VITALITY CORPORATE SERVICES LIMITED

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

Incorporated and registered in England and Wales. Registered No: 05933141

CONTENTS

DIRECTORS AND OFFICERS

Directors in office at the date of signing the financial statements

Joanne Shaw*

Nicholas Caplan*

Lord Sebastian Coe*

Andrew Crossley*

Adrian Gore

David Hare*

Rosemary Hilary*

Joanne Kenrick* (appointed 1 August 2023)

Neville Koopowitz Chief Executive Officer

Keith Kropman

Greg Levine

Alastair Lyons*

Judy Parfitt

Nicholas Read

*Independent non-executive

The appointment of Directors is not subject to retirement by rotation.

Company Secretary at the date of signing the financial statements

Fiona Molloy (appointed 26 January 2023)

Registered office

3 More London Riverside
London
SE1 2AQ

Registered number

05933141

Independent auditors

KPMG LLP
Chartered Accountants and Statutory Auditors
15 Canada Square
London
E14 5GL

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

Vitality Corporate Services Limited (“the Company”, “VCSL”), is a private company limited by shares, incorporated and domiciled in England and Wales.

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

References made to the Group Board refer to the DHEL Board.

Principal activities and business review

The principal activity of the Company is to provide administrative, distribution and management services for the VitalityHealth products sold by VHL (trading as “VitalityHealth”), for the VitalityLife products previously underwritten by The Prudential Assurance Company Limited, and Vitality Life Limited (“VLL”) (trading as “VitalityLife”), for the VitalityInvest products previously sold and for the VitalityCar products previously sold by Covéa Insurance plc (“Covéa”). The Company also provides services to other Group companies. The Company also provides a program of wellness benefits to individuals who are policyholders of VitalityHealth, VitalityLife, VitalityInvest and VitalityCar.

In June 2021, the Company and Covéa launched a Vitality branded Personal Lines motor insurance product to the UK market. The Company previously had a contract with Covéa under which the motor insurance policies were fully underwritten by Covéa and the Company received a profit share commission, while also incurring some of the administrative expenses related to the product.

The UK car insurance market has experienced unprecedented claims inflation leading to significant price increases, which Covéa, as underwriter, had to pass on to the VitalityCar members. These increases have materially impacted VitalityCar’s ability to deliver value for good drivers and have led to the decision to not offer members cover beyond their current plan year and to run off the book of business by 30 June 2024. This has resulted in an accelerated write-off of VitalityCar's capitalised systems, with a pre-tax impact of approximately £8.8m for the financial year ended 30 June 2023.

The Company owns 50% of Healthcare Purchasing Alliance Limited (“HPA”), a company limited by shares, incorporated and domiciled in England and Wales. HPA is responsible for supporting VitalityHealth and Aviva Health UK Limited with the procurement of healthcare with most large hospitals, primarily around contracting. HPA’s registered office is 8 Surrey Street, Norwich, Norfolk, NR1 3NG.

The Company owns 100% of Vitality Healthy Workplace Limited (“VHWL”), a company limited by shares, incorporated and domiciled in England and Wales with a registered address of 5th Floor East, 80 Strand, London WC2R 0DT. During the financial year ended 30 June 2023 the Company invested £nil (2022: £500k) into VHWL.

The Company is regulated by the Financial Conduct Authority (FCA).

The (loss)/profit before tax for the financial year ended 30 June 2023 was £(6,975)k (2022: £4,211k). The current year loss is driven by the decision for Vitality to run-off the book of the VitalityCar business, resulting in the derecognition of intangible assets in the amount of £8.8m described above. Management and distribution expenses are recharged using a cost apportionment model. The Company also recharges other Vitality Group and Discovery entities for certain costs. For the financial year ended 30 June 2023 total recharged costs generated income of £355,245k (2022: £317,130k). Expenses such as interest costs and investment management fees were recharged at cost. In the financial year ended 30 June 2023 the Company generated £2,085k of fees related to the trust business (2022: £669k). Trust business is a form of self-insured private medical insurance ("PMI") cover for large corporates, under which the Company provides administration services to pay claims on behalf of the Trust.

The majority of the derecognised assets, in the amount of £8.8m, related to the decision to run-off the book of the VitalityCar business by 30 June 2024

The net assets of the Company at 30 June 2023 were £40,801k (2022: £48,386k).

Future outlook

The Company will continue to provide administrative, distribution and management services for the VitalityHealth and VitalityLife branded products. These services are expected to continue to grow as the customer base of the Group grows.

Five years ago, Vitality started exploring how to leverage the Shared Value model in the car insurance market by incentivising and rewarding good driving. Plans were stalled by the COVID-19 pandemic, but Vitality successfully launched VitalityCar in 2021.

The business had a promising start, attracting close to 25,000 members. However, over the recent months the car insurance market has experienced unprecedented claims inflation, leading to significant price increases. This has impacted Vitality's ability to deliver appropriate value for good drivers and consequently, Vitality are no longer offering new car insurance policies.

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

Key performance indicators (KPIs)

There are no key performance indicators as the Company’s primary activity is to act as the service company for VitalityHealth, VitalityLife, VitalityInvest and VitalityCar. The Company has remained solvent throughout the year and has adequate capital resources to meet its liabilities and capital requirements imposed by the FCA.

Principal risks and uncertainties

The management of the business and the execution of the Company’s strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are considered to relate to credit risk, which arises from the provision of services relating to VitalityHealth, VitalityLife, VitalityInvest and VitalityCar. However, this risk is considered minimal. The Company actively manages and monitors its credit exposure on an ongoing basis and where possible limits significant transactions to counterparties with high credit ratings and/or those that operate in a regulated environment. The level of credit risk with individuals or unincorporated bodies is minimised where possible.

Financial risk management

The Company manages its various financial risks as outlined in note 3 to the financial statements (including the Capital Management Policy).

Corporate Governance

<u>Vitality Programme Board</u>

The Board structure includes the Vitality Programme Board which is a sub-committee of VCSL, chaired by Ms Joanne Shaw. This forum provides increased focus on the clinical robustness of the Vitality programme and the impact of engagement with the Vitality Programme on measures including mortality, morbidity and retention.

In addition, the Vitality Programme Board drives cohesion across all the different areas that play a role in:

- ensuring that the Vitality Programme is designed for optimal effectiveness;
- devising and executing strategies that drive member engagement with the Vitality Programme where it has the greatest impact; and
- demonstrating the effectiveness and credibility of the Vitality Programme through scientific research, and communicating this to members, advisers and the wider public.

Wates Principles

For the financial year ended 30 June 2023, under The Companies (Miscellaneous Report) Regulations 2018, Vitality continues to apply the Wates Corporate Governance Principles for Large Private Companies. The Wates

Principles have been applied to all companies within Vitality. The Statement of Corporate Governance arrangements covers all companies.

There have not been any departures from the Wates Principles as detailed within this Statement.

Set out below is how the Principles have been applied over the past year.

Principle 1 – Purpose and Leadership

Vitality is part of Discovery Group, a global, integrated financial services organisation that uses a pioneering Shared Value insurance model across its businesses to achieve the core purpose of making people healthier and enhancing and protecting lives. The core purpose of Vitality is aligned with Discovery.

Vitality is the pioneer of a new category of insurance: Shared Value Insurance. Vitality shares value from positive behaviour change leveraging the insure-tech platform with cutting-edge data science models. The Shared Value model is based on the concept of interventions Vitality can make as an insurer that will inspire behavioural change amongst members – for the better. It's an incentive-based model, in which members are rewarded through a range of partners and benefits, when they take steps to be healthy. As market disruptors, Vitality transforms the world of insurance through Shared Value. Vitality know that society is increasingly demanding that companies have a strong social purpose, and by focusing on creating a healthier society, Vitality is at the forefront of this. It's good for Vitality's members, good for Vitality and good for society.

Vitality's Values underpin how the Company operates:

- GREAT PEOPLE: Vitality believes in attracting great people from diverse backgrounds, with distinctive personal experiences and outlooks. Vitality never compromises on finding the best person for every role, ensuring exceptional standards are maintained – or elevated – with every hire. Vitality strongly believes in the importance of different factors included in emotional intelligence. Vitality is an organisation that the best people want to be part of.
- LIBERATING THE BEST IN PEOPLE: Vitality believe in greatness in every person; and intervenes to bring this out of them. Vitality insists on an inclusive environment that enables every person to bring all of themselves to work. In fact, Vitality celebrates this. Vitality seeks out strong, independent views and encourages robust intellectual debate. When a direction is eventually chosen, Vitality represents it. Vitality works hard at eliminating politics.
- INTELLECTUAL LEADERSHIP: Vitality is a thought leader in the markets in which it operates and is actively engaged in policy debate based on science and facts, inspired by Vitality's Core Purpose. Vitality actively looks for ways that assets and expertise can be applied towards this end. Personally, Vitality is committed to continuous learning and self-betterment.
- FORCE FOR GOOD: Vitality is determined to be an exceptional employer, excellent partner and a good corporate citizen. Vitality is deeply committed to nation building and protecting the planet. Vitality's Core Purpose and Shared-Value model demand this.
- CUSTOMER, CUSTOMER, CUSTOMER: Vitality is obsessed with customers and their experience because Vitality empathise as though their problems are its own and recognise the impact of its actions on the people Vitality serve. Vitality articulates this care through intuitive customer journeys and an approach to managing service, centred on statistics, as well as accounting for every single interaction. Anecdotes matter. Vitality use every customer touchpoint to nurture lifelong relationships.
- INNOVATION AND OPTIMISM: Vitality is a profound disruptor. Vitality enters markets where it is believed that through its Core Purpose and Shared-Value model, change be affected for good. Vitality does so through products that are brilliant: dealing with complex issues yet, should be simple to understand. Vitality is optimistic about the future and seek out positive signals in the current environment.
- DRIVE, TENACITY AND URGENCY: Vitality think like founders. Vitality avoids unnecessary bureaucracy and irrespective of scale – Vitality seek insurgency. Vitality executes brilliantly, and at rapid pace,

marrying ambitions with short-term, urgent goals. Vitality is also unrelenting: Vitality squeezes every product and process for brilliance all the way to the last “100m.”

- BUSINESS ASTUTENESS AND PRUDENCE: Vitality thinks like an owner: Vitality pursues the business case and invest only if there is a clear benefit for the organisation, customers and society. Vitality embraces necessary governance in substance and form: Vitality continually pursues exceptional risk management, financial excellence and financial strength – and Vitality faces challenges head-on and deals with them constructively. Vitality respects the scarcity of capital.
- INTEGRITY, HONESTY AND FAIRNESS: Vitality ensures that the complexity of the organisation is contrasted with simple, old-fashioned values of doing the right thing. Vitality is truthful in interactions and transparent in all dealings; and ensures that every single rule and policy meets the highest ethical standards. Vitality treats everyone fairly, recognising the inherent worth of every human being. Vitality encourages people to question anything that they are not comfortable with. When necessary Vitality makes difficult decisions.

For information on the major strategic developments during the year, any concerns that have been identified and how they have been addressed, please refer to the Strategic Report.
Further details on the engagement with our stakeholders is provided within the Section 172 Statement and under Principle 6: Stakeholder relationships and engagement.

Principle 2 – Board Composition
The Group Board achieves efficiency across the Vitality Group, ensuring that the strategic issues and matters relating to stakeholders are being thoroughly considered in the most efficient way. This is achieved by bringing together all the operating businesses in the Vitality Group under one Operational Oversight Board (Vitality UK Board) whilst ensuring that the individual companies meet their individual statutory and regulatory requirements. This approach is in line with the One Vitality vision and purpose which delivers a seamless customer experience integrating how Vitality develops and delivers product propositions to all Vitality UK customers.

