

VITALITY CORPORATE SERVICES LIMITED

Vitality Health

Annual Report and Financial Statements

For the year ended 30 June 2021



Vitality Corporate Services Limited

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Validity Corporate Services Limited

DIRECTORS AND OFFICERS

Directors in office at the date of the signing of the financial statements

Adrian Gore
Neville Koopowitz
Andrew Crossley*
Rosemary Hilary*
Nicholas Caplan*
Alastair Lyons*
Joanne Shaw*
Nicholas Read (appointed 22 July 2020)
David Hare* (appointed 26 October 2020)
Lord Sebastian Coe* (appointed 1 January 2021)
Judy Parfitt (appointed 6 May 2021)
Greg Levine (appointed 11 May 2021)
Keith Kropman (appointed 11 May 2021)

*Independent Non-Executive

Company Secretary at the date of the signing of the financial statements

Jennifer Thorn

Registered office

3 More London Riverside
London
SE1 2AQ

Registered number

05933141

Independent auditors

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

Vitality Corporate Services Limited

STRATEGIC REPORT

The directors present their Strategic Report, Report of the Directors and the audited financial statements for the financial year ended 30 June 2021.

Vitality Corporate Services Limited ("the Company") is a private company limited by shares, incorporated and domiciled in the United Kingdom with a registered address of 3 More London Riverside, London SE1 2AQ. The Company is one of eight companies that, along with the holding company, make up the Discovery Holdings Europe Limited group of companies ("Vitality", "Vitality Group", "the Group"). Within Vitality there are four business units, "VitalityHealth", "VitalityLife", "VitalityInvest" and "VitalityCar".

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 Vitality Health Limited ("VHL") (trading as "VitalityHealth"), for the VitalityLife products underwritten by The Prudential Assurance Company Limited and Vitality Life Limited ("VLL") (trading as "VitalityLife"), for the products underwritten by Vitality Life Limited (trading as "VitalityInvest") and for the VitalityCar products sold by Covéa Insurance plc ("Covéa"). The Company also provides a program of wellness benefits to individuals who are policyholders of VitalityHealth, VitalityLife, VitalityInvest and VitalityCar.

On 16 June 2021 the Company and Covéa launched a Vitality branded Personal Lines motor insurance product to the UK market. The Company has entered into a contract with Covéa under which the motor insurance policies are fully underwritten by Covéa and the Company receives a profit share commission, while also incurring some of the administrative expenses related to the product. The Company will provide brand services, partner & reward services, and cross selling to existing Vitality Group customers. The reward services include the Vitality Drive program which correlates driving behaviour to score and rewards. Covéa will use their insurance license, administration system and staff to underwrite the policies, and will provide capital to cover the insurance capital requirements.

The Company owns 50% of 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. 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 the United Kingdom with a registered address of C/O Vitality Health 4th Floor, 70 Gracechurch Street, London, EC3V 0XL. The investment was previously a joint venture between Nuffield Health Limited and the Company, however on 7 March 2019 the Company acquired Nuffield Health Limited's interest in the joint venture and became the sole shareholder.

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

The profit before tax for the year ended 30 June 2021 was £4,112k (2020: £8,201k). Management and distribution expenses were recharged using a cost apportionment model at a margin of cost plus five per cent for the Vitality products sold by VHL for the year ended 30 June 2021 (VHL and VLL for the year ended 30 June 2020). The Company also recharges other Vitality Group and Discovery entities for certain costs. For the year ended 30 June 2021 total recharged costs generated income of £259,040k (2020: £275,946k). The reduction in recharged expenses as compared to the prior year is due to cost saving initiatives implemented within the Group. Expenses such as interest costs and investment management fees were recharged at cost. In the financial year ended 30 June 2021 the Company generated £345k of fees related to the trust business (2020: £172k).

Vitality Corporate Services Limited

STRATEGIC REPORT (CONTINUED)

Principal activities and business review (continued)

The net assets of the Company at 30 June 2021 were £46,352k (2020: £43,611k).

Future outlook

The Company will continue to provide administrative, distribution and management services for the VitalityHealth, VitalityLife and VitalityInvest branded products. These services are expected to continue to grow as the customer base of VitalityHealth, VitalityLife and VitalityInvest grows. In addition, the Company will provide brand services, partner & reward services, and cross selling to existing Vitality Group customers in relation to the recently launched Vitality branded Personal Lines motor insurance product which is also expected to grow as the customer base grows.

On 11 March 2020, the World Health Organisation declared COVID-19 a global pandemic. The global response to COVID-19 continues to evolve rapidly and has included mandates from various levels of governments across the world to mitigate the spread of the virus. The adverse impact on global commercial activity from the COVID-19 pandemic has contributed to significant volatility in financial markets. A range of restrictions in the UK were placed and released over the course of this financial year to respond to fluctuating case numbers, such as mask-wearing. The UK vaccination program has been heralded as a major success and has contributed to a decrease in admissions and deaths in hospital.

While the directors continue to monitor developments closely, their current assessment is that there will be a limited adverse impact on the Company in the future. This is primarily as a result of the limited impact it is expected to have on the underlying businesses that the Company provides services to. VitalityHealth, VitalityLife and VitalityInvest have demonstrated strong operational resilience during the pandemic and in a post COVID-19 environment, the issues of health, wellness and resilience are likely to be fundamental and these businesses are well placed to capitalize on their shared value business models in the markets they operate in.

On 31 January 2020 the United Kingdom left the European Union ("EU"). As the Company only sells and underwrites policies to UK residents this has not significantly impacted the Company. However, given the uncertainty on the future EU-UK relationship beyond the transition period which ended on 31 December 2020, and the impact on the UK economy, the Directors will continue to monitor the impact carefully.

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).

Vitality Corporate Services Limited

STRATEGIC REPORT (CONTINUED)

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.

Environmental Reporting

The Vitality Group 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, and to integrate climate change into their post-pandemic recovery. 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 wellbeing of the communities in which it operates. The Vitality Group'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 the Group's Shared-Value business model, the Group 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. The Group has an opportunity to become part of the climate-change solution by extending the Shared-Value model into this space, while minimising the Group's own impact. To achieve these ambitions, the Group's climate change strategy has the following aims:

- Assess and acknowledge potential climate-related risks and opportunities, and formulate appropriate strategies;
- Integrate climate-change issues into the 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 climate-friendly products and services that positively influence society;
- 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).

The Vitality Group is closely involved in supporting this. A Chief Sustainability Officer has been appointed and Vitality has engaged specialist sustainable strategy consultants to support and advise on its approach. A number of initiatives, outlined in the following section, have already been implemented, and there are further plans to reduce the Group's own direct and indirect environmental footprint, which include:

- Product innovation – In June 2021 VitalityInvest launched a ready-made solution for members looking for a multi-asset portfolio with ESG exposure at a lower cost;
- Strategic sourcing - Due diligence processes have been updated to include questions regarding the sustainability practices for new suppliers, and an ESG clause has been introduced into our Supplier Code of Conduct which we are asking all suppliers to adhere to; and
- Marketing and the Vitality wellness programme - Vitality partners, sponsorship partners, and Ambassadors will be reviewed against the new Supplier Code of Conduct.

The Vitality Group will also benchmark against similar companies and competitors regarding actual emissions and declared targets.

Vitality Corporate Services Limited

STRATEGIC REPORT (CONTINUED)

Environmental Reporting (continued)

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:

- The commencement of an electric vehicle trial for the company car fleet;
- Full building energy and environmental surveys across the property portfolio in order to identify areas where emissions can be reduced;
- 88% renewable electricity contracts in place and carbon offset gas contracts. A plan is being developed to move the remaining contracts to renewable at the appropriate time;
- Increased usage of video conferencing facilities to reduce the travel carbon footprint of the business;
- The development of a new travel policy to reduce future long haul and short haul flights;
- The removal of all single use plastic cups in Vitality restaurants and office vending; and
- Reduction of paper usage through data collation for customer documentation, marketing collateral and magazines, photocopier paper and hand towel usage using sustainable sources.

Each year, the Vitality Group has reported some high level components of facilities and other carbon impacts such as electricity usage, whole gas for heating and the petrol used by company vehicles (for the Vitality nurses), and these have been included in the annual Discovery Sustainable Development report.

The following table shows the financial year ended 30 June 2021 unaudited direct carbon emissions for the Vitality Group. It is not been possible to collate this data for each of the Companies as Vitality Corporate Services Limited enters into all such supply contracts on behalf of all the Companies within the Vitality Group.

	2020/2021 kWh	2020/2021 tCO ₂ e	2020/2021 tCO ₂ e per employee
Electricity Consumption (kWh)	1,687,551	358.3	0.17
Gas Consumption (kWh)	1,662,926	304.6	0.14
Business Travel – Land (kWh)	315,728	77.6	0.04
Total	3,666,205	740.5	0.35

The following table shows the financial year ended 30 June 2020 unaudited direct carbon emissions for the Vitality Group.

	2019/2020 kWh	2019/2020 tCO ₂ e	2019/2020 tCO ₂ e per employee
Electricity Consumption (kWh)	1,858,939	433	0.21
Gas Consumption (kWh)	1,107,902	204	0.10
Business Travel – Land (kWh)	707,390	175	0.09
Total	3,674,231	812	0.40

The Streamlined Energy & Carbon (SECR) report was compiled independently by energy consultants Briar Consulting Engineers Limited. The 2019 UK Government Environmental Reporting Guidelines and the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) were followed to ensure the minimum SECR requirements were met and exceeded where possible.

Vitality Corporate Services Limited

STRATEGIC REPORT (CONTINUED)

Environmental Reporting (continued)

The energy data was collated from energy invoices, meter reads and mileage records, through existing reporting mechanisms that Vitality already have in place. This energy data was converted to carbon emissions using emission factors provided by the Department of Business, Energy & Industrial Strategy that relate to the beginning of each respective reporting year.

