARKET RISK

C.2.1 Exposure

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 indirectly exposed to in regard to the cash flows arising from PAC with respect to the legacy business.

Other than its strategic participations the Group has no exposure to equity risk. The Group has no exposure to property risk.

Market risk exposures within the regulated insurance undertakings are described within their respective SFCRs, alongside details of how these risks are identified and measured, how concentrations of risk may occur, and how these risks are mitigated.

C.2.2 Risk mitigation

The Group does not participate in any speculative, arbitrage or trading activities. The Group targets a minimum level of security, quality, profitability and availability in its investment activities. Expected returns are evaluated after considering any additional solvency capital required as a result of an investment.

C.2.3 Risk concentration

DGEL has relatively small amounts of cash assets compared to the regulated insurance undertakings, therefore the concentration risk is immaterial. Across its regulated insurance undertakings, assets are held across a wide range of counterparties to reduce concentration risk. Refer to the regulated insurance undertakings' SFCRs for additional information.

C.3 CREDIT RISK

C.3.1 Exposure

There is very limited additional credit risk in the form of default, spread and concentration risk at the Group level. Credit risk arises principally from the risk of default by the institutions where the Group entities' assets are deposited and from loans to subsidiaries.

Credit risk exposures within the regulated insurance undertakings are described within their respective SFCRs, alongside details of how these risks are identified and measured, how concentrations of risk may occur, and how these risks are mitigated.

C.3.2 Risk mitigation

Credit ratings are used to assess credit risks. The Group does not routinely make its own assessment of credit risk of counterparties other than to use the ratings provided by rating agencies (though could potentially do so if it has reason to believe that the rating agencies ratings are inaccurate or out of date).

To mitigate the risk of banking counterparty default, banks are chosen following a thorough diligence exercise to select only highly reputable and creditworthy banks. No derivatives are employed to manage credit risk.

C.3.3 Risk concentration

The Group avoids material credit risk concentrations by ensuring its deposits are split across more than one banking unit and reinsurance is split across multiple reinsurance counterparties to reduce single name exposure. In addition, counterparties are chosen such that they are highly reputable and creditworthy to further reduce credit risk exposure.

C.4 LIQUIDITY RISK

C.4.1 Exposure

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.

Liquidity risk exposures within the regulated insurance undertakings are described within their respective SFCRs, alongside details of how these risks are identified and measured, how concentrations of risk may occur, and how these risks are mitigated.

C.4.2 Risk mitigation

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. As part of the ORSA, Stress and Scenario testing assesses the liquidity risk under stressed conditions.

C.4.3 Risk concentration

For DHEL in particular, the exposures described above with regards to the two sources of the TRS and PAC represent a concentration of liquidity risk. More widely, the Group as a whole avoids material liquidity risk concentrations by ensuring its invested assets are split across a number of counterparties, but also within each collective investment undertaking, the funds are invested across a number of liquid, short term counterparties.

C.4.4 Expected profit included in future premiums (EPIFP)

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.5 OPERATIONAL RISK

C.5.1 Exposure

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.

The key material operational risks that the business continued to actively manage over the period include:

- Cyber/ Data security - the risk of the inability to protect data and systems from unauthorised access, use, disclosure, disruption, modification and/or destruction. In line with the increase in the cyber threat level, our focus on this risk has increased in the year;
- IT Infrastructure - the risk arising from lack of effectiveness, integrity, reliability, capacity and/or availability of IT infrastructure;
- Mis-selling – the risk of deliberate, reckless or negligent sale of products or services in circumstances where the contract is either misrepresented, or the product/service is unsuitable for the customer's needs;
- Outsourcing - the risk of failure, non-performance, ineffective management and/or oversight of an outsourcing partner or a binder agreement;
- People - the risk of inadequate recruitment practices, development, management or retention of employees and/ or contractors;
- Execution, Delivery and Process Management - the risk to a business unit’s service provision arising from a failure to carry out operational processes in an accurate, timely and complete manner;
- Legal - the risk of a defective transaction arising; a claim (including a defence to a claim or a counterclaim) being made; inadequate contract management or any other event occurring which results in liability for the Group;
- Fraud – the risk of deliberate acts by internal or external parties obtaining advantage or causing harm to the organisation; and
- Reputational – the risk of loss or damage to the Group’s reputation or brand confidence, including impacts from conduct risk, liquidity risk and knock-on impacts on underwriting risks such as persistency and expenses.

C.5.2 Risk mitigation

All material operational risks which the Group is exposed to are identified and recorded in the risk register. The risks are assessed and once any actions required to manage the risks have been agreed, the risks are reported to senior management, the Risk Committee and the Boards. The following list outlines the actions/techniques the Group uses to mitigate 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 cannot 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 Boards.

C.5.3 Risk concentration

Operational risk is inherent within the Group. It is managed through the ERM framework and a number of workshops to identify the key sources of operational risk as well as the likelihood and impact. No material concentrations of operational risk have been identified by the business and there is ongoing monitoring of risks to ensure this remains the case.

C.6 OTHER MATERIAL RISKS

The Risk Management process within the Group includes a review of both the current and emerging risk profile. At the Group level there are no additional risks over those identified in the regulated insurance undertakings. The most material are summarised below and discussed in more detail in the respective SFCRs.