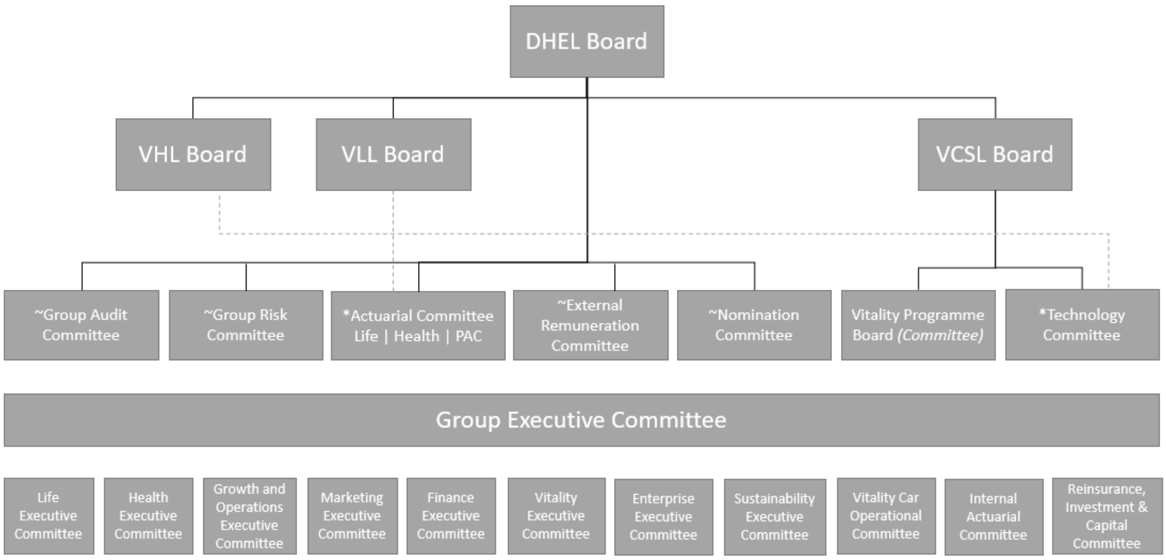
The structure of the Boards ensures that all operational matters are tabled for discussion and debate for all the businesses at the Vitality UK Board. This structure promotes operational consistency across all the operating businesses which benefits Members in terms of a seamless member service across the Vitality Group.

The DHEL Board is composed of the Chair who is the founder of the Discovery Group in South Africa, and a combination of Independent Non-Executive Directors, Non-Executive Directors and Executive Directors.

The subsidiaries within the Group include the regulated entities of Vitality Health Limited, Vitality Life Limited and Vitality Corporate Services Limited. These regulated entities have a combination of Independent Non-Executive, Non-Executive and Executive Directors on their Boards. They all have a majority of Independent Non-Executive Directors and have an independent Chair.

The Board delegates some of its responsibilities to its Committees. Independent Non-Executive Directors act as Chairs to the relevant Committees.

The day-to day management of the Company is delegated to the CEO who is supported by the Group Executive Committee who implement the strategy and ensure that the values and culture are implemented and communicated consistently across the Company.



* Advisory Committee
~ Responsibilities for all UK operating entities

The Nomination Committee regularly reviews and assesses the composition of the Boards and recommends appointments of new Directors. Board appointments are made on merit by assessing candidates against measurable objective criteria (knowledge, skills, experience and independence) and with a view to promoting diversity of thinking, inclusion, insights and challenge to support sound decision making.

The composition of the Board reflects the size and complexity of the business. The Nomination Committee ensures and each Director confirms, that they are able to allocate sufficient time to the Company to discharge their responsibilities effectively.

Directors attend an Annual Strategy Event and update their skills and knowledge by meeting with senior leaders across the business. An induction programme is in place for new Directors and is tailored to their specific experience and knowledge. The Board meetings also provide sufficient opportunity for deep dives from subject matter experts; recent examples this year include Talent Management, Consumer Duty Pricing Fairness, Brand and Marketing Strategy and Ethical Decision Making.

The Group Board is convened separately to the operational businesses, and continues to table strategic matters such as capital and funding and new strategic initiatives. The Group Board is chaired by Mr Adrian Gore. This ensures that an appropriate amount of time and focus is allocated to the interests of Vitality's sole shareholder and the strategic objectives of the Vitality Group.

Composition of the Board

Membership	DHEL	VCSL	VHL	VLL
Chair	Adrian Gore (NED)	Joanne Shaw (iNED)	Alastair Lyons (iNED)	Alastair Lyons (iNED)
iNEDs	Nicholas Caplan David Hare Rosemary Hilary (SID) Joanne Kenrick* Alastair Lyons	Nicholas Caplan Lord Sebastian Coe Andrew Crossley David Hare Rosemary Hilary Joanne Kenrick* Alastair Lyons	Nicholas Caplan Lord Sebastian Coe (SID) Andrew Crossley David Hare Rosemary Hilary Joanne Kenrick* Joanne Shaw	Nicholas Caplan Andrew Crossley (SID) David Hare Rosemary Hilary Joanne Kenrick* Nicky McCabe Rosanne Murison*
NEDs	Sir Andrew Foster Monty Hilkowitz Ayanda Ntsaluba	Adrian Gore	Monty Hilkowitz Ayanda Ntsaluba	Monty Hilkowitz
Executive Directors	Deepak Jobanputra Neville Koopowitz Justin Skinner	Neville Koopowitz Keith Kropman Greg Levine Judy Parfitt Nicholas Read	Keith Klintworth Neville Koopowitz Justin Skinner	Neville Koopowitz Justin Skinner Justin Taurog

* Effective 1 August 2023

Composition of the Committees

Membership	Risk Committee	Audit Committee	Actuarial Committee
Chair	Rosemary Hilary (iNED)	Andrew Crossley (iNED)	David Hare (iNED)
Members	Nicholas Caplan (iNED) Andrew Crossley (iNED) David Hare (iNED) Joanne Kenrick* Nicky McCabe (iNED) Rosanne Murison*	Nicholas Caplan (iNED) David Hare (iNED) Rosemary Hilary (iNED)	Monty Hilkowitz (NED) Robert Lee~ David Slater~ ~ Independent Actuary
Membership	**Remuneration Committee**	**Nomination Committee**	**Technology Committee**
Chair	Sir Andrew Foster (NED)	Lord Sebastian Coe (iNED)	Nick Caplan (iNED)
Members	Andrew Crossley (iNED) Adrian Gore (NED) Alastair Lyons (iNED) Ayanda Ntsaluba (NED)	Sir Andrew Foster (iNED) Adrian Gore (NED) Alastair Lyons (iNED) Joanne Shaw (iNED)	Nicky McCabe (iNED) Rosanne Murison* (iNED) David Wicks** ** Independent Adviser

* Effective 1 August 2023

Board Effectiveness Review

In 2023, the Board Effectiveness review was completed by Alastair Lyons, Chair of Vitality UK. This was undertaken by means of an externally sourced questionnaire, that provided an overall assessment against a benchmark of sixty listed international companies, and a one-to-one interview with all Directors based on their responses to the questionnaire.

Based on the questionnaire, Vitality was assessed as having a strong Board that benchmarks in the upper quartile of those surveyed.

Some of the proposed recommendations for the year ahead include:

- More opportunities for external speakers
- Minimising ad hoc meetings
- Focussing Committee feedback to the Board on matters of materiality to all Directors
- Submitting in advance of the Board questions of clarification and understanding resulting from Board papers and presentations

- Make the most of opportunities to involve executives below the Group Executive Committee in Board presentations.

Principle 3 – Director Responsibilities

The Board and individual Directors have a clear understanding of their accountability and responsibilities. Terms of Reference are in place for Boards and Committees.

The Board is responsible for organising and directing the affairs of the Company in a manner that is most likely to promote the success of the Company for the benefit of its stakeholders. Five meetings are scheduled each year for each company and ad hoc meetings are also held when required. A Board Strategy Event is held on an annual basis.

Vitality supports strong governance to ensure that decisions are supported by clear, accurate and timely information. The Board receives regular and timely information on all key aspects of the businesses. This information includes; financial performance, customer metrics, cyber, people, risk reporting, the Vitality Programme, distribution, strategic alignment to the business plans, initiatives, opportunities, product launches, market conditions and the clinical environment, such as updates relating to medical care.

All Directors are required to declare any potential conflicts of interest. Where there are potential conflicts appropriate measures are implemented.

The Board delegates some of its responsibilities to one or more Committees. The Chair of those Committees provides updates to the Board on their proceedings at each quarterly meeting.

The Board met regularly throughout the year and there was strong attendance from all Directors. For information on the key activities in the year, please refer to the Section 172 Statement and the Strategic Report.

Vitality recognises the importance of providing the Board with accurate, relevant and timely information. There is an open dialogue between quarterly meetings ensuring that Non-Executive Directors are fully informed. The finance function is appropriately qualified to ensure the integrity of the financial information provided to the Board. Assessments of the financial control environment are reported to the Audit Committee. The Risk Committee reviews regulatory compliance reports from management to ensure that Vitality complies with the relevant regulatory requirements.

Principle 4 – Opportunity and Risk

Vitality’s core purpose is to make people healthier and to enhance and protect their lives.

Our shared-value model underpins Vitality's core purpose to help people lead healthier lives. It's based on the concept of interventions Vitality can make as an insurer that will inspire behavioural change among our members – for the better. It’s an incentive-based model, in which Vitality rewards its members through a range of partners and benefits, when they take steps to be healthy. In this way Vitality benefits members, society and Vitality.

The benefits of the Vitality programme as a business model include:

- Behavioural change. Behavioural economics forms the foundation of the Vitality product construct, which actively influences behaviour and improves morbidity, mortality, and financial outcomes for members.

- Better insurance outcomes for members. The positive impact of Vitality on health improves mortality and morbidity experience, resulting in lower claims and better retention of healthier members and better value for members.

Long term Strategic opportunities are identified in the annual business planning process and discussed with the Board throughout the year. The Risk Committee supports the Board in the oversight of the risk management. For additional information on the main strategic opportunities and risks, please refer to the Strategic Report.

Vitality sets out how it approaches risk management in its Enterprise Risk Management "ERM" Framework. This Framework is approved by the Group Board. The Principal Risks have been disclosed in the Strategic Report.

The ERM Framework ensures the businesses:

- Align risk appetite and strategy – The Boards of Vitality and senior management consider the organisation's risk appetite when evaluating strategic alternatives, setting related objectives, and developing mechanisms to manage related risks;

- Optimise risk response decisions – The Framework provides the rigour to identify and select among alternative risk responses, risk avoidance, reduction, sharing, and acceptance in the most optimal and cost-efficient manner;

- Reduce operational surprises and losses – By gaining enhanced capability to identify potential events and establish responses;

- Identify, manage, and monitor multiple risks – The businesses face a myriad of current and emerging risks affecting different parts of the organisation. The Framework facilitates an effective response to the interrelated impacts as well as the integrated responses to multiple risks; and

- Optimise capital allocation – By obtaining robust risk information, the management of the organisation is able to effectively assess the overall capital needs and enhance capital allocation.

The Group Chief Risk Officer is responsible for the design and implementation of the Framework across the organisation, regular review of the Framework, underlying policies, and review of compliance of the businesses with these principles and minimum standards set out in this Framework. The Group Chief Risk Officer reports regularly to several Committees including the Risk Committee and Board on compliance with this Framework. The core components of the Framework are:

<u>Risk Strategy</u>

Vitality's Risk strategy is to implement an effective risk governance process that is practical, pragmatic and proportionate to the businesses. It ensures that the achievement of each business' strategy and annual business plans can be achieved within risk appetite, through understanding and managing risk that it is exposed to effectively.