The associated emissions are divided into the combustion of fuels and the operation of facilities (scope 1), purchased electricity (scope 2) and the in-direct emissions that occur because of company activities (scope 3). Emissions for vehicle consumption were derived from mileage records and account for all fuel consumed by company cars, grey fleet and hire cars, known as Business Travel - Land for Vitality Corporate Services Limited.

Managing the risks from climate change

The Vitality Group's Board takes an active interest in ensuring the potential impact from climate change is properly assessed and managed within the business. The risks are monitored and assessed on an ongoing basis as part of the implementation of Vitality's Group Enterprise Risk Management Framework and incorporated into the Own Risk and Solvency Assessment ("ORSA") process which includes stress and scenario testing and an analysis of current and emerging risks. A programme is in place to ensure compliance with regulatory requirements to more deeply integrate climate and sustainability considerations into the risk management framework.

Across the Vitality Group, the related claims risks are considered to be relatively limited, with the ability to reprice contracts at both inception and renewal for the Company or share risk with reinsurers providing mitigation against this risk, though there is a further risk that the cost of insurance may become too expensive for members which may impact on overall business volumes. There is minimal exposure to climate risk from its invested assets (primarily cash, short-term liquidity funds, and corporate bonds), and the Vitality Group is working to further reduce the carbon intensity of these. Unit linked assets for the VitalityInvest clients are invested in underlying investment funds provided by external asset managers. These funds are generally well diversified, provide industry standard risk disclosures and may be subject to climate change risk. There is an increasing industry trend for customers to consider investment solutions that integrate ESG considerations and that VitalityInvest have launched an EnVIRO range to cater for this customer need. The Vitality Group recognises that there are operational and expense risks relating to the implementation of its own and its suppliers' climate and sustainability strategies, and risks relating to new regulations or taxes in this area. It further recognises the reputational, business and strategic risks of not updating its own business model to actively reduce and minimise its impact on the environment.

Governance

(a) Board structure and composition

The Group Board considered how best to create efficiency across the Vitality Group to ensure that the strategic issues and matters relating to stakeholders were being thoroughly considered in the most efficient way. The aim was to bring together all the businesses in the Vitality Group under one operational forum whilst ensuring that the individual companies meet their individual statutory and regulatory requirements. This approach was in line with the One Vitality vision and purpose which is to create a seamless customer experience; with the integration of the Health, Life, Invest and Car customers, advisor and retention services.

Vitality Corporate Services Limited

STRATEGIC REPORT (CONTINUED)

Governance (continued)

(a) Board structure and composition (continued)

The Board structure was therefore redesigned whereby all operational matters have been tabled to be discussed and debated for all the businesses within One Vitality (namely Health, Life, Invest, Car and the Vitality Programme) at the "Operational Board".

This new structure promotes operational consistency across all the businesses which benefits our members in terms of a seamless member service across the Vitality Group. The Operational Board is chaired by Mr Alastair Lyons (the current chair for the Company and VitalityLife) and the Deputy Chair is Ms Joanne Shaw (the current chair of VCSL).

The Group Board is convened separately to the operational businesses, and continues to table strategic matters, and issues that relate to Discovery, such as capital and funding and new strategic initiatives. The Group Board remains to be chaired by Mr Adrian Gore. This ensures that appropriate amount of time is allocated to the interests of our parent company.

The new Board structure provides sufficient opportunity for the Boards to have the benefit of deep dives, and recent examples this year include for the Operational Board include People, R&D roadmap and a Data science overview.

One Vitality saw the re-organisation of a number of new Group functions which were created alongside Vitality's existing Group functions. The existing Group functions were Finance, Risk and Compliance, Marketing and People, with the newly created Group functions being Distribution, Operations, Actuarial & Data Science, and Research and Development and Technical Marketing.

In order to ensure consistency and operational efficiency, the Group Board agreed that certain Executive function holders across the Group be appointed as Board Directors, giving Vitality's most senior executives internal and external recognition for opportunity and growth. This includes the function heads for Distribution, Marketing, People, Finance and the newly appointed role of Chief Sustainability Officer. This new role of Chief Sustainability Officer will ensure that a holistic strategy is developed to deal with all aspects of Vitality's ESG's portfolio and is in line with one of Vitality's values namely being a Force for Good.

The Group Board approved Dr Keith Klintworth's appointment as Group Chief Operating Officer in addition to his existing role as Managing Director to the Company. His position will provide increased operational oversight and consistency across the Vitality Group, with the continuous aim of enhancing member services. The Group Board were also appraised of the formation of the Group Operation Committee – and the existence of a three year road map developed for the customer journey and creating efficiencies at the same time through a reduction in management expenses.

(b) Vitality Programme Board

The new Board structure included the formation of the "Vitality Programme Board" which is a sub-committee of VCSL, to be chaired by the Chair of VCSL, Ms Joanne Shaw. This forum will provide an 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, it will drive cohesion across all the different areas that play a role in: 1) ensuring that the Vitality Programme is designed for optimal effectiveness; 2) devising and executing strategies that drive member engagement with the Vitality Programme where it has the greatest impact; and 3) demonstrating the effectiveness and credibility of the Vitality Programme through

Vitality Corporate Services Limited

STRATEGIC REPORT (CONTINUED)

Governance (continued)

(b) Vitality Programme Board

scientific research, and communicating this to members, advisers and the wider public which supports the Company's share value model and objectives.

(c) Board effectiveness review

Due to the recent Board composition changes referred to above, and to allow these changes to fully embed, the Board agreed to conduct an internal Board effectiveness evaluation rather than the external Board review which is scheduled once every third year. The next external review is scheduled for 2022.

One to one meetings were conducted with Mr Lyons and Board members to discuss the submitted responses. These meetings coincided with the FCA Fit and Proper interview, taking into account the regulator's expectations.

The outcome of the Board review was that the Boards are functioning effectively with a strong balance between constructive challenge and engaged support by the non-executives of the Executives. Board members enjoy being part of the Board, support the business's direction of travel in the UK, and like and respect their colleagues. The recommendations raised were put into the context of seeking to identify areas of potential improvement of a process that is already working well. The recommendations cover areas including, but not limited to; (1) further improvements to the Board papers and Board presentations; (2) management and focus of meetings; (3) Board oversight; (4) engagement with stakeholders; and (5) suggestions for potential deep dives coming back to the Board and further Board training sessions.

Principal decisions made (S.172)

The examples below show how the Board of Directors considered and had regard to the Vitality Group's key stakeholders when considering and making decisions whilst performing their duties under Section 172 of the Companies Act 2006.

The Vitality Group Board in some instances makes decisions for all companies within the Vitality UK Group of Companies. The Company's Board meets to discuss the matters that are specifically reserved to the Board for decision making. As a result, the principal decisions outlined below include those relating directly to the Company as well as the wider Vitality Group.

The governance changes referred to above in the Strategic report, namely the changes to the Group's Board structure to support the One Vitality vision, will provide the Boards of the Vitality Group with increased focus to consider how Board decisions impact our stakeholders, such as the Vitality Group's members (customers), employees, regulators, shareholder, suppliers, financial advisors, and the environment.

COVID-19 response

During these unprecedented times, the Board was advised of the continued measures taken to protect employees, members and advisers as follows:

- All employees of the Vitality Group were able to work from home whilst ensuring that members were not impacted by this shift in the working pattern; with front-line staff being able to handle members' calls from secure network connections at home. Employees were also supported by the provision of a Coronavirus Hub on the intranet with a range of resources to guide and support employees during the pandemic, including wellbeing at home and free access to a virtual schooling programme and other related tools;

Vitality Corporate Services Limited

STRATEGIC REPORT (CONTINUED)

Principal decisions made (S.172) (continued)

- Product enhancements were made to private medical cover products and the Vitality Programme to ensure their relevance in light of changed circumstances. This included a COVID-19 cash back benefit for Vitality Health members who contracted the virus and were hospitalised;
- The Vitality Programme was adapted to take into account the closure of cinemas, gyms and coffee houses. Vitality@home was launched offering a range of activities and benefits that could be accessed from home such as free access to Peloton and Jennis (online physical workouts), discounts on wearables, rewards at home such as online movie codes from Rakuten, and Caffè Nero coffee being delivered to members' homes;
- Members were given access to virtual GPs. The member care Hub (giving members' access anytime to the digital platform to search and find and book treatment) was fast tracked. The Company's members could access virtual consultations with medical specialists including but not limited to mental wellbeing, physiotherapy and consultant appointments;
- Members were kept up to date with regular communications and a COVID-19 FAQ page, and ensured that members kept engaged with relevant content delivered by Vitality's ambassadors via social media channels;
- Provisions were made for members who were suffering from financial difficulties during the pandemic by offering financial flexibility to continue premiums.
- At the outset of the pandemic amidst the economic and business uncertainty, 393 employees were furloughed. These employees were paid their full salaries by Vitality to ensure there was no additional hardship. All furloughed employees were brought back to work within a short timeframe namely no later than 30 June 2020. The Board agreed to repay the full amount of sums claimed pursuant to the Government Furlough scheme.
- Throughout the year, the Board has considered the level of customer claims throughout the pandemic and reserving for the expected catch up, and considering at each stage the benefit members receive. Estimations and reserves have been considered and discussed at the Board with the support of the Actuarial Committee and conservative claim reserves have been set. As result, the Company's members have seen lower renewal premium increases whilst also seeing increased member value through the Vitality@home benefits, and Virtual medical appointments referred to above.

Regulatory/legal & compliance

As part of the annual cycle of items for consideration, the following matters were approved by the Board:

- Annual regulatory submissions and year-end financial statements;
- Business plans and Capital and Funding plans (including the 5 year Group Funding Projection Summary and Solvency Projections);
- Directors' conflicts of interest;
- Vitality's modern slavery statement was approved by the Group Board (on behalf of all the companies within the Vitality Group) as part of the existing annual process. The statement and supporting policy ensures compliance with the UK Modern Slavery Act 2015;
- Approval of the Tax Management Policy and Capital Management Policy, the Money Laundering Reporting Officers Report by the Group Board, risk appetite statements and key risk indicators, Recovery and Resolution plan, the Whistleblowing report (on behalf of the Group);
- Terms of reference refreshed and reviewed;
- The Company's management responsibility maps (an FCA requirement for firms to maintain a comprehensive and up to date document that describes its management and governance arrangements).