There are no other material risk concentrations to which the Group is exposed. No other material risks were identified through the sensitivity, scenario and stress tests described in Section C.7.1

Future funding liquidity risk

VLL is a primary consumer of capital within the Group. The writing of future new business requires sufficient liquid resources in order to be able to pay new business commission and other acquisition costs. This type of liquidity risk will diminish over time as the business matures and the proportion of existing business becomes much larger compared to future new business. A key source of liquidity for the writing of new business is reinsurance based financing and there is the risk that the supply is reduced. Another key source of liquidity for the writing of new business are capital injections from its ultimate parent company, Discovery Limited. Risks to Discovery Limited’s ability to provide appropriate financing could also affect VLL’s ability to write future new business.

“Brexit” risks

In 2016 the UK voted to leave the EU and exit negotiations began in June 2017. While the Group does not operate outside the UK, the ongoing uncertainty and lengthy negotiation process may lead to a volatile market. This will be kept under review as the terms of the UK’s exit becomes clearer.

C.7 RISK PROFILE – ANY OTHER INFORMATION

C.7.1 Risk Sensitivity

The Group carries out stress and scenario testing as part of its risk management framework, which includes the ORSA. As part of the Group ORSA process, the stress and scenario testing includes assessing the projected solvency position under a number of adverse stresses at the 1 in 50 year level and various scenarios relevant to the Group's risk profile. This process considers both the separate ('solo') impacts of the stresses and scenarios developed in each regulated insurance undertaking's ORSA on the Group's solvency position and relevant combinations of these stresses and scenarios across all of the undertakings as well as any additional scenarios relevant to the non-insurance entities in the Group.

For the most material risks, the analysis indicated that the Group was able to withstand severe shocks without a breach of the SCR.

- Underwriting risks – the results of the analysis showed that the largest 'solo' impact on the Group SCR cover was in the VHL loss ratio, but at the 1 in 50 year level remained muted: a solo loss at the 1 in 200 year level would not breach the Group SCR. While VLL reported that the most material impact on its SCR coverage was the lapse stress, the impacts of both diversification and the restricted contribution of VLL's negative technical provisions to Group Own Funds absorb the majority of the impact of the lapse stress on group solvency. Combined lapse and new business scenarios were considered and these also indicated it would take far more than a 1 in 50 year adverse event to breach the Group SCR and therefore the Group's overall underwriting risk profile was assessed to be resilient to withstand severe shocks and is within the Board's risk appetite.
- Market risks – the low interest rate scenarios developed by VLL were tested on the Group solvency levels. The application of these scenarios have little effect in VHL where it was reported that far more than a 1 in 200 year adverse variance to market or credit risks would be required to breach its own SCR. The Group position is therefore driven by the VLL position, and the analysis indicated that the Company can withstand these shocks.
- Credit (counterparty default) risk – this is not a material risk for any of the regulated insurance undertakings of the Group and without any additional material exposures in the remaining group entities the Group can withstand shocks greater than 1 in 50 year adverse events.

There is a degree of inherent absorbency in the Group Own Funds since surplus capital to meet the capital coverage risk appetites of its regulated insurance undertakings is held within those entities, and there are large diversification benefits between the insurance risks across these companies. Also, the 'capping' of the negative technical provisions arising in VLL towards their eligibility in Group Own Funds means that only sufficiently large reductions in their value have an impact on Group solvency levels.

As part of the Group ORSA process, stress and scenario testing was conducted to assess the settlement timing risk discussed in section C.4.1 above. The testing demonstrated that the Group maintains sufficient liquid resources to withstand severe short-term liquidity shocks with sufficient time available to seek additional funding or take other management actions.

Reverse stress testing was also used to determine what combinations of factors might lead to a breach of the Group SCR.

C.7.2 Prudent Person Principle

The Group and its regulated insurance undertakings ensures that its assets are invested in accordance with the Prudent Person Principle set out in the SII Directive. It only invests in assets whose risks it can properly identify, manage, control and report and appropriately taken into account in the Group's overall solvency needs assessment which is documented in its ORSA report.

The Boards are responsible for setting the overall Risk Appetite and Financial Risk Policy which covers market, credit and liquidity risk.

The short term high quality liquid investment holdings are a consequence of the investment assets being prudently invested, taking into account the liquidity requirements of the business and the nature and timing of the insurance liabilities within the regulated insurance undertakings.

The regulated insurance undertakings within the Group do not have any unit-linked policies where the investment risk is borne by the policyholders.

The Group does not invest in derivative instruments for investment income purposes. The collective investment undertakings held by the regulated insurance undertakings may from time-to-time purchase limited amounts of derivatives to contribute to a reduction of risks or facilitate efficient portfolio management.

All of the Group's financial assets relate to counterparties that are subject to a regulated financial market and investment in liquidity funds is split between providers to provide diversification of fund management.

Throughout the reporting period, the Group did not make use of special purpose vehicles for the purpose of transferring risk.