<u>Risk Taxonomy</u>

The organisation has adopted a risk taxonomy that classifies risks, into nine broad 'level 1' categories. In this structure, the broader risk categories or risk themes are grouped into nine level 1 risks. Under each of these level 1 risks sits a more detailed catalogue of specific level 2 sub-risks.

<u>Risk Appetite</u>

Risk appetites and risk appetite statements are set and approved each year for each of the businesses to operate within. Performance against risk appetite is reported to the Risk Committee, and then to the relevant Board(s) where any risks are outside of appetite, along with activity taken to bring it back into appetite, or reasons for risk acceptance.

Risk Policies are in place and set the minimum risk management process standards for at least every Level 1 risk category. These provide a set of high level minimum operating standards across the Vitality Group in line with regulatory expectations and further include Operational Resilience, Cyber Resilience, Outsourcing and Third Party Risk Management and Sustainability Standards. These standards are designed to recognise the business benefits inherent in operating a well-controlled organisation. These policies define the internal control framework the implementation of which is evidenced through Risk Registers and Risk & Control Self Assessments.

Vitality has adopted the "three lines of defence" governance model as a key principle of operation. The model promotes transparency, accountability and consistency with the ERM Framework through the clear identification of roles and separation of business management from governance and control structures.

The overall responsibility for execution of the risk management processes and practices in the day-to-day management of the business rests with the Chief Executive Officer and Managing Directors of the organisation. The role of the second line of defence, the Group Risk and Compliance Functions under the leadership of the Group Chief Risk Officer, is to support the executives in managing risks and embedding risk considerations into daily operations. The second line reports to the Risk Committee and Boards, providing an independent view of the risk management practices and controls environment in the business for risk including regulatory and legislative compliance. Company Secretariat ensure that the appropriate governance activity is scheduled, completed and documented in line with good corporate governance practices. Regulatory returns (e.g. Own Risk and Solvency Assessments, Regulatory Statutory Returns, Regular Supervisory Reports, and Solvency and Financial Condition Reports) and communications are made in a timely and accurate manner, and appropriate relationships are maintained with the appropriate bodies on an ongoing basis (the Financial Conduct Authority, Information Commissioner's Office, and the Prudential Regulation Authority). The third line of defence comprises Group Internal Audit as the assurance function, which provides an independent and balanced view of the effectiveness of the first and second line functions. Group Internal Audit delivers an annual audit plan that is agreed by the Audit Committee and provides assurance over the effectiveness of the control environment across the business. They additionally carry out an annual audit on Internal Financial Controls that support the financial statements. The findings from all internal audit reviews are reported to the Audit Committee.

Principal 5 - Remuneration

The Group Board is ultimately responsible for the remuneration policy, with the support of the Remuneration Committee which is mandated to assist the Group Board and the Boards of all the companies within the Vitality Group in fulfilling its responsibilities.

The Remuneration Committee has clearly defined terms of reference. The overarching purpose of the Remuneration Committee is to consider, agree and recommend to the Group Board, the remuneration policy and philosophy for the organisation and ensure that is aligned with their long-term business strategy, its business objectives, its risk appetite, values and long term interests of the businesses and recognises the interests of relevant stakeholders.

The Remuneration Policy is designed to align with Vitality’s ambitions of:

- attracting, retaining and motivating high calibre employees;
- encouraging and rewarding employees to achieve or exceed the business objectives;
- aligning the economic interest of employees with those of the shareholder;
- providing an environment that encourages innovative thinking and extraordinary performance;
- bringing consistency, transparency and equity to pay principles; and
- fostering Vitality’s owner-manager culture.

The Remuneration Committee has the benefit of an external remuneration expert who attends and advises at each committee meeting.

Vitality is able to demonstrate that it practises the 'equivalent pay for equivalent work' principle. Further information on the gender pay gap is included in Principle 6.

A Single Incentive Scheme is in place to incentivise key individuals to deliver improvements in performance, by aligning their interests with Vitality's longer term strategic goals. The Remuneration Committee has the discretion to moderate incentive allocations and business performance scores. A Governance Report prepared by the Chair of the Risk Committee is prepared to assist with this process.

Principle 6 – Stakeholders

The Boards of the Vitality Group seek to consider and effectively manage wider stakeholder relationships through good governance and communication in order to deliver the purpose of the Vitality Group and to protect its brand and reputation. The Boards seek to align group strategic objectives with their purpose whilst considering outcomes for members (customers), employees (our people), Regulators, Shareholder, Business Partners (suppliers) and financial advisors.

Information on the Company's position and prospects is included in the Strategic Report.

Suppliers

A strategic approach to Sourcing gives Vitality the competitive edge in the market. The approach to Sourcing has been designed to match the pace of the businesses and to always strive for commercial innovation from suppliers. From a cost management perspective, the businesses ensure they are getting full value for money by securing sustainable value during negotiations and careful management of the number of suppliers selected. Members benefit through careful selection of only those suppliers which meet stringent levels of quality and delivery. Vitality meets regulatory obligations by having a thoroughly governed and consistent approach to supplier selection and contracting. There is a framework for clear oversight and accountability for developing healthy relationships with suppliers, which involves initial and ongoing analysis of suppliers to measure criticality to the business and ensure the correct level of governance is in place. A supplier code of conduct has been formulated which must be adhered to and is included within any contractual arrangement, which includes Vitality's approach to sustainability, diversity and inclusion. Vitality takes pride in its suppliers and so each year hosts a Supplier Awards ceremony to update them on the current business strategy and importantly recognise providers for their outstanding contributions.

Outsourcing Committee

The Outsourcing Committee exists to provide senior management with oversight of all outsourcing activity carried out by the Vitality Group. This includes any outsourcing carried out by the Discovery Group in South Africa.

Outsourcing is fully defined in the Outsourcing Policy. At a high-level it is explained as:

"An arrangement of any kind between Vitality and a third-party service provider by which that service provider performs a function or activity that would otherwise be reasonably undertaken by Vitality itself."

The Outsourcing Committee aims to ensure that any such outsourcing is performed in accordance with the standards set in the Outsourcing Policy. Meeting these standards enables the organisation to fully meet the specific obligations set out in the FCA's Handbook and the PRA Rule Book.

Specifically, the Outsourcing Committee examines the suitability of new outsourcing arrangements, the performance and risk profile of current arrangements and the management of terminating relationships.

In addition to the above primary objective, the Outsourcing Committee also reviews any Vitality Benefit Partners and Third-Party Suppliers who are considered materially important to the Vitality Group. Such reviews will be carried out in the same manner as the Outsourcing Service Provider reviews.

Employee Engagement

Vitality employs close on 2,770 employees at three sites in the United Kingdom, and one in South Africa.

"Great people" and "liberating the best in people" are values Vitality hold dear. Vitality knows that attracting, developing, motivating and retaining top calibre employees from diverse backgrounds will help its businesses succeed in its core purpose: to make people (including employees) healthier, and enhance and protect their lives.

Promoting employee engagement has become even more critical in the past year on account of demand for talent significantly outstripping supply in the UK.

Employee experience surveys

Vitality's employee net promoter (eNPS) score has improved consistently in the past 18 months, climbing to +37 (place to work) in April this year, which is in the 'great category':

Vitality-wide results	Dec 2020	June 2021	Dec 2021	Mar 2022	Oct 22	Apr 23
Place to work	+39	+15	+14	+23	+31	+37
Product and services	+51	+34	+32	+32	+38	+47

Employee wellbeing

Vitality's ambition is to be the model employer for employee wellness, and Vitality's employee wellbeing strategy comprises five pillars:

1. Physical wellbeing

Support provided to employees in the past year included weekly online classes (HIIT, yoga, Pilates, mindfulness); Vitality's annual Steptember campaign (with over 900 employees clocking more than one million steps); 1-2-1 wellbeing coaching sessions; on-site health checks and step tests; and free admission to sponsored run events. In 2023 Vitality will launch two personalised employee wellbeing campaigns, focused on type 2 diabetes reversal and obesity management.

2. Mental wellbeing

Employees have access to a network of trained mental health champions, talking therapies, mindfulness apps, and an employee assistance programme. In 2022/2023, additional support provided included mental health awareness training for managers, and campaigns featuring tips, resources and employee stories to coincide with World Mental Health Day and Mental Health Awareness Week.

3. Financial wellbeing

Vitality's partnerships with Salary Finance and London and Country give employees access to responsible, inexpensive loans and debt consolidation services, and fee-free mortgage advice. To help employees with the cost of living crisis, Vitality:

- Paid employees earning below the UK's median household income a monthly cost of living allowance,
- Implemented differentiated increases in Vitality's annual pay review, with lower earning staff getting higher increases than other employees,
- Organised financial wellbeing campaigns featuring expert support and guidance on navigating the cost of living crisis, and
- Introduced a pay advance service.

4. Lifestyle

Vitality provides employees with free healthy breakfasts and lunches approved by an in-house nutritionist. Vitality also offer menopause, fertility, new parent and men's health support services. This year Vitality introduced a 'buddy scheme' to facilitate the return to work of employees after parental leave.

5. Social well-being

Vitality's communications platform, VITL, offers opportunities for employees to connect and collaborate through community spaces and information hubs. Initiatives to ensure that employees feel connected in the new hybrid working world include a virtual book club, 'getting to know you' sessions for new joiners hosted by executives, and access to a Community Active Fund offering £1,000 grants to support employees' local sports clubs. Vitality recently introduced a 'Make It Happen Fund', which sponsors in-house sports teams.

Other interventions included:

- Lunch-time leadership runs and walks at all Vitality offices;
- A family pitch day at the Bournemouth Vitality stadium, raising funds for AFC Bournemouth Community Sports Trust;
- Volunteering with Future Frontiers to provide career coaching to 25 secondary school pupils from disadvantaged backgrounds.

Sustainability

Vitality's ambition is to be carbon neutral by 2025, and to achieve zero net emissions by 2050 or earlier. To help employees lead greener and more sustainable lives, Vitality partnered with Pawprint, a platform which enables employees to calculate their carbon footprints and advises them on steps to take to reduce their impact on the environment. A competition in the first half of 2023 saw departments competing to reduce their collective carbon emissions.

In addition, Vitality has:

- Launched a salary sacrifice electric vehicle scheme;
- Introduced a car-pooling scheme;
- Provided employees with branded mugs and reusable water bottles and discontinued single-use plastics;
- Appointed 15 Green champions;
- Established a Green hub on the intranet platform, containing eco tips, resources and employee stories;
- Introduced meat-free days at Vitality's on-site restaurants; and
- Introduced free eco-friendly period products.

Diversity and inclusion

Vitality is committed to diversity and inclusion because it's good for Vitality employees, for Vitality as a business, and for society.

Vitality want all their great people to bring all of themselves to work, so that they can liberate the best in themselves. Vitality knows that diversity fosters innovation, which is part of Vitality's DNA. And Vitality believes that inclusive diversity promotes social cohesion, which benefits society.

Diversity and inclusion chime with Vitality's shared value model, and advance Vitality's core purpose, which is to make people healthier and enhance and protect their lives. Diversity and inclusion are also explicitly called out in Vitality's values.

Gender

A key focus has been to increase female representation at senior levels, and to reduce Vitality's gender pay gap. Vitality is a signatory to the Women in Finance Charter and have committed to gender parity at senior levels by 2025. Currently females comprise 46.6% of employees in the top three tiers of the organisation. To realise this goal, a target of 60% has been set for female external appointments to roles with annual salaries of more that £50,000.

Since 2018, Vitality has reduced its mean gender pay gap by over 12%.