Vitality Corporate Services Limited

STRATEGIC REPORT (CONTINUED)

Principal decisions made (S.172) (continued)

Remuneration

The External Remuneration Committee ("the ERC"), a sub-committee of the Vitality Group Board, approved the score after assessing the balanced scorecard for the bi-annual corporate bonus; taking into account the following factors such as, but not limited to, governance, customer service, internal gender diversity targets, profit and sales. A governance rating is applied which is determined by the Independent Directors who chair the Risk, Audit & Actuarial Committees. In accordance with regulatory guidance, the independent Directors also oversee the remuneration and incentives for those staff holding Solvency II controlled functions.

The ERC approved all aspects of remuneration relating to the Group CEO and his direct reports. The employees' annual salary increase was also approved.

Suppliers/partnerships

The Board was appraised of the amendment to the intra-group agreement between VCSL and VLL. Due to the migration of operations services to the UK previously provided by Discovery Life in South Africa to Vitality Life, such services needed to be captured within the existing intra-group agreements in place. These services, service levels, fees and governance arrangements were updated accordingly assisting with ensuring consistency and a seamless transition to members.

The Board noted the entry into the new agreement with LIVI, the new Digital Medical supplier of Vitality GP Technology and Clinical Services for the continued benefit of members, ensuring all members have continued access to Video consultation and a GP advice line.

The Board considered and approved the revised agreement for the sponsorship of the English Cricket Board partnership which provided increased tournament coverage, associated marketing rights and extended product category exclusivity. The revised agreement will increase brand awareness across all the Vitality products.

On behalf of the Board



Neville Koopowitz

Director

Vitality Corporate Services Limited (Reg No: 05933141)

23 September 2021

Vitality Corporate Services Limited

REPORT OF THE DIRECTORS

Directors

Apart from six new appointments in the financial year ended 30 June 2021 as noted 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.

Three directors resigned in the financial year ended 30 June 2021 as detailed below:

Stephen Sarjant	31 December 2020
Wolf Becke	1 January 2021
Andrew Foster	26 January 2021

Six new directors were appointed in the financial year ended 30 June 2021 as detailed below:

David Hare	26 October 2020
Sebastian Coe	1 January 2021
Nicholas Read	22 July 2020
Judy Parfitt	6 May 2021
Gregory Levine	11 May 2021
Keith Kropman	11 May 2021

The directors are not subject to retirement 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 who have concluded that it is 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, on the basis of continued support from the shareholders of the Company.

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.

There are no significant factors arising from COVID-19 which would cause the directors to reconsider the application of the going concern principle or the value of financial statement components at the reporting date. See the Strategic report on page 5 for the Company's future outlook, which sets out the basis on which the directors consider that COVID-19 will only have a limited adverse impact on the business in the future.

Results and dividend

No dividend was paid or proposed in the financial year ended 30 June 2021 (2020: £nil).

Vitality Corporate Services Limited

REPORT OF THE DIRECTORS (CONTINUED)

Results and dividend (continued)

The results for the financial year ended 30 June 2021 are set out on page 35, 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).

Future developments

See the Strategic report on page 5 for the Company's future outlook.

Political donations and political expenditure

No contributions were made for political purposes in the financial year ended 30 June 2021 (2020: £nil).

Employee matters

Employees and leaders are updated regularly on business performance: The Company 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 the Company's bi-annual bonus process.

The Company actively encourages job applications from candidates from diverse backgrounds and are 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 the Company's annual Diversity and Inclusion programme and the Company is committed to encouraging positive conversation about disability and creating an inclusive environment where disabled employees can thrive.

Wates Principles

For the financial year ended 30 June 2021, under The Companies (Miscellaneous Report) Regulations 2018, the Vitality Group has applied the Wates Corporate Governance Principles for Large Private Companies. The Wates Principles have been applied to all companies within the Vitality Group. One Statement of Corporate Governance arrangements has been prepared to cover all companies, as the arrangements are consistent across the Vitality Group. There has 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 aims to be the best at offering comprehensive and award-winning Health and Life insurance cover and positively different investments to its members.

- Vitality's core purpose is to make people healthier and to enhance and protect their lives.
- Vitality believes in 'shared value'. A unique approach to insurance, based on the proven principles of behavioural economics.

Vitality Corporate Services Limited

REPORT OF THE DIRECTORS (CONTINUED)

Wates Principles (continued)

- Vitality helps members take a more active role in managing their own wellness, which can encourage the development of healthy long-term habits that are good for them, good for the business and good for society.

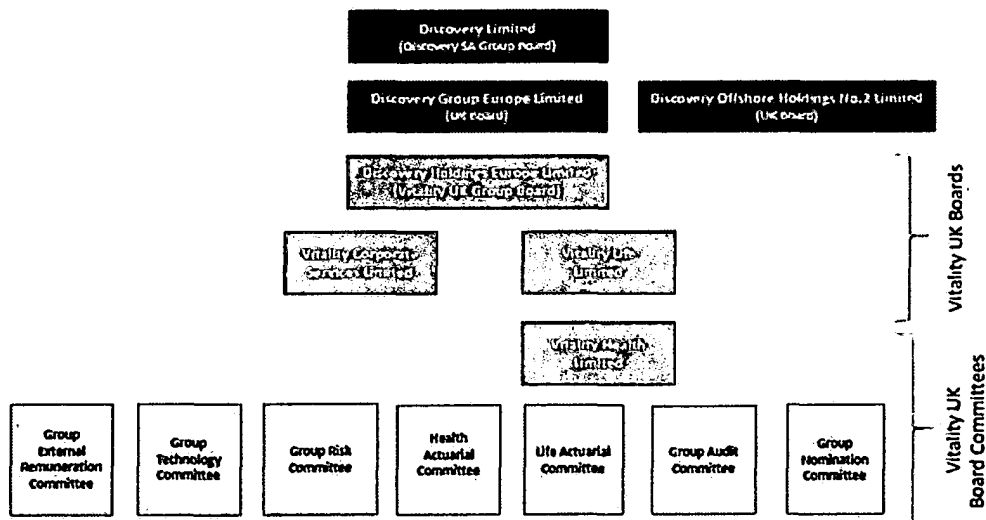
Vitality has combined its Leadership Charter and Values to create a Values framework that encompasses the aspirational behaviours and attitudes that Vitality wish to display as leaders. It serves as a guide for all managers within the organisation.

Vitality's ambition 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.

Vitality operates as a fully integrated composite business offering brilliant products with seamless, intuitive customer journeys. Vitality serves as a powerful force for good by making our members healthier.

Principle 2 – Board Composition

Vitality Boards and Committees



Vitality Corporate Services Limited

REPORT OF THE DIRECTORS (CONTINUED)

Board composition

	DHEL	VCSL	VHL	VLL
Chair	Adrian Gore	Joanne Shaw	Alastair Lyons	Alastair Lyons
INEDs	Rosemary Hilary (SID) Nick Caplan Alastair Lyons David Hare	Andrew Crossley Rosemary Hilary Nick Caplan Alastair Lyons David Hare Lord Coe	Lord Coe (SID) Andrew Crossley Rosemary Hilary Nick Caplan Joanne Shaw David Hare	Andrew Crossley (SID) Rosemary Hilary Nick Caplan Nicky McCabe David Hare
NEDs	Sir Andrew Foster Ayanda Ntsaluba Monty Hilkowitz	Adrian Gore	Ayanda Ntsaluba Monty Hilkowitz	Monty Hilkowitz
Executive Directors	Neville Koopowitz Mike Saunders Deepak Jobanputra	Neville Koopowitz Nicholas Read Greg Levine Judy Parfitt Keith Kropman	Neville Koopowitz Mike Saunders Keith Klntworth	Neville Koopowitz Mike Saunders Justin Taugog Justin Skinner

Board Committee composition

	Risk Committee	Audit Committee	Actuarial Committee
Chair	Rosemary Hilary (INED)	Andrew Crossley (INED)	David Hare (INED)
Members	David Hare (INED) Nick Caplan (INED) Andrew Crossley (INED) Nicky McCabe (INED)	Rosemary Hilary (INED) David Hare (INED) Nick Caplan (INED)	Monty Hilkowitz (NED) Rob Lee* David Slater*
			* Independent Actuary – at least one
	External Remuneration Cmte.	Nomination Committee	Technology Committee
Chair	Sir Andrew Foster (INED)	Seb Coe (INED)	Nick Caplan (INED)
Members	Alastair Lyons (INED) Andrew Crossley (INED) Adrian Gore (INED) Ayanda Ntsaluba (INED)	Alastair Lyons (INED) Andrew Crossley (INED) Adrian Gore (INED)	Neville Koopowitz (Executive Director) Keith Klntworth (Executive Director) Justin Skinner (Executive Director)

The Group Board is composed of the Chair who is the founder of the Discovery Group in South Africa, and as shown above has a combination of Independent Non-Executive Directors, Discovery Non-Executive Directors, Executive Directors and the Vitality Group CEO. The subsidiaries of the Vitality Group include the regulated entities, namely Vitality Health Limited, Vitality Life Limited and Vitality Corporate Services Limited. These regulated entities have a combination of Independent Non Executive, Discovery Non-Executive and Executive Directors on their Boards and the Group CEO, with independent chairs with all having a majority of Independent Non-Executive Directors on each Board.

The duties of the Boards are executed partially through a number of Board Committees. The Executive Committees for Vitality Health Limited and Vitality Life Limited ensure that the Values framework, business strategies and the One Vitality culture aligns across the businesses.

There is a Group Board diversity policy. The principles of diversity and inclusion are central to the Vitality's Values framework, and it is recognised that diversity and inclusion are good for employees, business and reputation.