D VALUATION FOR SOLVENCY PURPOSES

D.1 ASSETS

D.1.1 Solvency II valuation for each material class of asset and differences in valuation between IFRS and Solvency II

The table below sets out the valuation and classification of assets for the purposes of Solvency II and the statutory account value:

Assets (£000s)	SAV Value	Valuation Difference	Solvency II Value
Deferred tax assets	17,409	-	17,409
Property, plant & equipment held for own use	6,207	-	6,207
Investments	193,817	(164)	193,653
Loans and mortgages	45,094	-	45,094
Reinsurance recoverables	(76,776)	(66,395)	(143,171)
Insurance and intermediaries receivables	214,515	(198,093)	16,422
Reinsurance receivables	107,318	(101,616)	5,702
Receivables (trade, not insurance)	26,775	(10,605)	16,170
Cash and cash equivalents	77,997	-	77,997

D.1.1.1 Deferred tax assets

The Group deferred tax asset of £17,409k as at 30 June 2017 is split across undertakings as follows:

- £14,236k – VHL
- £353k – VHIL
- £128k – VLL
- £2,692k – VCSL

For a description of the valuation of the deferred tax asset for VHL, VHIL and VLL, please refer to their respective SFCRs.

The deferred tax asset for VCSL is recognised on a combination of unutilised past tax losses and a timing difference between the tax base of assets and liabilities and the IFRS/Solvency II valuation of assets and liabilities. The valuation of the deferred tax asset takes into account the reduction in the UK main corporation tax rate to 19%, substantively enacted on 26 October 2015 and effective from 1 April 2017, and a further reduction to 17%, substantively enacted on 6 September 2016 and effective from 1 April 2020. 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 level of deferred tax asset recognised is with reference to the expected future taxable profits of VCSL. An internal valuation model is required as there is no external valuation of deferred tax available. VCSL 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. 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 are no differences between the Solvency II valuation and the IFRS valuation of the deferred tax asset.

D.1.1.2 Property, plant & equipment held for own use

Property, plant & equipment is recognised at the IFRS carrying value, based on amortised cost. This is considered to be materially the same as fair value. There are no differences between the Solvency II valuation and the IFRS valuation of property, plant & equipment held for own use.

D.1.1.3 Investments

Investments are made up of a combination of holdings in related undertakings, bonds, collective investments undertakings and deposits other than cash equivalents.

The value of the Group's investments is equal to the sum of the investments arising in VHL, VHIL and VLL, all regulated insurance undertakings. For a description of the valuation of the investments, please refer to the SFCRs of VHL, VHIL and VLL.

D.1.1.4 Loans and mortgages

Loans and mortgages of £45,094k is made up of a single loan to PAC. This loan is recognised at amortised cost which approximates fair value. There are no differences between the Solvency II valuation and the IFRS valuation of loans and mortgages.

D.1.1.5 Reinsurance recoverables

The value of the Group's reinsurance recoverables is equal to the sum of the reinsurance recoverables arising in VHL and VLL, both regulated insurance undertakings. For a description of the valuation of the reinsurance recoverables for each material SII line of business, please refer to the SFCRs of VHL and VLL.

D.1.1.6 Insurance and intermediaries receivables

The value of the Group's insurance and intermediaries receivables is equal to the sum of the insurance and intermediaries receivables arising in VHL and VLL, both regulated insurance undertakings. For a description of the valuation of the insurance and intermediaries receivables, please refer to the SFCRs of VHL and VLL.

D.1.1.7 Reinsurance receivables

The value of the Group's reinsurance receivables is equal to the sum of the reinsurance receivables arising in VHL and VLL, both regulated insurance undertakings. For a description of the valuation of the reinsurance receivables, please refer to the SFCRs of VHL and VLL.

D.1.1.8 Receivables (trade, not insurance)

Receivables (trade, not insurance) are recognised at fair value. The difference between the Solvency II and IFRS valuations relates to prepayments, which are given a nil value under Solvency II unless the prepayments are transferrable to another party.

D.1.1.9 Cash and cash equivalents

Cash and cash equivalents are held in UK and South African bank accounts. The UK bank accounts are all held in pounds sterling; no estimation methods, adjustments for future value or valuation judgements are required for these balances. The monies held in a South African bank account are denominated in South African Rand ("ZAR"), translated into pounds sterling using the prevailing GBP/ZAR exchange rate at the 30 June valuation date.

Cash and cash equivalents are valued at fair value by the relevant financial institution, and the Group receives monthly statements at the period end to confirm the balances held.

D.2 TECHNICAL PROVISIONS

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. These are shown in the table below.

£000s	VLL Other Life	VLL Health SLT	VHL Health NSLT	VHIL Health NSLT	Total
Gross IFRS Insurance contract liabilities	(207,081)	(51,906)	272,292	-	13,305
Adjustments for Solvency II	(55,129)	(20,519)	(236,431)	-	(312,079)
Gross BEL	**(262,210)**	**(72,425)**	**35,861**	**-**	**(298,774)**
Add risk margin	57,492	12,674	5,840	1,674	77,680
Technical Provisions	**(204,718)**	**(59,751)**	**41,701**	**1,674**	**(221,094)**

For a description of the assumptions and methodologies used to determine the technical provisions (including recoverables from reinsurance contracts) for each material SII line of business, any material changes in these assumptions and methodologies, 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.

The Group does not use the matching adjustment nor the volatility adjustment, nor are transitional measures applied.