	2018	2019	2020	2021	2022	2023
Mean pay gap	31.55	26.59	25.79	22.92	20.94	19.60
Median pay gap	16.50	15.52	15.03	12.12	10.28	9.81

Vitality's mean pay gap is considerably lower than the financial services sector average of 26.6% and Vitality compare favourably on the median pay gap measure.

Ethnicity

Vitality's ethnicity pay gap is significantly smaller than its gender pay gap. It has increased in the past year. (Fewer numbers in this cohort of employees make it sensitive to relatively minor changes.) A total of 13.7% of Vitality's employees who have disclosed their ethnicity are black, Asian or from a minority ethnic background.

	2020	2021	2022	2023
Mean pay gap	2.14%	4.28%	4.53%	6.53%
Median pay gap	- 9.62%	1.83%	- 2.88%	-1.08%

LGBTQ+

Vitality established an LGBTQ+ forum this year, which (like the forums for other affinity groups) is chaired by a member of the group executive team. The forum was consulted on a range of initiatives to mark Pride month.

Shareholder

Vitality is ultimately owned by Discovery Limited. There is shareholder representation on the Boards of the Companies. The Boards are responsible for managing the outcomes for a number of stakeholders which may not always align with each other across the organisation. These Boards oversee and govern the management of the businesses and make decisions on behalf of the stakeholders including the Shareholder, in order to deliver shareholder value.

Customers

Vitality is obsessed with customers and their experience because Vitality empathise as though their problems are its own and recognise the impact of their actions on the people Vitality serves. Vitality articulates this care through intuitive customer journeys and an approach to managing service centred on statistics, as well as accounting for every single interaction. Anecdotes matter. Vitality uses every customer touchpoint to nurture lifelong relationships.

Vitality is committed to ensuring that its conduct is in the best interests of Vitality's customers and Vitality is treating them fairly. That’s why Vitality has processes in place that identify customers who may be vulnerable and ensure they are treated appropriately. Vitality’s Regulatory and Conduct Risk Policy recognises Vulnerable Customers and sets out appropriate levels of care.

Customer outcomes are governed by looking at:

- Products - Products and services developed, marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly;
- Marketing – Customers are provided with clear information and are kept appropriately informed before, during and after the point of sale;
- Distribution – When customers receive advice, Vitality consider the suitability of the advice and take account of customers circumstances;
- Servicing and Performance – Members are provided with products and associated services that perform as Vitality has led them to expect;
- Complaints – Members do not face unreasonable post-sale barriers imposed by Vitality to change product, switch provider, submit a claim or make a complaint; and
- Data Privacy – ensure that members’ data is used appropriately, stored securely and deleted when requested.

Section 172 Statement

The Directors are fully aware of their responsibilities to act in good faith and in a way that would be most likely to promote the success of the Company, for the benefit of its members as a whole, in accordance with section 172 of the Companies Act and they have acted in accordance with these responsibilities during the year. To discharge their section 172 (1) (a-f) responsibilities the Board has had regard to these factors when making the principal decisions of the Company. All decisions have been made to promote the long term success of the Company. Further information is contained in the Strategic Report.

The Board is committed to maintaining the highest standards of corporate governance and business conduct and the nine Values underpin how the Company and the Board operates. Vitality's Shared Value Model underpins its core purpose to help people lead healthier lives. It is based on the concept of interventions made by Vitality as an insurer will inspire behavioural change among its members – for the better. It is an incentive-based model in which members are rewarded through a range of partners and benefits when they take steps to be healthy.

As market disruptors, Vitality continues to transform the world of insurance through Shared Value. Society is increasingly demanding that companies have a strong social purpose and, by focusing on creating a healthier society, Vitality is truly at the forefront of this. It is good for Vitality's members, good for Vitality and good for society.

Vitality operates a One Vitality vision and purpose, delivering a seamless customer experience. Whilst combined Board meetings are convened, separate Board meetings for the individual entities are also convened to consider any matters specifically reserved for the specific Boards.

In accordance with Section 172 of the Companies Act, Vitality's key stakeholders are considered when making decisions. Vitality's key stakeholders are members (customers), employees (our people), Regulators, shareholder, Business Partners (suppliers) and financial advisors.

<u>Customers</u>

One of Vitality's core values is, Customer, Customer, Customer.

The Board ensures that it keeps up to date with the needs of the customer through MI and regular training. During the course of the year, deep dives were provided on areas such as Vulnerable Customers, Consumer Duty and Ethical Decision-Making.

With the introduction of the Consumer Duty Regulation, a Consumer Duty Steering Committee was established, with independent non-executive director (iNED) representation and chaired by the Company Chair who fulfilled the role of interim Consumer Duty Champion until the appointment at the beginning of August 2023 of an additional iNED to hold this role. Its aim was to oversee the implementation of the Consumer Duty regulation across the Company.

In July 2022, Vitality also appointed a Chief Customer Officer.

In February 2023, Vitality continued to lead the way as the next generation of insurer in the UK protection market with the launch of a series of VitalityLife product innovations and enhancements. The launch provided protection products that can be fully embedded into people's lives and directly meet their specific needs.

Information relating to the key decisions on the future of VitalityCar and VitalityInvest is included in the strategic report within the 'principal activities and business review' section.

<u>Our People</u>

The independent non-executive Directors engage regularly with employees through manager forums and organised site visits to gain additional insight into the Company.

The Board recognises the benefits of a diverse workforce and an inclusive culture. Diversity fosters innovation, which is part of Vitality's DNA. Vitality believes that inclusive diversity promotes social cohesion, which benefits society.

The CEO addresses all employees four times a year to provide a formal update on the Company's performance. A series of 'In conversation with…' interviews are conducted where the CEO chats with senior leaders at Vitality on a range of topics, exploring their thoughts and insights on the business. The CEO and senior management visit all offices to meet with employees.

As part of the governance requirements, the Remuneration Committee review and approve the bi-annual award of short-term incentives to employees, considering factors such as, governance, customer service, internal gender diversity targets, profit and sales.

In accordance with regulatory guidance, the Remuneration Committee also oversee the remuneration and incentives for all aspects of remuneration relating to the Group CEO and his direct reports, and those staff holding controlled functions. The Committee also considered and approved employees' annual salary increases and any single incentive allocations.

A governance rating determined by the Chairs of all Committees of the Board, is also applied. This rating takes into account a wide array of Vitality's governance including compliance and assurance activity, complaints, risk management and the general governance arrangements.

During the year the London and Croydon offices relocated to 80 Strand. The move embraced the hybrid working model whist also providing an improved working environment for all employees. Vitality's office in Bournemouth will also be relocating to new premises in 2024.

A key decision in Q1 of the financial year was in relation to the rising cost of living. Vitality recognised that everyone was being affected by the increase in prices and paid employees earning below the UK's median household income, a monthly cost of living allowance.

Vitality has a zero tolerance approach to acts of bribery and corruption. A Group Financial Crime Policy is in place that includes robust requirements that are in line with the UK Bribery Act 2010 that all employees are required to comply with.

Regulators

A constructive and open relationship is maintained with the regulators. Throughout the year regular engagement meetings are held between the Regulators, Directors and key personnel.

Shareholders

The Strategy, that is approved by the Board, is in place to support long term profitability and growth. It is determined by the Board in the context of the parent company's group-wide strategy.

There is regular interaction with the shareholder.

Business Partners (Suppliers)

To ensure that supply risk is mitigated appropriately all activity is managed in line with the Sourcing and Outsourcing Policy. The Policy ensures that relationships with business partners deliver maximum commercial value and acceptable business risk against the backdrop of the Strategy and Business Plan approved by the Directors.

The Board receives updates as necessary from management on suppliers.

The Group Board considers and approves the Policy on Modern Slavery on an annual basis (on behalf of all companies within the Vitality Group). The statement and supporting policy ensure compliance with the Modern Slavery Act.

Financial Advisors

Vitality works closely with its financial advisors through its Business Consultants. A support network is also provided through access to the Advisor hub, literature libraries, online tools and the Vitality Academy.

ESG

The Chief Sustainability Officer is responsible for driving the ESG agenda. Vitality has committed to targeting carbon neutrality by 2025 and net zero by no later than 2050. Vitality's ESG strategy emphasises a focus on social impact through its core purpose of making people healthier and enhancing and protecting their lives.

Environmental Reporting

Vitality is part of the Discovery Group (“Discovery"), a global financial services organisation. Discovery has publicly set out its climate change position for the whole group which acknowledges that this is one of the key risks facing businesses and society. As well as government commitments, there is growing pressure from both society and investors for companies to align their business models with a net-zero future.

This provides an opportunity to address both health and climate-related challenges, given their inter-dependencies. As a global financial services organisation, Discovery recognises that its ability to do business is fundamentally linked to the sustainable well-being of the communities in which it operates.

Vitality’s core purpose of making people healthier and enhancing and protecting their lives is aligned to the goal of maintaining an environment that enables and sustains good health. In addition, through Vitality’s Shared-Value business model, Vitality plays a significant role in influencing the members’ health and financial behaviour, and the value created from this behaviour change is shared with the members and society.

Vitality’s climate change strategy has set targets to achieve Carbon Neutrality by 2025 and Net Zero by 2050 or earlier with the aim of publishing a Net Zero plan by 2025 which will include interim targets. Vitality will continue to focus on the following:

- Assess and acknowledge potential climate-related risks and opportunities, and formulate appropriate strategies;
- Integrate climate-change issues into Vitality Group policies and practices, including investments, procurement and partnerships;
- Set science-based targets aligned with global best practice for direct and indirect greenhouse gas emissions;
- Innovate to develop products and services that help our members make more sustainable choices;
- Drive climate action and advocacy through industry and policy engagement; and
- Disclose and report on climate-related risks, strategies, targets and progress that are aligned with the recommendations of the Task Force for Climate-related Financial Disclosures (TCFD).

Direct environmental footprint

The direct environmental impact of the Company’s operations is relatively low since there is no manufacturing element to the business. However, the urgency of action on climate change is recognised and the need for responsible environmental policies, practices and education.

The Company is committed to reducing its direct environmental footprint. This has happened in a number of places, for example:

- Full building energy and environmental surveys across the property portfolio in order to identify areas where emissions can be reduced;

- Vitality has undertaken a wholesale relocation and downsizing of the London property estate, moving to more efficient premises including repurposing of original furniture and ethically recycling to avoid waste to landfill;

- Approval has been granted to relocate the Bournemouth office to a newer and more efficient premises including repurposing of original furniture and ethically recycling to avoid waste to landfill;

- Food waste management and measuring was introduced as well as meat free days in Vitality's on-site restaurants;

- Replaced 8 out of 17 of the Nurse vehicle fleet with Plug-in Hybrid Electric Vehicles, and an agreement to replace the rest with full self-charging Hybrid vehicles in H2 2023;

- 95% renewable electricity contracts are in place as well as carbon offset gas contracts. A plan is being developed to move the remaining contracts to renewable;

- Continued increased usage of video conferencing facilities to reduce the travel carbon footprint of the business;

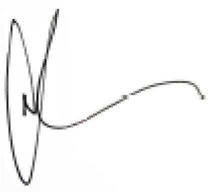
- Reduction of paper usage through data collation for customer documentation, marketing collateral and magazines, photocopier paper and hand towel usage using sustainable sources; and

- Vitality is working on the ESOS submission for 2023/2024 to maintain the compliance achieved in 2019.

Corporate Governance

The Company is in scope for the Streamlined Energy and Carbon Reporting. The activities that give rise to emissions and energy consumption are controlled by the Company on behalf of the Vitality UK Group of companies. The required disclosure will be made in the Consolidated Annual Report and Financial Statements of DHEL (company number 05933172).