Vitality Corporate Services Limited

REPORT OF THE DIRECTORS (CONTINUED)

Wates Principles (continued)

Diversity and inclusion takes many forms including gender, ethnicity, religion, nationality, sexual orientation, age, as well as less cited manifestations, such as experience, personality preferences and thinking styles. This awareness has shaped and will continue to shape the Boards of the Vitality Group, as well as the workforce.

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 Nomination Committee, a sub-committee of the Boards, regularly reviews and assesses the compositions of the Boards of the Group and recommends appointments of new Directors. The Nomination Committee also oversees the evaluation of the performance and effectiveness of the Boards and considers the balance of skills, experience, independence and knowledge of the respective Boards and its members, and the diversity of its composition. Board members' skills are regularly reviewed to ensure that the Boards have the necessary skill set. The Group Board has set a specific objective to have at least three female Board members across the Vitality Group, and to take opportunities to increase the number of female Board Members over time where that is consistent with other skills and diversity requirements.

The Board implemented an internal Board effectiveness review. The Strategic report on page 4 provides full details of the process undertaken and the outcomes. The process was led by the Chair of the VLL and VHL Boards but covered all the Boards of the Vitality Group. In addition under "Principal Decisions made" on page 8, details of the decision made to streamline the governance of the Boards within the Vitality Group has been detailed. The streamlining of the Boards was also led by the Chairs of VLL and VHL and the Group CEO to ensure that the Board's time was used as effectively as possible and to avoid any duplication or reporting across the Vitality Group.

Principle 3 – Director Responsibilities

The Group Board, as set out in its Terms of Reference, takes collective responsibility for:

- ensuring that the businesses have an effective system of internal control and management of business risks and are conducted in accordance with the regulators' principles for business;
- ensuring that adequate records are maintained to the satisfaction of the Group Board of Directors;
- ensuring that the statutory required minimum solvency margin is maintained for the companies at all times;
- ensuring that the Risk and Compliance function and internal and external auditors are capable of undertaking their duties;
- the delegated responsibility of the Company's distribution activities, with general oversight being delegated to the Risk Committee;
- an integrated system of planning and budgeting is established within each Company to ensure that the Group Board can efficiently and effectively achieve its strategic objectives;
- the composition of the Group Board and the companies are reviewed, and recommendations for amendments are made to Discovery to reflect current and future business requirements of the Vitality Group;
- ensuring that the Vitality Group's values and priorities are established and known throughout the Vitality Group, to oversee the strategic decisions relating to the Vitality Group's People;
- ensuring that collectively each Board within the Vitality Group is able to provide sound and prudent management of its particular businesses, with appropriate documentary evidence of its ability to provide this management;
- for reviewing and approving risk management policies that the businesses must adhere to and any material changes to them; and
- ensuring that there is an adequate succession plan in place for the Vitality Group, and that the Vitality Group is meeting the agreed upon diversity objectives.

Vitality Corporate Services Limited

REPORT OF THE DIRECTORS (CONTINUED)

Wates Principles (continued)

Each subsidiary Board in the Vitality Group has its own distinct Board responsibilities which are detailed in their Board's Terms of Reference that are in addition to the duties set out in S.172 of the Companies Act 2006.

The Board of the Company oversees:

- the implementation of the Vitality Wellness Programme, including the Company's relationships with its existing Vitality partners, consideration and approval of new Vitality partners and Vitality products, customer engagement and any reputational issues relating to the Vitality Programme;
- the implementation and oversight of the Motor insurance business.
- any non-insurance products, services, partnerships and publications linked to the Vitality Programme;
- the beneficial interest in Healthcare Purchase Alliance Limited, such oversight being delegated to the Board of VHL; and
- employee issues.

The Boards of VHL and VLL have responsibility for:

- ensuring that the statutory required minimum solvency margin is maintained at all times; and
- approval of the Health, Life and Invest business plans, ORSA, strategy, annual reports, regulatory returns, risk appetite and capital requirements such as the Solvency and Financial Condition Report ("SFCR") and the Regulatory Supervisory Return ("RSR").

The Vitality Group schedules five meetings each year for each company (with other ad hoc meetings when required). One Board meeting each year incorporates a Board Strategy Day with executives participating.

Conflicts of Interest

The Directors, Board Committee members, controlled function holders and other members of the leadership team complete an annual conflicts of interest questionnaire. An overview of any potential conflicts of interest are approved by the Group Board annually. Where there are any potential conflicts, measures are put in place to appropriately manage them.

Chairperson

The role of each of the Chairs of the Companies is to lead their respective Board and ensure that they function effectively. The Chairs are authorised to seek, at the Vitality Group's expense, appropriate professional advice internally and externally when he/she considers this necessary to discharge his/her responsibilities. He/she has access at all times to the Vitality Group's Company Secretary, the Legal Directors, Internal Group Audit, the external auditors and to independent actuarial advice.

Group Vitality CEO

The role of the Vitality Group CEO is to manage the day to day activities of the Vitality Group. There are four Managing Directors of the businesses who are responsible for the day to day operational running of the business lines. In fulfilling his executive role, the Vitality Group CEO acts within the authority delegated to him by the Boards of the Vitality Group.

Executive Directors

Executive Directors have day-to-day management responsibilities in addition to their responsibilities as members of the Boards of the Vitality Group. Their responsibilities as members of the Boards of the Vitality Group are separate from their management responsibilities.

Vitality Corporate Services Limited

REPORT OF THE DIRECTORS (CONTINUED)

Wates Principles (continued)

Non-Executive Directors

The role of the Non-Executive Directors is to participate fully in the functioning of the Boards of the Vitality Group, advising, supporting and challenging management as appropriate.

Committees

The Vitality Group delegates authority for the day-to-day management of the companies to the Executive Committees. The Group Executive Committee is chaired by the Vitality Group CEO.

Certain governance responsibilities are delegated to other Board Committees. These Board Committees are: Group Audit, Group Risk, Group Remuneration, Group Nomination, Group Technology and the Vitality Programme Board. The Health and Life Actuarial Committees are advisory Committees of their respective Boards.

- The Audit Committee reviews financial reporting internally and externally. The committee oversees the performance of the external auditors. The committee reviews and approves the combined assurance plans covering Compliance, Risk and Internal Audit to ensure that the assurance functions activities are coordinated and operating effectively.
- The Risk Committee oversees the risk and compliance framework. The committee approves the Risk appetites and recommends that these are approved by the Boards, and the committee ensures that these appetites are regularly monitored. The committee reviews and recommends risk policies to the Boards and supports the embedding of an open risk culture across the businesses. The committee also oversees VCSL's sales channels.
- The Actuarial Committee reviews matters of an actuarial nature, to give comfort to the Boards, Risk and Audit Committees that the contents of reporting of an actuarial nature have been properly considered. The committee supports the Risk Committee by reviewing the methodologies and assumptions underlying the quantitative elements of the ORSA. The committee supports the Audit Committee by reviewing the methodologies and assumptions used to determine the technical provisions. The committee also reports annually on the performance of the Chief Actuaries and Actuarial Function to the Group Board and Remuneration Committee as appropriate.
- An overview of the Remuneration Committee is referenced under Wates Principle number 5.
- An overview of the Nomination Committee is referenced under Wates Principle number 2.
- The Technology Committee considers the businesses future service trends and demands on technology. The committee reviews overarching technology and process strategy, architecture and roadmaps (including core technology and vendor choices and delivery roadmaps). The committee endorses the approach to research and innovation and intellectual property rights along with reviewing and approving IT operations and technology policies. The committee reviews technology strategy and associated budget and expenditures for the business segments. The committee considers and, as appropriate, makes recommendations to the Boards regarding significant and/or strategic technology investments which support the companies strategies. The committee monitors and evaluates existing and future trends in technology that may affect strategic plans, including monitoring of overall industry trends. The committee reviews major technology risk exposures, including information security, cybersecurity and fraud risks, and the steps management takes to monitor and control such exposures. Periodically the committee provides a report to the Risk Committee on the conclusions of such reviews.
- The Vitality Programme Board is a sub-committee of VCSL. Its purpose is to provide oversight of the Vitality Programme, with specific focus on the wellness and behaviour change Programme itself, the Programme as a facilitator of the Shared-Value model, and positioning Vitality as a thought leader in wellness and incentivised behaviour change. The committee will oversee the evolution of the Vitality Programme in terms of its design, partners, engagement, as well as the validation of its clinical appropriateness and effectiveness, optimising for the economic benefits of the Shared-Value model.

Vitality Corporate Services Limited

REPORT OF THE DIRECTORS (CONTINUED)

Wates Principles (continued)

Board Information

The Boards of the Vitality Group receive 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.

Financial information is currently externally audited by Pricewaterhouse Coopers LLP on an annual basis. Internal controls including financial controls are audited by the internal audit function. Internal audit reports are considered by the Audit Committee along with Compliance Monitoring and risk assurance reports. The Chair of the Audit Committee provides an update to the Group Board at each Board meeting.

The Conduct Committee receives reporting from the businesses with regard to the full spectrum of conduct matters which is considered against agreed tolerance metrics. Key Risk Indicators are in place and are reported to the Risk Committee. The Chairs of the Remuneration, Nomination, Risk, Technology and Actuarial Committees provides an update to the Group Board or the relevant specific Board at each Board meeting where a meeting of those committees have taken place since the previous Board meeting.

One of the outcomes of the Board effectiveness review, as referred to above, is to include within the Board papers Key Performance Indicators for each business's board reporting. In addition, the Board agreed to dedicate time at the end of each Board day and to regularly review Board decisions to address any issues as to the effectiveness of board making decisions and re-visit any areas that could be improved.

Principle 4 – Opportunity and Risk

Vitality offers innovative member value, superior solutions and aspirational products with market leading service utilising the Composite Shared-Value model with the Vitality Programme at the centre. This results in engaged members, with improved life expectancy, which in return offers enhanced member, shareholder and employee returns.