D.3 OTHER LIABILITIES

D.3.1 Solvency II valuation for each material class of other liabilities and differences in valuation between IFRS and Solvency II

The table below sets out the valuation and classification of liabilities for the purposes of Solvency II and the statutory account value:

Other liabilities (£000s)	IFRS Valuation	Valuation Difference	Solvency II Valuation
Derivatives	4,642	-	4,642
Insurance and intermediary payables	16,459	(1,004)	15,455
Reinsurance payables	54,808	(41,355)	13,453
Payables (trade, not insurance)	62,809	4,078	66,887
Subordinated liabilities	115,119	-	115,119

D.3.1.1 Derivatives

As at 30 June 2017 DHEL was party to one open derivative contract with a notional derivative value of £100,538k, which does not qualify for hedge accounting under IFRS. The liability at 30 June 2017 of £4,642k represents fair value and is based on market valuations provided by the investment manager.

D.3.1.2 Insurance & intermediaries payables

The value of the Group's insurance & intermediaries payables is equal to the sum of the insurance & intermediaries payables arising in VHL and VLL, both regulated insurance undertakings. For a description of the valuation of the insurance & intermediaries payables, please refer to the SFCRs of VHL and VLL.

D.3.1.3 Reinsurance payables

The value of the Group's reinsurance payables is equal to the sum of the reinsurance payables arising in VHL and VLL, both regulated insurance undertakings. For a description of the valuation of the reinsurance payables, please refer to the SFCRs of VHL and VLL.

D.3.1.4 Payables (trade, not insurance)

Payables (trade, not insurance) include accrued expenses payable to third party services providers, insurance premium tax, and loan liabilities. Payables are valued at fair value.

The £4,078k valuation difference between IFRS and Solvency II relates to a liability representing the negative net Solvency II assets of IYH, which is recognised under the adjusted equity method.

D.3.1.5 Subordinated liabilities

Subordinated liabilities totalling £115,119k are made up of:

- A subordinated loan subject to transitional arrangements from Discovery Limited to DGEL with a balance of £12,754k as at 30 June 2017, accruing interest at 3 month GBP LIBOR plus 4%.
- A subordinated loan subject to transitional arrangements from Discovery Limited to DGEL, with a balance of £19,715k at 30 June 2017, accruing interest at 3 month ZAR Johannesberg Interbank Agreed Rate plus 2%.
- A subordinated loan of £23,500k owed by DHEL to another Discovery company, issued on 30 June 2016, repayable on 1 July 2026 with the earliest breakpoint being 1 July 2021, and accruing interest at 3 month GBP LIBOR plus 3.65%.
- A subordinated loan of £26,000k owed by DHEL to another Discovery company, issued on 31 October 2016, repayable on 1 November 2026 with the earliest breakpoint being 1 November 2021, and accruing interest at 3 month GBP LIBOR plus 3.65%.
- A subordinated loan of £8,500k owed by DGEL to another Discovery company, issued on 31 December 2016, repayable on 1 January 2027 with the earliest breakpoint being 1 January 2022, and accruing interest at 3 month GBP LIBOR plus 3.65%.
- A subordinated loan of £24,650k owed by DGEL to Discovery Limited, issued on 31 March 2017, repayable on 1 April 2027 with the earliest breakpoint being 1 April 2022, and accruing interest at 3 month GBP LIBOR plus 6%.

The Group's subordinated liabilities had a solvency valuation of £115,119k 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 cash flow has been used for the valuation method using relevant market inputs per Article 10(6) of the Delegated Regulation.

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.4 ALTERNATIVE METHODS OF VALUATION

Other than where specified in sections D.1, D.2 & D.3 above, no alternative methods of valuation are used.

D.5 VALUATION FOR SOLVENCY PURPOSES – ANY OTHER INFORMATION

There are no material differences between the bases, methods and main assumptions used at the group level for the valuation for solvency purposes of the group's assets, technical provisions and other liabilities from those used by any solo undertakings in the group.

E CAPITAL MANAGEMENT

E.1 OWN FUNDS

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

The objective of own funds management is to maintain, at all times, sufficient own funds to cover the Group SCR and Group MCR 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 regular meetings of senior management, which are at least quarterly, in which the ratio of eligible own funds over Group SCR and Group MCR 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 responsibility ultimately rests with the Group's Boards. 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 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

An analysis of own funds at 30 June 2017 and analysis of change from 30 June 2016 is shown below:

£000s	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3	Total
At 30 June 2017					
Ordinary share capital	677,132	-	-	-	677,132
Subordinated debt available at group level	-	-	65,619	-	65,619
Reconciliation reserve	(508,499)	-	-	-	(508,499)
Net deferred tax assets available at group level	-	-	-	16,330	16,330
Total available own funds to meet Group SCR	168,633	-	65,619	16,330	250,582
Less: restrictions imposed by quantitative limits	-	-	-	(5,365)	(5,365)
Total eligible own funds to meet Group SCR	168,633	-	65,619	10,965	245,217
Less: restrictions on eligible own funds to meet Group MCR	-	-	(56,202)	(10,965)	(67,167)
Total eligible own funds to meet Group MCR	168,633	-	9,417	-	178,050
At 30 June 2016 *(note the 2016 values are unaudited)*					
Ordinary share capital	615,082	-	-	-	615,082
Subordinated debt available at group level	-	-	27,676	-	27,676
Reconciliation reserve	(474,654)	-	-	-	(474,654)
Net deferred tax assets available at group level	-	-	-	16,497	16,497
Total available own funds to meet Group SCR	140,428	-	27,676	16,497	184,601
Less: restrictions imposed by quantitative limits	-	-	-	(595)	(595)
Total eligible own funds to meet Group SCR	140,428	-	27,676	15,902	184,006
Less: restrictions on eligible own funds to meet Group MCR	-	-	(20,604)	(15,902)	(36,506)
Total eligible own funds to meet Group MCR	140,428	-	7,072	-	147,500
Analysis of Change: 30 June 2016 to 30 June 2017					
Ordinary share capital issued	62,050	-	-	-	62,050
Subordinated debt issued, accrued interest and FX	-	-	37,943	-	37,943
Reconciliation reserve movement	(33,845)	-	-	-	(33,845)