On behalf of the board



Neville Koopowitz

Chief Executive Officer

Vitality Corporate Services Limited (Reg No: 05933141)

18 October 2023

Directors

Apart from the appointment listed below, the Directors listed on page 3 were in office for the whole financial year and up to the date of signing the financial statements.

One new director was appointed after the financial year ended 30 June 2023 as detailed below:

Joanne Kenrick	1 August 2023

The Directors are not subject to standing for re-election by rotation.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and officers' liability insurance in respect of itself and its Directors.

Going concern

Going concern has been evaluated by the Directors of the Company. They concluded that it was reasonable to expect the Company to remain in business for a period of not less than 12 months from the date of signing of the financial statements.

In performing this evaluation the Directors of the Company have considered the Board approved business plan to support the solvency and liquidity requirements of the business for the next 12 months as well as the going concern assessments of the underlying businesses that the Company provides services to.

Results and dividend

No dividend was paid or proposed in the year ended 30 June 2023 (2022: £nil).

The results for the year ended 30 June 2023 are set out on page 28, within the Statement of comprehensive income.

Financial risk management

The Company manages its various financial risks as outlined in note 3 to the financial statements (including the Capital Management Policy).

Events after the reporting year

There are no events after the reporting year that require disclosure.

Future developments

See the Strategic report on page 4 for future developments.

Political donations and political expenditure

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

Employee matters

Employees and leaders are updated regularly on business performance: Vitality holds regular CEO live broadcasts to employees, strategy update sessions with senior leaders, and communicates business scorecard performance to employees twice a year as part of Vitality's bi-annual bonus process.

Vitality actively encourages job applications from candidates from diverse backgrounds and is committed to providing equal opportunities to all candidates, including those with disabilities, at every stage in the employee lifecycle. Disability forms an important part of Vitality's annual Diversity and Inclusion programme and Vitality is committed to encouraging positive conversation about disability and creating an inclusive environment where disabled employees can thrive.

Statement of Directors’ responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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

Directors’ confirmations

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

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

Independent auditors

The auditors, KPMG LLP, have been appointed by the Board as the Company’s auditors in accordance with the elective resolution passed by the Company under the Companies Act 2006. The auditors, KPMG LLP, have been appointed by the Board as the Company's auditor in accordance with the elective resolution passed by the Company under the Companies Act 2006. 30 June 2023 is their first year as auditors. A recommendation has been made to the Board to appoint KPMG for the audit of the Company for the financial year ending 30 June 2024. A resolution proposing their appointment will be made following the finalisation of the 30 June 2023 audit.

On behalf of the board

Neville Koopowitz

Chief Executive Officer

Vitality Corporate Services Limited (Reg No: 05933141)

18 October 2023

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VITALITY CORPORATE SERVICES LIMITED

Opinion

We have audited the financial statements of Vitality Corporate Services Limited ("the Company") for the year ended 30 June 2023 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

a. give a true and fair view of the state of the Company's affairs as at 30 June 2023 and of its loss for the year then ended;
b. have been properly prepared in accordance with UK-adopted international accounting standards; and
c. have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard, as applied to other entities of public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

a. we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
b. we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit and management, and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, Audit Committee and Risk Committee minutes.
- Considering remuneration incentive schemes and performance targets for management, directors.
- Perform analytical procedures to identify any unusual or unexpected relationships and relationships in account balances.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VITALITY CORPORATE SERVICES LIMITED

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue is primarily derived from group re-charges, which do not impact the Vitality group performance, and income from Vitality partners which are based on third party evidence, with no judgement and estimation involved.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and others management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VITALITY CORPORATE SERVICES LIMITED

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 23, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.or
g.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Thomas Tyler

Thomas Tyler (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
18 October 2023

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

		Year ended 30 June	
		2023	**2022**
	Note	**£'000**	**£'000**
Revenue			
Revenue	4	393,234	351,820
Interest income	5	354	32
Total income		**393,588**	**351,852**
Expenses			
Administrative expenses	6	(399,904)	(347,365)
Finance costs	9	(659)	(276)
Total expenses		**(400,563)**	**(347,641)**
(Loss) / profit before tax		**(6,975)**	**4,211**
Tax expense	12	(431)	(2,177)
(Loss) / profit and total comprehensive (loss) / profit for the year		**(7,406)**	**2,034**

The Company has no comprehensive income or expense other than the (loss)/ profit for the year recognised in the statement of comprehensive income.

All amounts above are in respect of continuing operations.

The notes on pages 32 to 56 are integral to these financial statements

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

		As at 30 June	
		2023	**2022**
	Note	**£'000**	**£'000**
Assets			
Intangible assets	18	40,250	42,691
Property, plant and equipment	19	7,557	5,004
Right-of-use assets	20	9,653	5,525
Investment in subsidiary	10	2,550	2,550
Investment in joint venture	11	125	98
Deferred tax asset	13	1,698	1,775
Inventory	17	4,063	464
Trade and other receivables	15a, 16	60,313	64,035
Current income tax receivable		6	990
Cash and cash equivalents	15b	13,108	7,871
Total assets		**139,323**	**131,003**
Equity			
Ordinary share capital	21	27,900	27,900
Preference shares	22	40,250	40,250
Other reserves		(179)	—
Accumulated deficit		(27,170)	(19,764)
Total equity		**40,801**	**48,386**
Liabilities			
Lease liabilities	20	11,498	7,440
Trade and other payables	15c	87,024	75,177
Total liabilities		**98,522**	**82,617**
Total equity and liabilities		**139,323**	**131,003**

The financial statements on pages 28 to 56 were approved by the Board of Directors on 18 October 2023 and signed on its behalf by

Neville Koopowitz

Chief Executive Officer

Vitality Corporate Services Limited (Reg No: 05933141)

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

	Ordinary share capital £'000	Preference shares £'000	Other reserves £'000	Accumulated deficit £'000	Total equity £'000
At 1 July 2021	**27,900**	**40,250**	**—**	**(21,798)**	**46,352**
Profit and total comprehensive income for the year	—	—	—	2,034	2,034
At 30 June 2022	**27,900**	**40,250**	**—**	**(19,764)**	**48,386**
Loss and total comprehensive loss for the year	—	—	—	(7,406)	(7,406)
Share based payment reserve	—	—	(179)	—	(179)
At 30 June 2023	**27,900**	**40,250**	**(179)**	**(27,170)**	**40,801**

The notes on pages 32 to 56 are integral to these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	Note	Year ended 30 June 2023 £'000	2022 £'000
Cash flows from operating activities			
(Loss) / profit before tax		(6,975)	4,211
Adjustments for:			
Interest paid	9	659	276
Income / (payment) for group relief	12	1,105	(1,866)
Research and development tax credit		(1,002)	(637)
Depreciation of property, plant and equipment	19	2,890	2,557
Depreciation of right-of-use assets	20	1,799	1,851
(Purchase) / sale of inventory	17	(3,599)	219
Loss on disposal of fixed assets	19	1,473	291
Loss on disposal of leased assets	9	2	
Investment in lease receivables		—	512
Amortisation of intangible assets	18	14,693	17,980
Derecognition of intangible assets	18	9,782	—
Movement in operating assets and liabilities	23	15,569	6,007
Share based payment movement		(179)	—
Dividend received	11	(48)	—
Income tax received	12	527	757
Net cash generated by operating activities		**36,696**	**32,158**
Cash flows from investing activities			
Purchases of property, plant and equipment	19	(6,916)	(2,544)
ROUA capitalised expenses		(132)	—
Investment in intangible assets	18	(22,034)	(20,633)
Investment in joint venture	11	(27)	(98)
Investment in subsidiary	10	—	(500)
Dividend received	11	48	—
Net cash used in investing activities		**(29,061)**	**(23,775)**
Cash flows from financing activities			
Principal element of lease payments	20	(2,398)	(2,644)
Net cash used in financing activities		**(2,398)**	**(2,644)**
Increase in cash and cash equivalents		**5,237**	**5,739**
Cash and cash equivalents at the beginning of the year	15b	7,871	2,132
Cash and cash equivalents at the end of the year	15b	**13,108**	**7,871**
Supplemental disclosures on cash flow from operating activities			
Interest income	5	354	32
Finance costs	9	(659)	(276)

The notes on pages 32 to 56 are integral to these financial statements

1. Significant accounting policies

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis and in accordance with UK-adopted international accounting standards, in conformity with the requirements of the Companies Act 2006.

The preparation of financial statements in conformity with UK-adopted international accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The principal accounting policies set out below have been consistently applied to all financial reporting periods presented in these financial statements, unless otherwise stated.

1.2 Summary of significant accounting policies

(a) Basis of consolidation

The Company is exempt under Section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of Discovery Holdings Europe Limited, a company registered in England and Wales, whose financial statements are publicly available and can be obtained from 3 More London Riverside, London, SE1 2AQ.

(b) Investments and other financial assets and financial liabilities

Financial assets

The Company follows IFRS 9 in respect of the classification and measurement of financial instruments. Further information is included in note 15.

Investments and financial assets

(i) Classification

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or through profit and loss ("FVPL")); and
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses are recorded in profit or loss. The Company reclassifies financial assets only when its business model for managing those assets changes. The Company does not currently utilise the FV through OCI or the FVPL measurement categories.

(ii) Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

Financial assets are deemed to be held under one of three business models:

- Hold to collect, where the business objective is to hold the asset to collect the contractual cash flows;
- Hold to collect and sell, where the business objective is to hold the asset to collect the contractual cash flows and to sell the financial assets; and
- Other.

Unless specifically designated to be held at fair value through profit or loss, a financial asset is measured at amortised cost if it is held within a hold to collect business model and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Amortised cost is measured using the effective interest method. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Statement of comprehensive income. The balances disclosed as loans and receivables in the Statement of financial position are held at amortised cost.

Financial assets held within a hold to collect and sell business model are measured at fair value through OCI if the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company does not currently hold any such assets.

(iv) Impairment

For financial assets carried at amortised cost a loss allowance is recognised for expected credit losses taking into account changes in the level of credit risk. These are assessed with reference to past default rates, also reflecting forward looking information such as local economic or market conditions. Where credit risk is considered to be low, the loss allowance is limited to expected losses arising from default events that are possible within 12 months from the balance sheet date.

For other financial assets a loss allowance is recognised for expected credit losses taking into account changes in the level of credit risk. Where credit risk is considered to be low, the loss allowance is limited to expected losses arising from default events that are possible within 12 months from the balance sheet date.

Impairment losses are charged to the Statement of comprehensive income.

Financial liabilities

Financial liabilities are classified as either:

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

The Company measures financial liabilities at amortised cost unless either: it is held for trading and is therefore required to be measured at FVPL; or the Company elects to measure the liability at FVPL. All financial liabilities are classified at amortised cost (trade and other payables and lease liabilities).

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of comprehensive income.

(c) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or counterparty.

(d) Intangible assets

Intangible assets are recognised in the Statement of financial position if it is probable that the relevant future economic benefits attributable to the asset will flow to the Company and its cost can be measured reliably.

Internally developed software is capitalised as an intangible asset and amortised over its estimated useful life when it is either identified as separable (i.e. capable of being separated from the entity and sold, transferred, rented, or exchanged) or it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable.

Intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to the Statement of comprehensive income on a straight-line basis over the estimated useful lives of the assets. Impairment losses are calculated and recorded on an individual basis.

The estimated useful life of internally developed software currently being amortised is between 3 and 7 years.

(e) Subsidiaries

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are accounted for at cost under IAS 27 Separate Financial Statements. On an annual and indicator basis an impairment assessment is undertaken and any impairment is recognised in the Statement of comprehensive income. The recoverable amount is determined as the higher of fair value less cost to sell and the subsidiary’s value in use, determined using expected future cashflows.