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

The ERM ensures the businesses:

- Align risk appetite and strategy – The Boards of the Vitality Group 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 – ERM provides the rigor 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 and manage multiple risks – The businesses face a myriad of risks affecting different parts of the organisation. ERM 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 ensures that the framework is implemented throughout the organisation and is responsible for the design and implementation of Governance activities and the implementation of the ERM framework across the organisation, regular review of the framework, underlying policies, and review of

Vitality Corporate Services Limited

REPORT OF THE DIRECTORS (CONTINUED)

Wates Principles (continued)

compliance of the businesses with these principles and minimum standards set out in this framework. The Group Chief Risk Officer reports regularly to the Risk Committee and the Policy Sub-Committee on compliance with this framework.

The core components of the framework are:

Risk Strategy

The Vitality Group'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.

Risk Taxonomy

The organisation has adopted a taxonomy that classifies various risks, the "Risk Taxonomy", into similarly grouped classes or categories. In this structure, the broader risk categories or risk themes are grouped into eight level 1 risks. Under each of these level 1 risks, sits a more detailed catalogue of specific sub-risks.

Risk Appetite

Risk appetites and risk appetite statements are set and agreed for each of the businesses to operate within. Performance against the risk appetite statements are reported to the Risk Committee, and then reported to the Group Board where there are any risks outside of appetite, along with activity taken to bring it back into appetite, or reasons for risk accepting the breach of appetite.

Risk Policies are in place and set the minimum risk management process standards for each risk class. These provide a set of high level minimum operating standards across the Vitality Group in line with regulatory expectations which includes 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 defense" governance model as a key principle of operation. The model promotes transparency, accountability and consistency within the risk management process 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 and their respective businesses who represent the first line of defense. The role of the second line of defense, the Group Governance function 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 Boards, providing an independent view of the risk management practices and controls environment in the business for risk including Regulatory Compliance, legal (legislative requirements) and Company Secretariat to ensure that the appropriate governance activity is scheduled, completed and documented in line with good corporate governance. Regulatory returns (e.g. ORSA, Regulatory Statutory Returns 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 and Prudential Regulation Authority). The third line of defense comprises the assurance functions, i.e. internal audit, which provide an independent and balanced view of the effectiveness of the 1st and 2nd line functions. 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

Vitality Corporate Services Limited

REPORT OF THE DIRECTORS (CONTINUED)

Wates Principles (continued)

carry out an annual Internal Financial Control audit on the 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 overarching purpose of the Remuneration Committee is to consider, agree and recommend to the Group Board remuneration policy and philosophy for the organisation that is aligned with its 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 guiding principles of the Remuneration Policy are as follows:

- To succeed, Vitality must have the right people in the right positions and so strive to offer total reward that is competitive relative to the market;
- Rewarding performance is at the heart of Vitality's remuneration philosophy, and all employees are encouraged to set and achieve ambitious goals which are aligned with the objectives of the organisation. Exceptional performance is recognised and rewarded;
- It is recognised that remuneration is not the only reason why employees join and stay at Vitality, but it is of significant concern if it is not right or equitable;
- Vitality strive for internal and external equity and have mechanisms in place to enable top performers to earn differentiated remuneration;
- Vitality have adopted a Total Cost to Company approach to remuneration which comprises a fixed cash portion and benefits (private medical cover, death in service cover and pension fund membership);
- Short term incentive schemes are designed to create consistency and fairness but incorporate sufficient flexibility to respond to different business needs. All schemes incorporate rigorous objective setting and measurement;
- Long term incentives create a sense of ownership in the organisation, and specific schemes are designed for new business lines (to encourage an entrepreneurial mind set) and retention; and
- The total rewards offering includes both financial and non-financial components.

The Remuneration Committee approves the bi-annual corporate bonus for all employees, all aspects of remuneration relating to the Vitality Group CEO, and his direct reports. It also approves the employees' annual salary increase and matters such as pensions and long term incentive schemes.

It ensures that all incentive plans comply with relevant legislation, codes of conduct and good remuneration practice. It ensures adherence to Solvency II regulations including oversight of individual remuneration for Solvency II identified staff or defined Material Risk Takers. It monitors the application of the Remuneration Policy to ensure that policies and principles are being consistently and effectively applied.

Vitality Corporate Services Limited

REPORT OF THE DIRECTORS (CONTINUED)

Wates Principles (continued)

The Remuneration Committee also has oversight of gender pay initiatives and the Job levelling program which was undertaken.

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

Principle 6 – Stakeholders

Under S.172 of the Companies Act 2006 the Boards of the Vitality Group are required to demonstrate how they have given regard to the wider group of stakeholders. When decisions are taken to the Board and Board or advisory Committees of the Vitality Group, supporting papers set out:

- the anticipated impact to customers (referred to as members);
- the aim in the short and the long run;
- the potential change experienced by suppliers, and/or Vitality Programme partners;
- the possible effect on employees;
- the anticipated impact on the community and environment;
- the possible effect on business conduct;
- the anticipated effect on Discovery Limited, the ultimate and sole shareholder of the Vitality Group; and
- whether the proposal is in line with the purpose “to make people healthier and to enhance and protect their lives”.

Further detail on the principal decisions made by the Boards and Board Committees of the Vitality Group are contained on page 8.

For further details of our key policies and practices governing the Vitality Group including risk management, reference is made to Principle 4.

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 the shareholder, members, employees, suppliers, distribution channels, reward partners and clinical providers.

Suppliers

A strategic approach to Sourcing gives the Vitality Group 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 worked with. Our members benefit through careful selection of only those suppliers which meet stringent levels of quality and delivery. The Vitality Group 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 on 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. The Vitality Group 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.

Vitality Corporate Services Limited

REPORT OF THE DIRECTORS (CONTINUED)

Wates Principles (continued)

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 Solvency II Directives.

Specifically the Outsourcing Committee will examine 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 will also review 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

The Vitality Group is home to a diverse employee population. Its 2,415 employees work at four sites in the United Kingdom, and one in South Africa.

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

Employee engagement surveys

The Group had a 76% response rate to the 49-item employee engagement survey, administered in December 2020. The survey instrument comprises 11 categories of questions, and two employee net promoter score (eNPS) questions.

Our eNPS results were lower than six months previously, but remain in the 'great' category:

Vitality-wide results	Nov 2019	May 2020	Dec 2020
Place to work	78%	74%	75%
Product and services	77%	75%	75%

The results on the other survey questions were positive overall: 9 of the 11 categories attracted scores of 75% or more. Responses to questions about our core purpose, values and leaders were especially positive, and employees also believe we are doing well on diversity and inclusion.

Vitality Corporate Services Limited

REPORT OF THE DIRECTORS (CONTINUED)

Wates Principles (continued)

Category	% positive responses
Our core purpose and values	92
Our senior leaders (Group Exco)	84
My immediate manager	87
Working relationships	84
Diversity and inclusion	88
Innovation	80
My job satisfaction	75
My career	65
My wellbeing	68
My remuneration	75
One Vitality	83

Of concern were lower scores on career development and wellbeing. We believe the wellbeing scores would have been lower were it not for a raft of initiatives we rolled out throughout the pandemic (see next section). The survey revealed that:

- 73% of employees believe the Vitality Programme has played an important role in helping them to make positive lifestyle changes.
- 91% believe their managers care about their health and wellbeing, which tells us we are succeeding in rooting our wellbeing programme in effective leadership.

Employee wellbeing

Vitality's ambition to be the model employer for employee wellness assumed even greater importance during the pandemic. We implemented a raft of initiatives to protect and support our employees, which were recognised when we won gold in the "Employees at the heart of everything (financial services)" category at the 2020 UK CX awards, and walked away with the top award overall.

Vitality Corporate Services Limited

REPORT OF THE DIRECTORS (CONTINUED)

Wates Principles (continued)

Vitality's wellbeing strategy comprises five pillars:

1. Physical wellbeing

Support provided to employees included weekly online classes (HIIT, yoga, Pilates, mindfulness); our annual September campaign (with over 700 employees clocking more than one million steps); 1-2-1 wellbeing coaching sessions; a musculoskeletal campaign (including stretching and good posture video tutorials); a bike to work scheme; two week's additional paid leave for COVID-related reasons, including childcare; and a wellbeing at home campaign.

2. Mental wellbeing

Vitality supplemented the mental health support provided by Vitality's 66 trained mental health champions with a mental wellbeing self-help tool featuring a dedicated pandemic module. Employees can also access support from Vitality's mental health panel and our employee assistance programme, Health Assured. A mental wellbeing hub established on Vitality's internal communications platform attracted thousands of visits, and an online support hub for parents to assist with childcare and home-schooling was also established. Other parent support included sponsored online tutoring, tablets for home-schooling, and babysitting services. Vitality also partnered with CambriLearn to provide free access to virtual home schooling, and with Parentscheme to give working parents childcare advice; hosted virtual parties for parents' children; and offered flexible working patterns to support employees with children. In addition, Vitality hosted a webinar on domestic abuse, and signposted practical support and guidance. Other measures to promote mental wellbeing included professional counselling for executives and their teams, and the introduction of "Time-out Tuesdays" to help combat "Zoom fatigue".

3. Financial wellbeing

Vitality's partnership with Salary Finance provides employees with access to responsible, inexpensive loans and debt consolidation services. They can also find resources, tips and guides on pensions, savings and debt management support on a financial wellbeing hub on the internal communications platform. In 2020 we introduced fee-free mortgage advice for staff, and organised a "Let's talk money" week featuring "lunch and learns" on topics like retirement savings and budgeting.

4. Lifestyle

Vitality have partnered with Peppy to offer employees menopause support, and used World Menopause Day to promote awareness about the menopause. Other initiatives included:

- o A webinar on mindful drinking, delivered with Alcohol Change UK, followed up with Dry January support;
- o New year goal-setting workshops;
- o A Quit Genius smoking cessation programme;
- o A World Sleep day launch of a sleep support hub ;
- o A nutrition campaign, with live cook-offs, healthy recipes and nutrition-related articles and vlogs; and
- o A "quarantine pounds" weight management programme led by our in-house nutritionist.