Increase in deferred tax assets recognised	-	-	-	(167)	(167)
Total movement in available own funds to meet Group SCR	28,205	-	37,943	(167)	65,981
Less: movement in restrictions imposed by quantitative limits	-	-	-	(4,770)	(4,770)
Total movement in eligible own funds to meet Group SCR	28,205	-	37,943	(4,937)	61,211
Less: movement in restrictions on eligible own funds to meet Group MCR	-	-	(35,598)	4,937	(30,661)
Total movement in eligible own funds to meet Group MCR	28,205	-	2,345	-	30,550

- Tier 1 unrestricted:

Tier 1 unrestricted funds comprised of ordinary share capital and the reconciliation reserves. All of these are basic own funds.

Ordinary share capital 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. During the year, a total of 62,050 ordinary shares were issued of £1 each.

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. There are no foreseeable dividends or own shares held. The reconciliation reserve comprised of:

£000s	30 June 2017	30 June 2016	Movement
SII excess of assets over liabilities	241,022	205,014	36,008
Other basic own fund items	(694,541)	(633,914)	(60,627)
Ineligible portion of the loan to PAC	(23,340)	(38,790)	15,450
Ineligible portion of VLL negative reserves	(31,640)	(6,964)	(24,676)
Reconciliation reserve	(508,499)	(474,654)	(33,845)

The ineligible portion of the loan to PAC and the ineligible portion of the VLL negative reserves are both prevented from contributing to Group own funds on the basis that the ineligible portion of each asset is considered to be illiquid and cannot be transferred within the Group within a maximum of 9 months.

- Tier 1 restricted:

There are no tier 1 restricted own funds.

- Tier 2:

Total available tier 2 own funds consists of £65,619k in subordinated liabilities. £32,469k of this balance 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.3.1.4. The fully subordinated loans are available and form a part of basic own funds. £49,500k of subordinated liabilities owed by DHEL are not available own funds (see E.1.8).

The subordinated loans are available, fully subordinated and forms a part of basic own funds as they are eligible to be recognised as Tier 2 funds.

- Tier 3:

Total available tier 3 own funds consist of £16,330k of net deferred tax assets at 30 June 2017. 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 Group SCR, classified by tiers

£000s	Total available own funds to meet the Group SCR	Restriction	Total eligible own funds to meet the Group SCR
Tier 1 unrestricted	168,633	-	168,633
Tier 1 restricted	-	-	-
Tier 2	65,619	-	65,619
Tier 3	16,330	(5,365)	10,965
Total	**250,582**	**(5,365)**	**245,217**

The available Tier 3 own funds to meet the Group SCR is reduced by £5,365k to £10,965k due to the limit applied to the sum of tier 2 and tier 3 own funds of 50% of the Group SCR. This leaves total available own funds to meet the Group SCR of £245,217k.

The eligible own funds over Group SCR ratio was 160.1% as at 30 June 2017.

E.1.4 Eligible amount of own funds to cover the Group MCR, classified by tiers

£000s	Total available own funds to meet the Group MCR	Restriction	Total eligible own funds to meet the Group MCR
Tier 1 unrestricted	168,633	-	168,633
Tier 1 restricted	-	-	-
Tier 2	65,619	(56,202)	9,417
Tier 3	-	-	-
Total	**234,252**	**(56,202)**	**178,050**

The available Tier 2 own funds to meet the Group MCR is reduced by £56,202k to £9,417k due to the limit applied to tier 2 own funds of 20% of the Group MCR. This leaves total available own funds to meet the Group MCR of £178,050k.

The eligible own funds over Group MCR ratio was 378.1% as at 30 June 2017.

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 £554,685k as at 30 June 2017. Excess over liabilities as calculated under Solvency II was £241,022k. There are no differences between ordinary share capital in the SOFP and the amount reported in basic own funds. The difference of £313,663k 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 adjustments to the Statutory Accounts Value to give the Solvency II value [S.02.01.02.C0010] are detailed below:

	£000
IFRS excess of assets over liabilities in Group SOFP	**554,685**
Adjustments for Solvency II:	
Difference in technical provisions	234,399
Difference in reinsurance recoverables	(66,395)
Difference in investments	(164)
Difference in insurance and intermediaries receivables	(198,093)
Difference in reinsurance receivables	(101,616)
Difference in receivables (trade, not insurance)	(10,605)
Removal of goodwill	(123,727)
Removal of deferred acquisition costs	(29,222)
Removal of intangible assets	(56,521)
Difference in value of insurance and intermediary payables	1,004
Difference in reinsurance payables	41,355
Difference in payables (trade, not insurance)	(4,078)
Solvency II ("SII") excess of assets over liabilities	**241,022**

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

The two tier 2 subordinated loans totalling £32,469k described in section D.3.1.5 are subject to 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 30 June 2017.