(f) Cash and cash equivalents

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

For the purposes of the Statement of cash flows, cash and cash equivalents are as defined above but are shown net of outstanding bank overdrafts.

(g) Provisions for liabilities and charges

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources or economic benefit will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation. Once a provision is recognised, it is measured as the amount that would be paid to settle the obligation. This includes discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability, if this effect is material.

(h) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount.

(i) Joint venture

A joint venture is a joint arrangement whereby the parties have joint control of an arrangement and have rights to the net assets of the arrangement.

The Company recognises its interest in a joint venture as an investment and accounts for that investment using the equity method. Under the equity method, on initial recognition the investment in a joint venture is recognised at cost. The carrying amount is adjusted to recognise the Company's share of the post-acquisition profit or loss of the investee and is recognised in profit or loss. Distributions received from an investee reduce the carrying amount of the investment. The Company will discontinue the use of the equity method from the date when its investment ceases to be an associate or a joint venture.

The Company assesses at each reporting date whether there is objective evidence that an associate or a joint venture is impaired.

(j) Inventory

Inventory is stated at the lower of cost or net realisable value and consists of vouchers bought in bulk to be sold to members as part of the wellness benefit program. Net realisable value is the value of the vouchers purchased.

(k) Taxation

The income tax expense or credit for the year is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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

Deferred taxation is provided, in full, using the Statement of financial position liability method on temporary differences arising between the tax bases of assets and liabilities and the carrying amount in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

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

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

(l) Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognised in the Statement of comprehensive income.

(m) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Depreciation is charged to the statement of comprehensive income on a straight line basis over the estimated useful life of the assets.

The estimated useful life of each asset class is:

Leasehold improvements	Up to a maximum of 20 years
Fixtures and fittings	Up to a maximum of 10 years
Computer equipment	Up to a maximum of 5 years
Telematic devices	Up to a maximum of 5 years

The assets' residual values and useful lives assets are reviewed, and adjusted if appropriate, at the end of each financial reporting year-end. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of comprehensive income.

(n) Revenue

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Company's activities.

Revenue is recognised according to the following steps:

1. Identify contracts with customers;
2. Identify the separate performance obligations;
3. Determine the transaction price of the contract;
4. Allocate the transaction price to each of the separate performance obligations; and
5. Recognise the revenue as each performance obligation is satisfied.

The Company recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Company. Income from recharged expenses relating to the VitalityHealth and VitalityLife branded products is recognised in parallel with the recognition of the underlying expenses to be recharged.

Trust scheme income, Vitality product fee income, commission income and other income are all recognised upon the Company providing the related services.

(o) Trade and other payables

Trade and other payables represent obligations to pay for goods and services that have been acquired in the ordinary course of business.

(p) Employee share based payments

The Company operates cash settled share-based compensation plans under which the Company receives services from employees as consideration for awards of cash payments. The fair value of the employee services received in exchange for the awards granted is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the awards granted.

Non-market performance and service conditions are included in the assumptions about the number of awards that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Company revises its estimates of the number of awards that are expected to vest based on the non-market conditions. It recognises the impact of the revision to original estimates, if any, in the Statement of comprehensive income, with corresponding adjustments to payables. As the primary employer of staff in the Vitality group, the Company also bears the costs of equity schemes made available to key management personnel of other companies in the Vitality group. These costs are recharged by the Company on an arm's length basis and are outside the scope of IFRS 2.

(q) Employee defined contribution pension plan

The Company operates a defined contribution pension plan and pays contributions to a privately administered pension insurance plan. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(r) Leases

Identification of a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16 *Leases* (“IFRS 16”).

Contracts where the service provider has a substantive right to substitute the asset for an alternative asset during the lease term is not regarded as a lease, but instead a service contract. Accordingly, these contracts are not accounted for in accordance with IFRS 16. For the Company, such contracts include items such as vending machines and printers.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The Company presents right-of-use assets in Right-of-use assets and Lease liabilities in the Statement of financial position.

The Company leases the following assets with a range of lease terms:

• Large offices	7 - 10 years
• Computer equipment	5 years
• Motor vehicles	2 years

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Measurement

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased. The incremental borrowing rate considers a base interest rate reflective of the jurisdiction in which the legal entity operates, the term of the lease arrangement and the nature of the assets.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

Extension or termination options are included in a number of the building leases across the Company. These terms are used to maximise operational flexibility in terms of managing contracts. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are considered in the lease term when there is reasonable certainty that those options will be exercised.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use asset

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease incentives received. The Company receives incentives such as reimbursements for installations or rent free periods.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option.

In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Short-term leases and low value items

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases of low value assets relate to those categories of assets which at inception of the lease typically have a value, if bought new, of no more than approximately £5k. For the Company, these categories include computer equipment such as desktops, laptops, monitors and related IT peripherals. Short-term leases are those leases with a lease term of less than 12 months.

1.3 Change in accounting policy and disclosures

(i) New and amended standards adopted

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

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted

The Company has not early adopted any accounting standards, amendments, or annual improvements issued but not yet effective. There are no standards that are not yet effective, other than as described below, that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 Critical accounting estimates in applying accounting policies

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

Other disclosures relating to the Company's exposure to risks and uncertainties include:

- Capital management Note 3
- Financial risk management and policies Note 3
- Sensitivity analyses disclosures Note 3

2.1 Capitalised software development costs

The estimates and assumptions surrounding the useful economic life of capitalised software development costs and the date at which amortisation commences is subject to a degree of judgment. The Company assesses the useful economic life and amortisation commencement date separately for each project being capitalised with reference to the nature and expected use of the asset. An annual impairment review is performed to assess the future economic benefit and recoverability of the related assets. See note 6.

2.2 Long-term incentive plan awards

A further critical accounting estimate and is in respect of the amounts accrued in relation to cash-settled long-term incentive plan awards. The value of these awards are dependent upon the embedded value of the VitalityHealth business and the value-in-force of the VitalityLife business. In deriving these values it is necessary to make certain assumptions about the future performance of the business. These assumptions were arrived at based on past experience, internal experience, market information and industry trends. See note 8.

There are no other estimates or assumptions that the directors believe have a significant risk of causing a material adjustment to the carrying amounts of asset or liabilities within the next financial year.

3. Risk management policies
(a) Governance framework

The Company's risk management policy ensures that the risks taken in meeting the Company's corporate, financial and regulatory objectives are identified and managed in accordance with the approved risk framework.

(b) Credit risk

Credit risk is the risk incurred whenever the Company is exposed to loss if a counterparty fails to perform its contractual obligations, including failure to perform those obligations in a timely manner. The Company sets the acceptable level of credit risk through its credit risk policy.

The overriding requirement of the policy, which covers all assets beneficially owned by the Company, is that all assets are of sufficient quality and are sufficiently well diversified to represent appropriate backing for its liabilities, capital and reserves. The policy also requires compliance with all applicable legislation and regulation and sets further limits under specific types of financial instruments, as summarised below.

Cash and cash equivalents

Maximum exposure limits to external counterparties are set with reference to both short and long-term credit ratings issued by Standard & Poor's and Moody's.

Other financial instruments

All intermediaries are approved and regulated by the Prudential Regulation Authority and/or the Financial Conduct Authority. The Company's credit risk is concentrated in the United Kingdom.

The following table analyses the financial assets bearing credit risk using Standard & Poor's ratings:

	Credit Rating										
	AAA		AA		A		BBB or lower		Unrated *		Total*
	%	£'000	%	£'000	%	£'000	%	£'000	%	£'000	£'000
30 June 2023											
Trade and other receivables	—	—	—	—	—	—	—	—	75.9	41,222	41,222
Cash and cash equivalents	—	—	—	—	24.1	13,108	—	—	—	—	13,108
Total	**—**	**—**	**—**	**—**	**24.1**	**13,108**	**—**	**—**	**75.9**	**41,222**	**54,330**

* As at the financial year ended 30 June 2023, of the £41,222k of trade and other receivables unrated by Standard & Poors, £23,564k of trade and other receivables are rated A- by Fitch (2022: £nil).

	Credit Rating										
	AAA		AA		A		BBB or lower		Unrated		Total*
	%	£'000	%	£'000	%	£'000	%	£'000	%	£'000	£'000
30 June 2022											
Trade and other receivables	—	—	—	—	—	—	—	—	85.4	45,983	45,983
Cash and cash equivalents	—	—	—	—	14.6	7,871	—	—	—	—	7,871
Total	**—**	**—**	**—**	**—**	**14.6**	**7,871**	**—**	**—**	**85.4**	**45,983**	**53,854**

*Carrying value in the Statement of financial position

(c) Liquidity or funding risk

Liquidity risk is the risk that the Company, although solvent, does not have sufficient liquid financial resources available to meet its obligations as they fall due, or can secure them only at excessive cost.

The Company sets the acceptable level of liquidity risk through the Liquidity Risk Policy. The main features of the policy are:

- Liquidity risk is only incurred in the pursuit of the Company's corporate and financial objectives, and in particular its investment objectives;
- Limits on the volume of financial assets held which are both not quoted and not regularly traded on a recognised exchange;
- Limits on the volume of non-cash investments; and
- Establishing contingency funding plans to ensure adequate liquid financial resources are in place to meet obligations as they fall due in the event of reasonably foreseeable abnormal circumstances.

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

	Maturity profile of financial liabilities			
	Total	< 1 year	1 – 5 years	> 5 years
	£'000	£'000	£'000	£'000
At 30 June 2023				
Lease liabilities	15,669	2,629	6,734	6,306
Trade and other payables	87,024	86,116	908	—
Total	**102,693**	**88,745**	**7,642**	**6,306**

	Maturity profile of financial liabilities			
	Total	< 1 year	1 – 5 years	> 5 years
	£'000	£'000	£'000	£'000
At 30 June 2022				
Lease liabilities	7,910	2,326	4,080	1,504
Trade and other payables	74,655	74,290	365	—
Total	**82,565**	**76,616**	**4,445**	**1,504**

(d) Market risk

Market risk is the risk that as a result of market movements the Company may be exposed to fluctuations in the value of its assets, in the amount of its liabilities or the income from its assets. Sources of general market risk include movements in interest rates and foreign exchange rates.

The Company sets the acceptable level of market risk through the market risk policy. The main features of the policy are:

- Market risk is only incurred in the pursuit of the Company's corporate and financial objectives, in particular, its investment objectives;
- Asset allocation and portfolio limit structures are established for each asset class; and
- Aggregate exposure limits that are in line with the regulatory requirements.

The following table illustrates the impact on shareholders' equity of a change in market interest rates.

	Impact on shareholders' equity Corporation tax rate 20.5% (2022: 19%)	
	£'000	
	Interest rate movement	
	+1%	-1%
At 30 June 2023	**83**	**(83)**
At 30 June 2022	41	(41)

The Company has an immaterial exposure to foreign exchange risk.

(e) Operational risk

Operational risk is defined as the risk of loss, or adverse consequences for the business, resulting from inadequate or failed internal processes, people and systems, or from external events. The Company sets an acceptable level of operational risk through the operational risk policy. The policy also requires compliance with applicable legislation and regulations.

A strategy to control the operational risk exposures identified is based on a combination of one or all of the following: modify operations such that there is no exposure to the risk; accept exposure to the risk and choose not to control the risk; or accept exposure to the risk and control the exposure by risk transfer or risk treatment.

The level of control and nature of the controls implemented is based on, amongst other things the:

- Potential cause and impact of the risk;
- Likelihood of the risk happening in the absence of any controls;
- Ease with which the risk could be insured against;
- Cost of implementing controls to reduce the likelihood of the risk occurring; and
- Operational risk appetite.