Vitality Corporate Services Limited

REPORT OF THE DIRECTORS (CONTINUED)

Wates Principles (continued)

5. Social wellbeing

Our communications platform, VITL, provides multiple opportunities for employees to connect and collaborate through community spaces and information hubs. To ensure that employees felt connected while working from home, and to promote social wellbeing, Vitality:

- o Introduced a Community Active Fund, offering £1k grants to support employees' local sports clubs;
- o Invited new joiners hired since the pandemic started to "getting to know you" sessions with executives;
- o Ran a "Vitality's Got Talent" competition which culminated in a "Big Night In" virtual year-end celebration;
- o Launched a Healthy Giving challenge, matching each Vitality point earned by employees with a two penny donation to our local charities;
- o Set up a virtual book club, with meetings hosted by executives;
- o Convened "coffee roulette" meetings (groups of three employees randomly selected for a virtual chat);
- o Arranged a company-wide quiz night hosted by the CEO; and
- o Filmed employee master classes on pizza-making, juggling, knitting, etc. and hosted them on VITL.

To keep employees engaged and connected during successive lockdowns, the Group CEO and executives held regular company-wide interactive broadcasts to provide business updates and answer employees' questions.

Other employee engagement initiatives and indicators

VITL	Our interactive communications platform has enabled employees to stay informed, updated and connected while working remotely.	Content hubs on the platform have proved popular, attracting thousands of visits. They house a wealth of curated content that provides employees with expert tips and support.
Values	We ran a company-wide campaign to socialise our refreshed values.	We asked employees to tell us which value means the most to them, and why, and to provide examples of where they have seen the values in action. This material informed a campaign to shine a spotlight on each value.
NED engagement sessions	Independent non-executive directors meet regularly with employees.	Nine sessions took place in 2020 and eight sessions for 2021.
Social media	The Vitality Facebook page is a barometer of sentiment. We monitor and respond to Glassdoor reviews.	161 employees have left reviews on our Glassdoor page. Our rating is currently 4.3, up from 2.6 a couple of years ago. Our Vitality Facebook page has over 800 members, who regularly share stories about how they keep healthy and happy.
1-2-1s	Each employee has at least two formal performance consultations annually with their line manager.	Conversations include a review of performance in the previous six months, and setting of objectives for the next six months.
Frontline coaching	Line managers provide regular on-the-job coaching to frontline staff.	All frontline managers are benefiting from an "Everyday coach" development programme. Later this year we will launch an induction programme for employees new to management roles.

Vitality Corporate Services Limited

REPORT OF THE DIRECTORS (CONTINUED)

Union consultation	We consult with the union in Bournemouth as necessary.	We have a legacy agreement with Unite in our Bournemouth office. Less than 15% of employees are members of the union.
Employee assistance programme	Health Assured provides us with bi-annual reports on use of this programme.	Around 50 employees (2.2% of headcount) have accessed the telephone support service since Health Assured launched in April 2020.
Grievance procedure	We keep a close eye on grievances lodged, and their outcomes.	Since July 2020, 23 grievances have been lodged: four were partially upheld, one was withdrawn, and 18 were not upheld.
Whistleblowing	We monitor whistleblowing reports closely.	We have a confidential whistleblowing helpline and email address, which received two reports in the past 12 months. One was an HR issue rather than a whistle blow, and one was intended for (and passed on to) Discovery.

Diversity and inclusion

Vitality are committed to diversity and inclusion because it's good for Vitality employees, for the business, and for society. Vitality wants all our 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, advance Vitality's core purpose, and are explicitly called out in Vitality's values.

Gender

Vitality has succeeded in reducing the mean gender pay gap by almost 6% since 2018. Vitality's median gender pay gap is 15%, which is low by industry standards.

Vitality is confident that men and women get equivalent pay for equivalent work at Vitality. Our pay gap is explained by the under-representation of female employees in senior leadership roles. Vitality is committed to increasing the number of women in these roles as positions become available, and will be able to draw on a strong layer of female talent at the level below the executive.

Vitality has launched a range of initiatives aimed at facilitating the advancement of women in the organisation, and have made good progress. Vitality has:

- Signed up to the Women in Finance Charter;
- Set and met a target for female appointments at senior levels, and increased the percentage of women in senior roles;
- Enhanced and equalised parental leave entitlements, and signed up to the Association of British Insurers' transparent parental leave and pay initiative;
- Changed the recruitment and selection practices to source more talented women, including promoting flexible working options and ensuring job adverts use gender neutral language;
- Launched a mentoring programme for high performing, high potential employees (the majority of them women);
- Applied a gender lens to succession planning to develop a female talent pipeline;
- Introduced a Women's Forum to advise on gender issues;
- Signed up to the Chartered Insurance Institute's Insuring Women's Futures campaign ;
- Introduced child-minding and menopause support benefits for employees;
- Piloted Lean-In circles for female employees;

Vitality Corporate Services Limited

REPORT OF THE DIRECTORS (CONTINUED)

Wates Principles (continued)

In addition, Vitality has:

- Administered a diversity and inclusion survey;
- Set up a business-wide network of diversity and inclusion champions;
- Rolled out unconscious bias training to all managers, and included a module on diversity and inclusion in annual compulsory training for all employees;
- Developed a Diversity and Inclusion ("D&I") calendar, which marks important dates for the many affinity groups making up our employee base: employee representatives are invited to share what the day means to them and how they will be observing it;
- Applied a D&I lens to our engagement survey analysis; and
- Published our commitment to D&I on our careers site.

These initiatives have also supported Vitality's focus on other aspects of diversity and inclusion, including ethnicity.

Ethnicity

Vitality's mean ethnicity pay gap for 2020, calculated using data provided voluntarily by employees in December 2020, was 2.14%. Again, the gap is explained by the under-representation of BAME employees in senior leadership roles. We are confident employees receive equivalent pay for equivalent work regardless of their ethnicity.

Vitality is committed to increasing the number of BAME employees in senior leadership roles and developing a strong talent pipeline of BAME employees. To support the advancement of BAME employees at Vitality, a range of initiatives has been launched, in consultation with Vitality's BAME Forum, including:

- Focusing Vitality's 2020 diversity and inclusion e-learning module on race awareness;
- Rolling out additional race fluency training to all employees;
- Exploring recruitment partnerships with agencies specialising in BAME talent, and asking agencies to include BAME candidates among the CVs they send us;
- Ensuring that more BAME employees participate in our mentoring programme;
- Signing the Race at Work Charter;
- Supporting a campaign to make ethnicity pay gap reporting mandatory; and
- Launching a D&I hub on Vitality's internal communications platform to coincide with Black History Month

Shareholder

The Vitality Group is owned by Discovery Limited. There are shareholder representatives on all of the Boards of the Companies. The Boards of Vitality Group 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 Shareholder in order to deliver shareholder value. The individual Boards are responsible for protecting and managing the shareholders' interests in the Vitality Group.

Customers

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;

Vitality Corporate Services Limited

REPORT OF THE DIRECTORS (CONTINUED)

Wates Principles (continued)

- **Distribution** – Direct and Intermediated where consumers receive advice from Vitality, the advice is suitable and takes account of their circumstances; and when intermediated sales are received that advice has been given;
- **Servicing and Performance** – Members are provided with products that perform as firms have led them to expect, and the associated service is of an acceptable standard and as they have been led to expect;
- **Complaints** – Members do not face unreasonable post-sale barriers imposed by firms 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.

Vitality Corporate Services Limited

REPORT OF THE DIRECTORS (CONTINUED)

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 international accounting standards in conformity with the requirements of the Companies Act 2006.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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, PricewaterhouseCoopers LLP, have been appointed by the Board as the Company's auditors in accordance with the elective resolution passed by the Company under the Companies Act 2006. They have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed by the directors.

On behalf of the Board



Neville Koopowitz
Director

Vitality Corporate Services Limited (Reg No: 05933141)

23 September 2021

Vitality Corporate Services Limited

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

Report on the audit of the financial statements

Opinion

In our opinion, Vitality Corporate Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2021 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 30 June 2021, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether

Vitality Corporate Services Limited

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

there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the Directors for the year ended 30 June 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and European regulatory principles, such as those governed by the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of

Vitality Corporate Services Limited

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

override of controls), and determined that the principal risks were related to posting inappropriate journal entries to either inflate revenue or reduce expenditure of the Company, and management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed by the engagement team included:

- Discussions with the Board, management, internal audit, senior management involved in the Vitality's Risk and Compliance and legal functions, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- Reviewing Board minutes as well as relevant meeting minutes.
- Assessment of matters reported on the Vitality's whistleblowing register that relate to the company, including the quality and results of management's investigation of such matters.
- Identifying and testing a sample of journal entries, in particular any journal entries posted with unusual account combinations such as a credits to cash that are not offset by debits to Salaries or Other income
- Reviewed and tested the judgements made in the impairment assessment of the investment in subsidiaries.

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

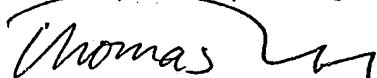
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Thomas Robb (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 September 2021

Vitality Corporate Services Limited

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	Note	Year ended 30 June	
		2021 £'000	2020 £'000
Revenue			
Revenue	4	284,078	312,597
Investment return	5	-	59
Total revenue		284,078	312,656
Expenses			
Administrative expenses	6	(279,626)	(304,105)
Finance costs	9	(340)	(350)
Total expenses		(279,966)	(304,455)
Profit before tax		4,112	8,201
Tax expense	11	(1,371)	(2,478)
Profit and total comprehensive profit for the year		2,741	5,723

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

All amounts above are in respect of continuing operations.

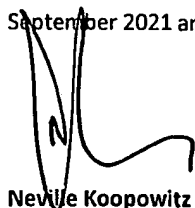
The notes on pages 39 to 67 are an integral part of these financial statements.