E.1.8 Items deducted from own funds

Subordinated liabilities of £49,500k 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

Group own funds are calculated net of intra group transactions. Intra group transactions between the six undertakings that are consolidated on a line-by-line basis are identified and eliminated upon consolidation. The seven undertakings that are consolidated using the adjusted equity method are aggregated and reported in "Holdings in related undertakings, including participations". There are no intra group transactions between the seven undertakings that are consolidated using the adjusted equity method. There are no elimination entries for any intra group transactions between the six undertakings that are fully consolidated on a line-by-line basis and the seven undertakings that are reported on a single line using the adjusted equity value.

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

E.2.1 Amount of Solvency Capital Requirement and Minimum Capital Requirement

The table below shows the total Group SCR and Group MCR at 30 June 2017.

Discovery Group Europe Limited	£000s
Consolidated Group SCR	153,168
Minimum Consolidated Group SCR	47,086

The final amount of the SCR remains subject to supervisory assessment.

E.2.2 Group Solvency Capital Requirement split by risk modules

The table below shows the risk modules that make up the Group's SCR at 30 June 2017.

Discovery Group Europe Limited	£000s
Health underwriting	82,391
Life underwriting	66,756
Market risk	35,968
Counterparty default risk	9.364
Undiversified BSCR	194,479
Diversification credit	(56,911)
Basic SCR	137,568
Operational risk	15,600
Group SCR	153,168

E.2.3 Inputs used to calculate the minimum consolidated group solvency capital requirement

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

Discovery Group Europe Limited	£000s
Vitality Life Limited	20,252
Vitality Health Limited	20,856
Vitality Health Insurance Limited	5,978
Minimum Consolidated Group Solvency Capital Requirement	47,086

E.2.4 Other information on group capital requirements

E.2.4.1 General information

Simplified calculations are not used for any of the risk modules or sub-modules. Undertaking specific parameters are not used by the Group or any of its undertakings. The Group has not received any imposed capital add-ons or imposed undertaking specific parameters under the option provided for in Article 51(2) of the Solvency II Directive. There are no significant deviations from the assumptions underlying the standard formula.

The Group uses Method 1 (the accounting consolidation-based method) as defined by the Rulebook and EU regulations in its calculations of Group Solvency.

E.2.4.2 Group diversification benefits

The table below shows the contribution of each undertaking to the Group SCR at 30 June 2017

	Solo SCR after impact of consolidation eliminations £000s	Contribution to Consolidated Group SCR £000s
Vitality Life Limited	81,029	61,841
Vitality Health Limited	83,434	63,677
Vitality Health Insurance Limited	52	40
Vitality Corporate Services Limited	2,054	2,054
Discovery Holding Europe Limited	28,504	21,754
Discovery Group Europe Limited	4,982	3,802
Diversification between solo undertakings	(46,887)	n/a
Consolidated Group Solvency Capital Requirement	153,168	153,168

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

This Group does not make use of the duration-based equity risk sub-module in its calculation of its solvency capital requirement.

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

This 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

The Group has maintained eligible capital in excess of the Minimum Capital Requirement and Solvency Capital Requirement throughout the year ended 30 June 2017.

E.6 CAPITAL MANAGEMENT – ANY OTHER INFORMATION

There is no other information to note.

F TEMPLATES

The following Quantitative Reporting Templates ("QRTs") are a requirement for the SFCR:

QRT ref	QRT 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

The templates are included at the end of this report.

G 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 2017

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: 7 December 2017

H EXTERNAL AUDIT REPORT

Report of the external independent auditors to the Directors of Discovery Group Europe Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Group Solvency and Financial Condition Report

Opinion

We have audited the following documents prepared by the Company as at 30 June 2017:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Group Solvency and Financial Condition Report of the Company as at 30 June 2017, ('**the Narrative Disclosures subject to audit**'); and

- Group templates S.02.01.02, S.23.01.22, S.25.01.22 and S.32.01.22 ('**the Templates subject to audit'**).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the **'relevant elements of the Group Solvency and Financial Condition Report'**.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the **Other Information** which comprises:

- The 'Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Group Solvency and Financial Condition Report;

- Group templates S.05.01.02, and S.05.02.01;

- The written acknowledgement by management of their responsibilities, including for the preparation of the Group Solvency and Financial Condition Report ('**the Responsibility Statement**');

In our opinion, the information subject to audit in the relevant elements of the Group Solvency and Financial Condition Report of the Company as at 30 June 2017 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the relevant elements of the Group Solvency and Financial Condition Report section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Group Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Emphasis of Matter - Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Group Solvency and Financial Condition Report, which describe the basis of accounting. The Group Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Group Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Group Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Matter – Prior period relevant elements of the Group Solvency Financial Condition Report not audited

The comparative information as at 30 June 2016 has not been audited.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Group Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Group Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Group Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Group Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Group Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Group Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Group Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the relevant elements of the Group Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the information subject to audit in the relevant elements of the Group Solvency and Financial Condition Report is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

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

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

This report, including the opinion, has been prepared for the Directors of the Company to comply with their obligations under External Audit rule 2.1 of the Solvency II firms Sector of the PRA Rulebook and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose save where expressly agreed by our prior consent in writing.

Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Company's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

PricewaterhouseCoopers LLP

Chartered Accountants

London

7 December 2017

Discovery Group Europe Limited

Solvency and Financial Condition Report

Disclosures

30 June

2017

(Monetary amounts in GBP thousands)

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 2017
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 by country
S.05.02.01 - Premiums, claims and expenses by country
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	
R0040	Deferred tax assets	17,409
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	6,207
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	193,653
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	35
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	10,788
R0140	*Government Bonds*	874
R0150	*Corporate Bonds*	9,914
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	159,221
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	23,609
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	45,094
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	45,094
R0270	Reinsurance recoverables from:	-143,171
R0280	*Non-life and health similar to non-life*	6,228
R0290	*Non-life excluding health*	
R0300	*Health similar to non-life*	6,228
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	-149,399
R0320	*Health similar to life*	-23,365
R0330	*Life excluding health and index-linked and unit-linked*	-126,034
R0340	*Life index-linked and unit-linked*	
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	16,422
R0370	Reinsurance receivables	5,702
R0380	Receivables (trade, not insurance)	16,170
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	77,997
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	235,485

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	43,375
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)*	43,375
R0570	*TP calculated as a whole*	
R0580	*Best Estimate*	35,862
R0590	*Risk margin*	7,514
R0600	Technical provisions - life (excluding index-linked and unit-linked)	-264,470
R0610	*Technical provisions - health (similar to life)*	-59,751
R0620	*TP calculated as a whole*	
R0630	*Best Estimate*	-72,426
R0640	*Risk margin*	12,674
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	-204,718
R0660	*TP calculated as a whole*	
R0670	*Best Estimate*	-262,210
R0680	*Risk margin*	57,492
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	4,642
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	15,455
R0830	Reinsurance payables	13,453
R0840	Payables (trade, not insurance)	66,887
R0850	Subordinated liabilities	115,119
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	115,119
R0880	Any other liabilities, not elsewhere shown	
R0900	**Total liabilities**	-5,538
R1000	**Excess of assets over liabilities**	241,022

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)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business	431,150																431,150
R0120	Gross - Proportional reinsurance accepted																	0
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share	52,577																52,577
R0200	Net	378,572																378,572
	Premiums earned																	
R0210	Gross - Direct Business	407,018																407,018
R0220	Gross - Proportional reinsurance accepted																	0
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share	76,745																76,745
R0300	Net	330,273																330,273
	Claims incurred																	
R0310	Gross - Direct Business	254,077																254,077
R0320	Gross - Proportional reinsurance accepted																	0
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share	58,193																58,193
R0400	Net	195,884																195,884
	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																0
R0550	**Expenses incurred**	119,745																119,745
R1200	**Other expenses**																	
R1300	**Total expenses**																	119,745

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Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		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	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross	6,757			39,050					45,807
R1420	Reinsurers' share	3,923			22,669					26,592
R1500	Net	2,835			16,381					19,215
	Premiums earned									
R1510	Gross	6,757			39,050					45,807
R1520	Reinsurers' share	3,923			22,669					26,592
R1600	Net	2,835			16,381					19,215
	Claims incurred									
R1610	Gross	1,445			5,602					7,047
R1620	Reinsurers' share	697			3,061					3,758
R1700	Net	747			2,542					3,289
	Changes in other technical provisions									
R1710	Gross									0
R1720	Reinsurers' share									0
R1800	Net	0			0					0
R1900	**Expenses incurred**	14,328			68,213					82,541
R2500	**Other expenses**									5,132
R2600	**Total expenses**									87,673

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Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010								
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	431,150						431,150
R0120	Gross - Proportional reinsurance accepted							0
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share	52,577						52,577
R0200	Net	378,572	0	0	0	0	0	378,572
	Premiums earned							
R0210	Gross - Direct Business	407,018						407,018
R0220	Gross - Proportional reinsurance accepted							0
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share	76,745						76,745
R0300	Net	330,273	0	0	0	0	0	330,273
	Claims incurred							
R0310	Gross - Direct Business	254,077						254,077
R0320	Gross - Proportional reinsurance accepted							0
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share	58,193						58,193
R0400	Net	195,884	0	0	0	0	0	195,884
	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	0	0	0	0	0	0
R0550	**Expenses incurred**	119,745						119,745
R1200	**Other expenses**							
R1300	**Total expenses**							119,745

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Premiums, claims and expenses by country

Life

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
R1400		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	45,807						45,807
R1420	Reinsurers' share	26,592						26,592
R1500	Net	19,215	0	0	0	0	0	19,215
	Premiums earned							
R1510	Gross	45,807						45,807
R1520	Reinsurers' share	26,592						26,592
R1600	Net	19,215	0	0	0	0	0	19,215
	Claims incurred							
R1610	Gross	7,047						7,047
R1620	Reinsurers' share	3,758						3,758
R1700	Net	3,289	0	0	0	0	0	3,289
	Changes in other technical provisions							
R1710	Gross	0						0
R1720	Reinsurers' share	0						0
R1800	Net	0	0	0	0	0	0	0
R1900	**Expenses incurred**	82,541						82,541
R2500	**Other expenses**							5,132
R2600	**Total expenses**							87,673