(f) Capital management

The objective of capital management is to ensure that an appropriate level of capital is maintained in comparison to the risks faced by the Company.

The policies and processes in place are to review and report capital levels to management and to project future capital requirements on a monthly basis.

The Company is regulated by the FCA, and so is subject to an externally imposed capital requirement. The Company was in compliance with this requirement throughout the year.

4. Revenue from contracts with customers

	Year ended 30 June	
	2023	2022
	£'000	£'000
Income from the recharge of expenses to other group companies	355,245	317,130
Vitality product fee income	32,632	30,559
Commission income	991	459
Other income	4,366	3,672
Total revenue	**393,234**	**351,820**

During the year the Company had no activities outside the United Kingdom, and accordingly, no geographic split of information is disclosed in respect of revenue from contracts with customers.

5. Interest income

	Year ended 30 June	
	2023	2022
	£'000	£'000
Cash and cash equivalents	354	32
Total interest income	**354**	**32**

6. Administrative expenses

	Year ended 30 June	
	2023	2022
	£'000	£'000
Staff costs (note 7)	156,469	132,911
Other staff costs	2,265	2,071
Contractor costs	27,138	23,656
Short-term leases (note 20)	—	15
Auditors’ remuneration		
For the audit of the Company and other group entities	1,381	1,019
Audit related assurance services	309	323
Non-audit related assurance services	—	3
Depreciation of property, plant and equipment (note 19)	2,890	2,557
Depreciation of right-of-use assets (note 20)	1,799	1,851
Amortisation of intangible assets (note 18)	14,693	17,980
Derecognition of intangible assets (note 18)	9,782	—

The Company incurs the overall audit and non-audit fees on behalf of Vitality and recharges them to other Group companies. In the year ended 30 June 2023 the Company did not recharge audit fees payable to KPMG for Vitality Health Insurance Limited in the amount of £nil (2022: £23k). The element that represents the fees payable in respect of the audit of the Company is £125k (2022: £93k) and in respect of non-audit services is £nil (2022: £nil).

For the financial year ended 30 June 2023, the Company paid £592k to KPMG for the audit of the Company and VHL and £789k to PwC for the audit of Vitality Life Limited. For the financial year ended 30 June 2022 the Company paid £426k to KPMG for the audit of VHL and £593k to PwC for the audit of the Company and Vitality Life Limited.

For the financial year ended 30 June 2023, the Company paid £126k to KPMG for audit related assurance services provided to VHL and £183k to PwC for audit related assurance services provided to Vitality Life Limited. For the financial year ended 30 June 2022 the Company paid £120k to KPMG for audit related assurance services provided to VHL and £203k to PwC for audit related assurance services provided to Vitality Life Limited.

The Company paid £3k to PwC for non-audit related services.

7. Staff costs and other employee related costs

The average monthly number of persons (including executive directors) employed by the Company during the year is summarised below:

	Year ended 30 June	
	2023	2022
By activity	**Average number**	Average number
Customer services	978	1,008
Support services	862	735
Sales	561	508
Total employees	**2,401**	**2,251**

The aggregate remuneration payable in respect of those employees was:

	Year ended 30 June	
	2023	2022
	£'000	£'000
Wages and salaries	125,776	111,148
Long term incentive plan expense	10,252	5,294
Social security costs	15,593	12,355
Other pension costs	4,848	4,114
Total staff costs	**156,469**	**132,911**

All staff costs incurred by the Company in respect of the VitalityHealth branded products are allocated and recharged to VHL. For the financial year ended 30 June 2023 the Company recharged staff costs and other employee related costs of £98,339k (2022: £108,803k) to VHL. All staff costs incurred by the Company in respect of the VitalityLife and VitalityInvest branded products are allocated and recharged to The Prudential Assurance Company Limited and VLL. For the financial year ended 30 June 2023 the Company recharged staff and employee related costs of £55,092k (2022: £24,504k) to the Prudential Assurance Company Limited and VLL.

Other pension costs relate to contributions to a defined contribution pension scheme available to all employees. At 30 June 2023 contributions of £842k (2022: £34k) were outstanding.

8. Long Term Incentive Plans

Vitality operates three long-term incentive plans (LTIPs). Participants earn a cash bonus based on an allocation of phantom share options, the valuation of which is linked to the performance of VitalityLife and VitalityHealth, and more specifically to the Value of Inforce ("ViF") of VitalityLife and the embedded value ("EV") of VitalityHealth. The ViF and EV are determined at each balance sheet date as a valuation of the underlying business in VitalityLife and VitalityHealth. The valuation methodology is approved by the Remuneration Committee on an annual basis. The bonus is earned if the participant is employed on each vesting date. For options issued, the vesting date is two, three or four years after the options are granted. The bonus is calculated based on the difference between the option price and the exercise price. The bonus may not be carried forward.

The schemes have been classified as a cash-settled scheme and a liability has been recognised in line with IFRS 2.

The following is a summary of the terms and conditions of the share options granted.

Date Granted	Option Price	Final Vesting Date	Shares under option at beginning of year	Options granted during year	Options delivered during year	Options cancelled or adjusted during year	**Shares under option at end of year**
06/12/2018	£0.00	06/12/2021	33,936	—	(33,542)	(394)	**—**
01/03/2020	£0.00	30/11/2023	75,496	—	(37,531)	(906)	**37,059**
01/02/2021	£0.00	30/09/2024	129,898		(43,064)	(1,784)	**85,050**
01/02/2021	£0.00	30/09/2025	18,243		—	(1,927)	**16,316**
01/12/2021	£0.00	30/09/2025	147,733		**—**	(2,929)	**144,804**
01/12/2021	£0.00	30/09/2026	27,049		—	(2,081)	**24,968**
			432,355	**—**	**(114,137)**	**(10,021)**	**308,197**

The long-term incentive plans are cash settled and therefore revalued at each reporting date.

During the year ended 30 June 2023, payments of £4,897k (2022: £4,064k) were made to satisfy the long-term incentive plan schemes where performance criteria and service was met.

At 30 June 2023, the total amount accrued in relation to cash-settled awards was £9,725k (2022: £10,018k) inclusive of employer's national insurance. The charge to the Statement of comprehensive income during the year was £5,342k (2022: £5,259k) inclusive of employers national insurance.

9. Finance costs

		Year ended 30 June	
		2023	2022
	Note	**£'000**	£'000
Interest charges for lease liabilities	20	659	276
Total finance costs		**659**	**276**

10. Investment in subsidiary

The Company owns 100% of Vitality Healthy Workplace Limited ("VHWL"), a company limited by shares incorporated and domiciled in England and Wales with a registered address of 5th Floor East, 80 Strand, London WC2R 0DT. During the financial year ended 30 June 2023 the Company invested £nil (2022: £500k) in cash into VHWL.

The principal activity of the subsidiary is the provision of an engaging health solution for UK businesses. The offering ("Healthy Workplace") takes a holistic approach to employee health, providing a range of tools to help employers understand their employees' physical and mental wellbeing needs and motivations. Healthy Workplace can help reduce absenteeism, improve productivity, and give employers a whole workforce view of the health of their employees.

11. Investment in joint venture

The company has a 50% investment in Healthcare Purchasing Alliance Limited ("HPA"). HPA is responsible for supporting VitalityHealth and Aviva Health UK Limited with the procurement of healthcare with most large hospitals, primarily around contracting. The Company recognised a profit of £27k during the financial year ended 30 June 2023 (2022: £98k) on the increase in the valuation of their investment in HPA. During the financial year ended 30 June 2023 HPA paid a dividend of £48k to the Company (2022:£nil).

	As at 30 June	
	2023	2022
	£'000	£'000
Investment in HPA	125	98
Investment in joint venture	**125**	98

It is the Company's intention to hold investments in equity securities for more than twelve months. HPA's registered office is 8 Surrey Street, Norwich, Norfolk, NR1 3NG.

12. Tax expense

	Year ended 30 June	
	2023	2022
	£'000	£'000
(a) Current year tax expense		
Current tax:		
Current year tax expense	(551)	(2,408)
Adjustment in respect of prior years	197	417
	(354)	**(1,991)**
Deferred tax:		
Deferred tax credit	211	559
Adjustment in respect of prior years	(450)	(957)
Effect of tax rate change	162	212
	(77)	**(186)**
Total tax expense	**(431)**	**(2,177)**

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

	Year ended 30 June	
	2023	2022
	£'000	£'000
(b) Reconciliation of tax		
Profit before tax	(6,975)	4,211
Tax at 20.5% (2022: 19%)	1,429	(800)
Effects of:		
Permanent differences	(195)	(147)
Property, plant and equipment differences	94	(28)
Income not taxable	233	142
UK to UK transfer pricing adjustment	(1,901)	(1,016)
Adjustment in respect of prior years	(253)	(540)
Re-measurement of deferred tax for changes in tax rates	162	212
Total tax expense	**(431)**	**(2,177)**

During the financial year ended 30 June 2023 the Company made £nil (2022: £337k) in corporation tax instalments for the 2022/2023 tax year.

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

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

13. Deferred tax asset

	As at and year ended 30 June	
	2023	2022
	£'000	£'000
Deferred tax asset comprises:		
Accelerated capital allowances	(904)	(39)
Short-term timing differences	2,602	1,814
Deferred tax asset at the end of the year	**1,698**	**1,775**
Movements in deferred tax asset comprises:		
At the beginning of the year	1,775	1,961
Amounts charged in the Statement of comprehensive income	(77)	(186)
Deferred tax asset at the end of the year	**1,698**	**1,775**

The recognition of the deferred tax asset is supported by the expected future profitability of the Company and other companies in the group. The primary source of these profits is expected to be the income from the transfer pricing margin charged for processing expenses on behalf of VitalityHealth and VitalityLife.

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

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

The recognition of deferred tax assets are subject to a degree of estimation and judgement. The level of deferred tax asset recognised in the Statement of financial position is determined with reference to the expected future taxable profits of the Company and the wider UK Group. The Company makes use of all available evidence when determining the future taxable profits. This evidence includes medium term business plans approved by the Directors of the UK Group and discounted cash flow projections of the profits that are expected to emerge from the insurance policies underwritten by the UK Group. In assessing the availability and quantum of future profits the Company applies probability factors to determine a range of probable outcomes. The Company then applies judgement to conclude on where within this range the deferred tax asset is set.

14. Directors emoluments

The Directors are employed by VCSL and by companies in the Discovery Limited group. There are no members of key management other than the executive directors. Other than as disclosed below, no director has received any incremental emoluments or other benefits for services to the Company.

The remuneration in the year disclosed below represents the remuneration paid by the Company to the directors on behalf of Vitality for the periods they held a directorship with one or more Vitality group companies.

	Year ended 30 June	
	2023	2022

	£'000	£'000
Aggregate emoluments in respect of qualifying services	7,769	7,438
Compensation for loss of office	—	550
Aggregate pension contributions to money purchase schemes	60	49
Aggregate amounts receivable under the Long-Term Incentive Plan	2,431	2,940
Total	**10,260**	**10,977**

	Year ended	
	2023	2022
	£'000	£'000
Details of highest paid director		
Aggregate emoluments in respect of qualifying services	2,056	2,015
Aggregate pension contributions to money purchase schemes	5	4
Aggregate amounts receivable under the Long-Term Incentive Plan	505	546
Total	**2,566**	**2,565**

The remuneration shown above is in respect of 13 directors (2022: 13 directors) of the Company, VHL and VLL all of whom are remunerated by VCSL on behalf of the Group. The element of the remuneration that relates to VHL and VLL are reported in their respective financial statements. 6 directors are participating in the long-term Incentive Scheme (2022: 10). The total remuneration for directors is recharged to VHL and VLL based on each Director's role in the Group and the companies that they are directors of. Other Group companies do not get recharged for any of the costs as the services that the directors provide to these companies are incidental to the services they provide to the Vitality Group.