Vitality Corporate Services Limited

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	As at 30 June	
		2021 £'000	2020 £'000
Assets			
Non-current assets			
Property, plant and equipment	18	5,052	6,133
Right-of-use assets	19	13,610	16,930
Intangible assets	17	40,038	40,172
Investment in subsidiary	10	2,050	2,050
Deferred tax asset	12	1,961	1,428
Trade and other receivables	14a	2,239	1,130
Total non-current assets		64,950	67,843
Current assets			
Inventory	16	683	913
Current income tax receivable	15	1,235	2,586
Trade and other receivables	14a, 15	56,618	39,084
Cash and cash equivalents	14b	2,132	4,441
Total current assets		60,668	47,024
Total assets		125,618	114,867
Equity			
Ordinary share capital	20	27,900	27,900
Preference shares	21	40,250	40,250
Accumulated deficit		(21,798)	(24,539)
Total equity		46,352	43,611
Liabilities			
Non-current liabilities			
Trade and other payables	14c	417	-
Lease liabilities	19	12,651	16,440
Total non-current liabilities		13,068	16,440
Current liabilities			
Trade and other payables	14c	63,575	52,279
Lease liabilities	19	2,623	2,537
Total current liabilities		66,198	54,816
Total liabilities		79,266	71,256
Total equity and liabilities		125,618	114,867

The financial statements on pages 35 to 67 were authorised for issue by the board of directors on 23 September 2021 and were signed on their behalf



Neville Koopowitz

Director

Vitality Corporate Services Limited (Reg No: 05933141)

The notes on pages 39 to 67 are an integral part of these financial statements.

Vitality Corporate Services Limited

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	Ordinary share capital £'000	Preference shares £'000	Accumulated deficit £'000	Total equity £'000
At 1 July 2019	27,900	39,400	(30,262)	37,038
Preference share capital issuance	-	850	-	850
Profit and total comprehensive profit for the year	-	-	5,723	5,723
At 30 June 2020	27,900	40,250	(24,539)	43,611
Profit and total comprehensive profit for the year	-	-	2,741	2,741
At 30 June 2021	27,900	40,250	(21,798)	46,352

The notes on pages 39 to 67 are an integral part of these financial statements.

Vitality Corporate Services Limited

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021**

	Note	Year ended 30 June	
		2021 £'000	2020 £'000
Cash flows from operating activities			
Profit before tax		4,112	8,201
Adjustments for:			
Interest paid	9	340	350
Payment for group relief claimed	11	(294)	(2,782)
Research and development tax credit		(965)	(507)
Depreciation of property, plant and equipment	18	2,851	2,806
Depreciation of right-of-use assets	19	2,145	1,993
Amortisation of intangible assets	17	16,319	13,175
Impairment of intangible asset	17	249	-
Sale of inventory	16	230	145
Movement in operating assets and liabilities	22	(6,930)	(2,540)
Income tax received / (paid)	11	705	(1,453)
Net cash generated by operating activities		18,762	19,388
Cash flows from investing activities			
Purchases of property, plant and equipment	18	(1,771)	(3,373)
Investment in intangible assets	17	(16,434)	(15,827)
Net cash used in investing activities		(18,205)	(19,200)
Cash flows from financing activities			
Proceeds from preference shares	21	-	850
Principal element of lease payments	19	(2,866)	(1,986)
Net cash used in financing activities		(2,866)	(1,136)
Net decrease in cash and cash equivalents		(2,309)	(948)
Cash and cash equivalents at the beginning of the year	14b	4,441	5,389
Cash and cash equivalents at the end of the year	14b	2,132	4,441
Supplemental disclosures on cash flow from operating activities			
Investment return	5	-	59
Finance costs	9	(340)	(350)

The notes on pages 39 to 67 are an integral part of these financial statements.

Vitality Corporate Services Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1. Significant accounting policies

1.1 Basis of preparation

The financial statements of Vitality Corporate Services Limited (the Company) for the financial year ended 30 June 2021 have been prepared on the going concern basis and in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

There are no significant factors arising from COVID-19 which would cause the directors to reconsider the application of the going concern principle or the value of financial statement components at the reporting date. See the Strategic report on page 4 for the Company's future outlook, which sets out the basis on which the directors consider that COVID-19 will have only a limited adverse impact on the business in the future.

The preparation of financial statements in conformity with 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.

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 undertakings are included by full consolidation in the consolidated financial statements of its ultimate controlling party, Discovery Limited, a company registered in the Republic of South Africa, whose financial statements are publicly available and can be obtained from Discovery Limited, PO Box 786722, Sandton, South Africa.

(b) Investments and other financial assets and liabilities

The Company follows IFRS 9 in respect of the classification and measurement of financial instruments. Further information is included in note 14.

Investments and financial assets

(i) *Classification*

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

Vitality Corporate Services Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

1. Significant accounting policies (continued)

1.2 Summary of significant accounting policies (continued)

(b) Investments and other financial assets and liabilities (continued)

- 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.

Vitality Corporate Services Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

1. Significant accounting policies (continued)

1.2 Summary of significant accounting policies (continued)

(b) Investments and other financial assets and liabilities (continued)

(iv) Impairment

The Company recognises lifetime expected credit losses at the point of initial recognition for trade and other receivables. These are assessed with reference to past default rates, also reflecting forward looking information such as local economic or market conditions. The Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. See note 14 for further details.

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 and other payables and lease liabilities); or
- Financial liabilities at fair value through profit and loss (interest rate swaps, foreign exchange future/option contracts, convertible notes, contingent consideration, 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 measured at amortised cost. 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.

Vitality Corporate Services Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

1. Significant accounting policies (continued)

1.2 Summary of significant accounting policies (continued)

(d) 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 basis an impairment assessment is undertaken and any impairment is recognised in the statement of comprehensive income.

(e) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position include cash in hand, cash at banks and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are categorised for measurement purposes at amortised cost.

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

(f) 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.

(g) Income tax

The income tax expense or credit for the financial year is the tax payable on the current financial year'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 tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the financial year-end. The current tax charge is based on taxable profits and losses for the year after adjustments in respect of prior years.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and the carrying amount in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income 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.

Current and deferred tax is recognised in the statement of comprehensive income.

Vitality Corporate Services Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

1. Significant accounting policies (continued)

1.2 Summary of significant accounting policies (continued)

(g) Income tax (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority.

(h) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated to sterling at rates of exchange ruling at the end of the year. Purchases and sales of assets denominated in foreign currency are translated at the rates prevailing at the dates of the transactions. Exchange gains and losses are recorded within administrative expenses in the statement of comprehensive income.

(i) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. 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.

(j) 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.

Vitality Corporate Services Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

1. Significant accounting policies (continued)

1.2 Summary of significant accounting policies (continued)

(j) Revenue (continued)

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.

(k) Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Company will comply with all conditions. Note 6 provides further information on how the Company accounts for government grants.

(l) 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.

Vitality Corporate Services Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

1. Significant accounting policies (continued)

1.2 Summary of significant accounting policies (continued)

(m) 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.

(n) Provisions for liabilities and charges

Provisions are recognised when the Company has 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 at 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.

(o) 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.

(p) 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.

(q) Interest income

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

Vitality Corporate Services Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

1. Significant accounting policies (continued)

1.2 Summary of significant accounting policies (continued)

(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	9 - 14 years
- Computer equipment	5 years
- Motor vehicles	3 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;

Vitality Corporate Services Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

1. Significant accounting policies (continued)

1.2 Summary of significant accounting policies (continued)

(r) Leases (continued)

- 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.

Vitality Corporate Services Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

1. Significant accounting policies (continued)

1.3 Change in accounting policy and disclosures

(i) New standards, amendments and interpretations adopted during the year

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.

Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* has been adopted by the Company for the first time for their annual financial reporting year ended 30 June 2021.

The definition of material has been amended in both IAS 1 and IAS 8. This new definition states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements". The new elements incorporated in the definition are: obscuring information; expected to influence decisions and that the users are the primary users of general purpose financial statements. These amendments have not had a significant impact on the financial statements.

In March 2021, the IFRS Interpretation Committee update included an agenda decision on "Configuration and Customisation costs in a Cloud Computing Arrangement" which was ratified by the IASB in April 2021. There has been no impact on the Company's recognition and measurement of intangible assets.

(ii) New standards, amendments and interpretations not yet effective or 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 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 and judgements in applying accounting policies

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future reporting periods. Assumptions are based on historical experience and expectations of future outcomes and anticipated changes in the environment. Assumptions are regularly reviewed in light of emerging experience and adjusted where required.

Vitality Corporate Services Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

2. Critical accounting estimates and judgements in applying accounting policies (continued)

2.1 Capitalised software development costs

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

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.

2.3 Deferred tax asset

The recognition of deferred tax assets are subject to a degree of estimation and judgement. The Company's deferred tax asset is recognised in respect of accelerated capital allowances and short-term timing differences. The level of deferred tax asset recognised in the statement of financial position is determined with reference to the expected timing of the reversal of the short-term timing differences and the expected future taxable profits of the Company. 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 Company and discounted cash flow projections of the profits that are expected to emerge from the insurance policies underwritten by the Company. 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.

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.

Victality Corporate Services Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

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.

The Company takes and manages risks to achieve its corporate, financial and regulatory objectives. The types of risk inherent in the pursuit of these objectives and the extent of exposure to these risks form the Company risk profile.

The Company manages risks through a risk management framework, which allows for the identification, assessment, control and monitoring of risks. The Company has established effective risk management systems and controls within the framework for the following high-level categories of risk: credit, liquidity, market, operational and capital management.

(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.

Vitality Corporate Services Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

3. Risk management policies (continued)

(b) Credit risk (continued)

The following table provides information regarding the carrying value of financial assets that have been impaired and the aging of financial assets that are past due but not impaired:

	Neither past due nor impaired £'000	Financial assets past due but not impaired				Total* £'000
		0-3 months £'000	3-6 months £'000	6-12 months £'000	>12 months £'000	
30 June 2021						
Trade and other receivables	44,889	-	-	-	-	44,889
Cash and cash equivalents	2,132	-	-	-	-	2,132
Total	47,021	-	-	-	-	47,021
30 June 2020						
Trade and other receivables	29,317	-	-	-	-	29,317
Cash and cash equivalents	4,441	-	-	-	-	4,441
Total	33,758	-	-	-	-	33,758

* Carrying value in the statement of financial position.