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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)	677,132	677,132		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	-508,499	-508,499			
R0140	Subordinated liabilities	115,119		0	115,119	0
R0150	*Non-available subordinated liabilities at group level*	49,500			49,500	
R0160	An amount equal to the value of net deferred tax assets	17,409				17,409
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*	1,079				1,079
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				
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**					
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**	50,579	0	0	49,500	1,079
R0280	**Total deductions**	50,579	0	0	49,500	1,079
R0290	**Total basic own funds after deductions**	250,581	168,633	0	65,619	16,330
	Ancillary own funds					
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				
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

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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
	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)	250,581	168,633	0	65,619	16,330
R0530	Total available own funds to meet the minimum consolidated group SCR	234,252	168,633	0	65,619	
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)	245,217	168,633	0	65,619	10,965
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	178,050	168,633	0	9,417	
R0610	**Minimum consolidated Group SCR**	47,086				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	378.14%				
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)**	245,217	168,633	0	65,619	10,965
R0680	**Group SCR**	153,168				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	160.10%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	241,022
R0710	Own shares (held directly and indirectly)	
R0720	Forseeable dividends, distributions and charges	
R0730	Other basic own fund items	694,541
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0750	Other non available own funds	54,981
R0760	**Reconciliation reserve**	-508,499
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	160,668
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	41,897
R0790	**Total Expected profits included in future premiums (EPIFP)**	202,565

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Solvency Capital Requirement - for groups on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0080	C0090
R0010	Market risk	35,968		
R0020	Counterparty default risk	9,364		
R0030	Life underwriting risk	66,756		
R0040	Health underwriting risk	82,391		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-56,911		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	137,568		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	15,599
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	153,168
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement for undertakings under consolidated method**	153,168
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0
R0470	Minimum consolidated group solvency capital requirement	47,086
	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*	0
R0520	*Institutions for occupational retirement provisions*	0
R0530	*Capital requirement for non- regulated entities carrying out financial activities*	0
R0540	Capital requirement for non-controlled participation requirements	0
R0550	Capital requirement for residual undertakings	0
	Overall SCR	
R0560	SCR for undertakings included via D&A	0
R0570	**Solvency capital requirement**	153,168

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Undertakings in the scope of the group

	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority
Row	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
1	GB	213800W4KXJIK7R3	LEI	Discovery Group Europe Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares	Non-mutual	0
2	GB	213800JCOXJR5TW	LEI	Discovery Offshore Holdings No. 2 Limited	Other	Company limited by shares	Non-mutual	0
3	GB	213800BCIBD7CX78	LEI	Discovery Holdings Europe Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares	Non-mutual	0
4	GB	213800XLX74K6WO	LEI	Health Protect Limited	Other	Company limited by shares	Non-mutual	0
5	GB	2138006JOU6QC6H	LEI	Vitality Corporate Services Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual	0
6	GB	213800W4KXJIK7R3	Specific code	Healthcare Purchasing Alliance Limited	Other	Company limited by shares	Non-mutual	0
7	GB	213800Y6CME1PFQ	LEI	Insure Your Health Limited	Other	Company limited by shares	Non-mutual	0
8	GB	213800O647LRO31I	LEI	Vitality Life Limited	Life insurance undertaking	Company limited by shares	Non-mutual	Financial Conduct Authority, Prudential R
9	GB	213800IPBGB4QH78	LEI	Vitality Health Insurance Limited	Non life insurance undertaking	Company limited by shares	Non-mutual	Financial Conduct Authority, Prudential R
10	GB	213800W4KXJIK7R3	Specific code	Healthcode Limited	Other	Company limited by shares	Non-mutual	0
11	GB	213800D5I9HUP34V	LEI	Vitality Health Limited	Non life insurance undertaking	Company limited by shares	Non-mutual	Financial Conduct Authority, Prudential R
12	GB	213800W4KXJIK7R3	Specific code	Nuffield Health and Vitality Corporate Services Lin	Other	Company limited by shares	Non-mutual	0

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Undertakings in the scope of the grou

				Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
Row	C0010	C0020	C0030	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	GB	213800W4KXJIK7R3	LEI	0.00%	0.00%	0.00%	0		0.00%	Included in the scope		Method 1: Full consolidation
2	GB	213800JCOXJR5TW	LEI	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
3	GB	213800BCIBD7CX78	LEI	99.00%	100.00%	99.00%	0	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
4	GB	213800XLX74K6WO	LEI	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
5	GB	2138006JOU6QC6H	LEI	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
6	GB	213800W4KXJIK7R3	Specific code	50.00%	50.00%	50.00%	0	Significant	50.00%	Included in the scope		Method 1: Adjusted equity method
7	GB	213800Y6CME1PFQ	LEI	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
8	GB	213800O647LRO31	LEI	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
9	GB	213800IPBGB4QH7	LEI	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
10	GB	213800W4KXJIK7R3	Specific code	20.00%	20.00%	20.00%	0	Significant	20.00%	Included in the scope		Method 1: Adjusted equity method
11	GB	213800D5I9HUP34	LEI	100.00%	100.00%	100.00%	0	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
12	GB	213800W4KXJIK7R3	Specific code	50.00%	50.00%	50.00%	0	Significant	50.00%	Included in the scope		Method 1: Adjusted equity method