15. Financial assets and financial liabilities

The Company holds the following financial instruments:

		As at 30 June	
		2023	2022
Financial assets	**Note**	**£'000**	£'000
Financial assets at amortised cost:			
Trade and other receivables	15a	41,222	45,983
Cash and cash equivalents	15b	13,108	7,871
Total financial assets		**54,330**	**53,854**

		As at 30 June	
		2023	2022
Financial liabilities	**Note**	**£'000**	£'000
Financial liabilities at amortised cost:			
Lease liabilities	20	11,498	7,440
Trade and other payables	15c	87,024	75,177
Total financial liabilities		**98,522**	**82,617**

The amount of non-current trade and other receivables at 30 June 2023 is £1,639k (2022: £683k). All other assets included within trade and other receivables are expected to be received within twelve months. The amount of non-current trade and other payables at 30 June 2023 is £908k (2022: £365k).

The Company's exposure to various risks associated with financial instruments is discussed in note 3. The maximum exposure to credit risk at the respective financial year end is the carrying amount of each class of financial assets mentioned above.

(a) Trade and other receivables

	As at 30 June	
	2023	2022
	£'000	£'000
Amount receivable from related parties	31,101	34,453
Trade receivables	5,019	4,335
Other receivables	5,102	7,195
Trade and other receivables	**41,222**	**45,983**

Included within other receivables is accrued income of £537k (2022: £603k) relating to the VitalityLife product sold by The Prudential Assurance Company Limited and £1,234k (2022: £1,266k) relating to the Vitality Partner debtors. The carrying amounts above reasonably approximate their fair values at the respective Statement of financial position dates.

(b) Cash and cash equivalents

	As at 30 June	
	2023	2022
	£'000	£'000
Cash at bank and in hand	13,108	7,871
Total cash and cash equivalents	**13,108**	**7,871**

Some balances are subject to a variable interest rate. The average interest rate earned was 3.38% (2022: 0.64%).

(c) Trade and other payables

	As at 30 June	
	2023	2022
	£'000	£'000
Amounts owed to related parties	2,993	2,237
Trade payables	84,031	72,940
Total trade and other payables	**87,024**	**75,177**

A portion of trade and other payables are long-term and are expected to be settled after 12 months. All other liabilities included within trade and other payables are expected to be settled within twelve months. The carrying amounts above reasonably approximate their fair values at the Statement of financial position date.

16. Non-financial assets and non-financial liabilities

The Company holds the following non-financial assets.

		As at 30 June	
		2023	2022
Non-financial assets	**Note**	**£'000**	£'000
Property, plant and equipment	19	7,557	5,004
Right-of-use assets	20	9,653	5,525
Intangible assets	18	40,250	42,691
Investment in subsidiary	10	2,550	2,550
Investment in joint venture	11	125	98
Deferred tax asset	13	1,698	1,775
Trade and other receivables (prepayments)		19,091	18,052
Current income tax receivable	12	6	990
Inventory	17	4,063	464
Total non-financial assets		**84,993**	**77,149**

Trade and other receivables consists of prepaid expenses. The non-current portion of prepaid expenses at 30 June 2023 was £2,223k (2022: £889k). The Company does not have any non-financial liabilities at 30 June 2023 or 2022.

17. Inventory

Inventory consists of vouchers purchased for £4,063k (2022: £464k) which were purchased in bulk to be sold to members as part of the wellness benefit program. An amount of £3,814k (2022: £3,272k) has been recognised as an expense in the Statement of comprehensive income for the financial year ended 30 June 2023 .

18. Intangible assets

	Capitalised software development costs £'000
Cost	
At 1 July 2021	107,035
Additions in the year	20,633
At 30 June 2022	**127,668**
Additions in the year	22,034
Derecognition of intangible assets	(61,735)
At 30 June 2023	**87,967**
Accumulated amortisation	
At 1 July 2021	(66,997)
Amortisation in the year	(17,980)
At 30 June 2022	**(84,977)**
Amortisation in the year	(14,693)
Derecognition of intangible assets	51,953
At 30 June 2023	**(47,717)**
Net book amount at 30 June 2022	**42,691**
Net book amount at 30 June 2023	**40,250**

During the financial year ended 30 June 2023, the Company derecognised intangible assets with a net book amount of £9,782k (2022: £nil). The majority of the derecognised assets, in the amount of £8.8m, related to the decision to run-off the book of the VitalityCar business by 30 June 2024, combined with the derecognition of older intangible assets that were cancelled or replaced.

19. Property, plant and equipment

	Computer equipment	Fixtures and fittings	Leasehold improvements	Telematics devices	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost					
At 1 July 2021	16,135	5,030	2,931	668	24,764
Additions in the year	1,913	113	189	329	2,544
Disposals in the year	(9,451)	(385)	—	(36)	(9,872)
At 30 June 2022	**8,597**	**4,758**	**3,120**	**961**	**17,436**
Additions in the year	2,425	741	3,336	414	6,916
Disposals in the year	(1,967)	(2,514)	(877)	(1,375)	(6,733)
At 30 June 2023	**9,055**	**2,985**	**5,579**	**—**	**17,619**
Accumulated depreciation					
At 1 July 2021	(13,575)	(4,227)	(1,910)	—	(19,712)
Depreciation charge for the year	(1,743)	(323)	(472)	(19)	(2,557)
Disposals in the year	9,451	385	—	—	9,836
At 30 June 2022	**(5,867)**	**(4,165)**	**(2,382)**	**(19)**	**(12,433)**
Depreciation charge for the year	(1,974)	(347)	(520)	(49)	(2,890)
Disposals in the year	1,945	2,468	780	68	5,261
At 30 June 2023	**(5,896)**	**(2,044)**	**(2,122)**	**—**	**(10,062)**
Net book amount at 30 June 2022	**2,730**	**593**	**738**	**942**	**5,003**
Net book amount at 30 June 2023	**3,159**	**941**	**3,457**	**—**	**7,557**

20. Leased assets

The table below relates to those assets held in accordance with IFRS 16 where a right-of-use asset is recognised.

	As at 30 June	
	2023	2022
Right-of-use assets	**£'000**	£'000
Buildings	9,625	5,429
Vehicles	28	96
Net book amount	**9,653**	**5,525**

	As at 30 June	
	2023	2022
Lease liabilities	**£'000**	£'000
Current	1,803	2,176
Non-current	9,695	5,264
	11,498	**7,440**

During the financial year ended 30 June 2023 break clauses were exercised on 1 (2022: 2) building leases resulting in a disposal of right-of-use-assets and a reduction in lease liabilities in the amount of £3,758k (2022: £5,862k).

The Statement of comprehensive income shows the following amounts relating to leases:

	Year ended 30 June	
	2023	2022
Depreciation charge for right-of-use assets	**£'000**	£'000
Buildings	1,731	1,774
Vehicles	68	64
Computer equipment	—	13
	1,799	**1,851**
Interest expense	**659**	**276**
Expense relating to short-term leases (included in administrative expenses)	**—**	**15**

21. Ordinary share capital

	30 June 2023 Number of shares	30 June 2023 £'000	30 June 2022 Number of shares	30 June 2022 £'000
Ordinary shares				
Authorised				
Ordinary shares of £1 each	27,900,000	27,900	27,900,000	27,900
Called up, issued and fully paid				
Ordinary shares of £1 each	27,900,000	27,900	27,900,000	27,900

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

22. Preference shares

	30 June 2023 Number of shares	30 June 2023 £'000	30 June 2022 Number of shares	30 June 2022 £'000
Preference shares				
Authorised				
Preference shares of £1 each	40,250,000	40,250	40,250,000	40,250
Called up, issued and fully paid				
Preference shares of £1 each	40,250,000	40,250	40,250,000	40,250

The preference shares pay a non-cumulative dividend of 0.1% at the discretion of the Company. The preference shares are redeemable solely at the discretion of the Company. The shares have attached to them full voting and capital distribution (including on winding up) rights.

No preference shares were purchased or redeemed during the financial years ended 30 June 2023 or 30 June 2022.

23. Movement in operating assets and liabilities

	Year ended 30 June	
	2023	2022
	£'000	£'000
Decrease / (increase) in operating assets:		
Trade and other receivables	3,722	(5,178)
	3,722	**(5,178)**
Increase in operating liabilities:		
Trade and other payables	11,847	11,185
	11,847	**11,185**
Increase in operating assets and liabilities	**15,569**	**6,007**

24. Contingencies and commitments

Vitality provides a program of wellness benefits to its policyholders. This is an incentive program where customers earn points for undertaking healthy activities such as visiting the gym, giving up smoking, making healthy nutritional choices and undertaking health screenings. The accumulation of points achieves a Vitality status from Bronze through to Silver, Gold and Platinum. The program provides customers with access to discounts and rewards, including active rewards linked to short-term activity goals.

The Company expects to continue to incur costs related to the continued operation of the program of wellness benefits. This creates a form of possible obligation as VCSL may incur costs in the future depending on the actions and decisions of customers, such as the healthy activities they undertake and the continuance of their insurance cover.

During the financial year ended 30 June 2023, the Company signed an agreement for lease for an office building in Bournemouth. The 10-year lease will commence when the agreed works are complete. As detailed in note 27, the landlord works were completed and the lease was signed on 29 August, 2023. Rental payments will commence after an initial one year rent-free period.

25. Related party transactions

	As at and year ended 30 June 2023			
	Sales to:	**Purchases from:**	**Amounts owed to:**	**Amounts owed from:**
	£'000	**£'000**	**£'000**	**£'000**
Immediate parent company	4,475	4,163	—	4,456
Other Vitality companies	350,567	2,709	132	26,139
Discovery group companies	1,277	7,963	2,231	507
Other related parties	—	—	—	—
	356,319	**14,835**	**2,363**	**31,101**

	As at and year ended 30 June 2022			
	Sales to:	**Purchases from:**	**Amounts owed to:**	**Amounts owed from:**
	£'000	**£'000**	**£'000**	**£'000**
Immediate parent company	—	385	—	1,491
Other Vitality companies	317,747	887	1,040	32,516
Discovery group companies	698	5,737	1,205	446
Other related parties	—	—	—	—
	318,445	**7,009**	**2,245**	**34,453**

Amounts shown as sales to other Vitality companies primarily relates to intercompany recharges for services rendered.

All transactions between key management and the Company during the year were on commercial terms which are equivalent to those available to all employees of the Company.

26. Parent and ultimate controlling party

The Company is 100% (2022: 100%) owned by DHEL, a company incorporated in England and Wales.

DHEL is 100% (2022: 100%) owned by Discovery Group Europe Limited, a company incorporated in England and Wales. The smallest group to consolidate these financial statements is Discovery Holdings Europe Limited. The consolidated financial statements can be obtained from 3 More London Riverside, London, SE1 2AQ.

The ultimate controlling party of Discovery Group Europe Limited is Discovery Limited, a company incorporated in the Republic of South Africa.

The ultimate controlling party of the Company and largest group to consolidate these financial statements is Discovery Limited. The consolidated financial statements of Discovery Limited can be obtained from Discovery Limited, 1 Discovery Place, Sandton, PO Box 786722, South Africa.

27. Subsequent event

On August 29, 2023, VCSL signed independent lease agreements across 4 floors in new office premises in Bournemouth, each for a term of 10 years. Rental payments will commence after an initial one year rent free period from 29 August 2023.