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

	Credit Rating						Total* £'000
	AAA % £'000	AA % £'000	A % £'000	BBB or lower % £'000	Unrated % £'000		
30 June 2021							
Trade and other receivables	-	-	-	-	95.5	44,889	44,889
Cash and cash equivalents	-	-	4.5	2,132	-	-	2,132
Total	-	-	4.5	2,132	-	44,889	47,021
30 June 2020							
Trade and other receivables	-	-	-	-	86.8	29,317	29,317
Cash and cash equivalents	-	-	13.2	4,441	-	-	4,441
Total	-	-	13.2	4,441	-	29,317	33,758

*Carrying value in the statement of financial position

Vitality Corporate Services Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

3. Risk management policies (continued)

(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. Amounts may not agree to the Statement of financial position as some amounts may be on an undiscounted basis.

	Maturity profile of financial liabilities			
	Total £'000	< 1 year £'000	1 – 5 years £'000	> 5 years £'000
At 30 June 2021				
Lease liabilities	16,406	2,592	9,483	4,331
Trade and other payables	63,992	63,575	417	-
Total	80,398	66,167	9,900	4,331
At 30 June 2020				
Lease liabilities	20,443	2,875	10,158	7,410
Trade and other payables	52,279	52,279	-	-
Total	72,722	55,154	10,158	7,410

(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.

Vitality Corporate Services Limited

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

3. Risk management policies (continued)

(d) Market risk (continued)

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

	Impact on profit before tax		Impact on shareholders' equity Corporation tax rate 19%, (2020: 19%)	
	£'000		£'000	
	Interest rate movement		Interest rate movement	
	+1%	-1%	+1%	-1%
At 30 June 2021	33	(33)	27	(27)
At 30 June 2020	49	(49)	40	(40)

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.

Vitality Corporate Services Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

3. Risk management policies (continued)

(f) Capital management (continued)

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	
	2021 £'000	2020 £'000
Income from the recharge of expenses to other group companies	259,040	275,946
Vitality product fee income	23,480	33,525
Commission income	728	1,067
Other income	830	2,059
Total Revenue	284,078	312,597

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. Investment return

	Year ended 30 June	
	2021 £'000	2020 £'000
Interest income		
Cash and cash equivalents	-	59
Total Investment return	-	59

Due to the impact of COVID-19 interest rates have significantly declined on cash and cash equivalents.

6. Administrative expenses

	Year ended 30 June	
	2021 £'000	2020 £'000
Staff costs and other employee related costs (note 7)	115,466	114,348
Contractor costs	16,422	12,113
Short-term leases (note 19)	91	2,781
Auditors' remuneration		
<i>For the audit of the Company and other group entities</i>	759	747
<i>Audit related assurance services</i>	214	250
<i>Non-audit related assurance services</i>	-	25
Depreciation of property, plant and equipment (note 18)	2,851	2,806
Depreciation of right-of-use assets (note 19)	2,145	1,993
Amortisation of intangible assets (note 17)	16,319	13,175
Impairment of intangible asset (note 17)	249	-

Vitality Corporate Services Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

6. Administrative expenses (continued)

The Company incurs the overall audit and non-audit fees on behalf of the Vitality Group and recharges them to the other Group companies. The Company did not recharge audit fees for Vitality Health Insurance Limited in the amount of £21k (2020: £20k). The element that represents the fees payable in respect of the audit of the Company is £84k (2020: £84k) and in respect of non-audit services is £nil (2020: £25k).

Payments received from the government for furloughed employees during the year ended 30 June 2020 were accounted for under IAS 20 *Government Grants*. The amount of government grants reduced Administrative expenses in the statement of comprehensive income for the year ended 30 June 2020. There were no unfulfilled conditions or other contingencies attaching to the grants. The Company did not benefit from any other forms of government assistance. The Company returned the full amount of the government grant to HMRC during the year ended 30 June 2021.

As a result of the impairment review carried out during the financial year ended 30 June 2021 an intangible asset in the amount of £249k was impaired due to the cancellation of a project as a result of cost and integration challenges, resulting in no benefits being able to be realised from the asset. No intangible assets required impairment in the financial year ended 30 June 2020.

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:

By activity	Year ended 30 June	
	2021 Average number	2020 Average number
Customer services	1,019	827
Support services	699	803
Sales	393	386
Total employees	2,111	2,016

The aggregate remuneration payable in respect of those employees was:

	Year ended 30 June	
	2021 £'000	2020 £'000
Wages and salaries	99,812	93,521
Long term incentive plan expense	1,494	6,269
Social security costs	10,388	10,832
Other pension costs	3,772	3,726
Total staff and other employee related costs	115,466	114,348

All staff costs incurred by the Company in respect of the VitalityHealth branded products are allocated and recharged to VHL. For the year ended 30 June 2021 the Company recharged staff costs and other employee

Vitality Corporate Services Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

7. Staff costs and other employee related costs (continued)

related costs of £95,707k (2020: £85,727k) 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 2021 the Company recharged staff and employee related costs of £19,280k (2020: £28,601k) 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 2021 contributions of £552k (2020: £506k) were outstanding. At 30 June 2021 there were no prepaid contributions (2020: £nil).

8. Long Term Incentive Plans

The Company 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
20/11/2016	£0.00	20/11/2020	34,149	-	(34,149)	-	-
30/11/2017	£0.00	30/11/2021	75,786	-	(37,893)	(536)	37,357
06/12/2018	£0.00	06/12/2021	117,261	-	(16,317)	(24,720)	76,224
01/03/2020	£0.00	30/11/2023	130,582	-	-	(3,982)	126,600
01/02/2021	£0.00	30/09/2024	-	147,142	-	(1,960)	145,182
01/02/2021	£0.00	30/09/2025	-	19,223	-	-	19,223
			357,778	166,365	(88,359)	(31,198)	404,586

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

During the year ended 30 June 2021, payments of £2,370k (2020: £7,630k) were made to satisfy the long-term incentive plan schemes where performance criteria and service was met.

Vitality Corporate Services Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

8. Long Term Incentive Plans (continued)

At 30 June 2021, the total amount accrued in relation to cash-settled awards was £8,823k (2020: £9,819k) inclusive of employees national insurance. The charge to the Statement of comprehensive income during the year was £1,494k (2020: £6,269k) inclusive of employers national insurance.

9. Finance costs

	Note	Year ended 30 June	
		2021 £'000	2020 £'000
Interest charges for lease liabilities	19	340	350
Total Finance costs		340	350

10. Investment in subsidiary

The Company owns 100% of Vitality Healthy Workplace Limited, a company limited by shares incorporated and domiciled in the United Kingdom with a registered address of C/O Vitality Health 4th Floor, 70 Gracechurch Street, London, England, EC3V 0XL.

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. Tax expense

	Year ended 30 June	
	2021 £'000	2020 £'000
(a) Current year tax expense		
Current tax:		
Current year tax expense	(1,922)	(2,448)
Adjustment in respect of prior years	18	(352)
	(1,904)	(2,800)
Deferred tax:		
Deferred tax credit	562	639
Adjustment in respect of prior years	(216)	(400)
Effect of tax rate change	187	83
	533	322
Total tax expense	(1,371)	(2,478)

Vitality Corporate Services Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

11. Tax expense (continued)

The tax assessed for the financial year ended 30 June 2021 is higher (2020: higher) than the standard rate of corporation tax in the United Kingdom of 19% (2020: 19%). The difference is explained below:

	Year ended 30 June	
	2021 £'000	2020 £'000
(b) Reconciliation of tax		
Profit before tax	4,112	8,201
Tax at 19% (2020: 19%)	(781)	(1,558)
Effects of:		
Permanent differences	(83)	(280)
Property, plant and equipment differences	(18)	(47)
Income not taxable	345	117
UK to UK transfer pricing adjustment	(823)	(203)
Adjustment in respect of prior years	(198)	(752)
Transitional adjustment for IFRS 16	-	162
Re-measurement of deferred tax for changes in tax rates	187	83
Total tax expense	(1,371)	(2,478)

During the financial year ended 30 June 2021 the Company made £nil (2020: £946k) in corporation tax instalments for the 2020/2021 tax year.

12. Deferred tax asset

	As at and year ended 30 June	
	2021 £'000	2020 £'000
Deferred tax asset comprises:		
Accelerated capital allowances	73	525
Short term timing differences	1,888	903
Deferred tax asset at the end of the year	1,961	1,428
Movements in deferred tax asset comprises:		
At the beginning of the year	1,428	1,106
Amounts credited in the statement of comprehensive income	533	322
Deferred tax asset at the end of the year	1,961	1,428

The recognition of the deferred tax asset is supported by the expected future profitability of the Company. 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, VitalityLife and VitalityInvest.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase from 19% to 25%. This new law was enacted on 10 June 2021. As this change was enacted as at the balance sheet date, its effects are included in these financial statements.

Vitality Corporate Services Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

13. Directors' emoluments

The directors of Vitality are employed by the Company or 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	
	2021 £'000	2020 £'000
Aggregate emoluments in respect of qualifying services	4,376	3,201
Aggregate pension contributions to money purchase schemes	20	29
Aggregate amounts receivable under the Long Term Incentive Plan	701	884
Total	5,097	4,114
Details of highest paid director		
Aggregate emoluments in respect of qualifying services	1,067	1,061
Aggregate pension contributions to money purchase schemes	2	10
Aggregate amounts receivable under the Long Term Incentive Plan	232	398
Total	1,301	1,469

The remuneration shown above is in respect of 21 directors (2020: 16 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. 8 directors are participating in the Long Term Incentive Scheme (2020: 3).

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.

14. Financial assets and financial liabilities

The Company holds the following financial instruments:

	Note	As at 30 June	
		2021 £'000	2020 £'000
Financial assets			
Financial assets at amortised cost			
Trade and other receivables	14a	44,889	29,317
Cash and cash equivalents	14b	2,132	4,441
Total financial assets		47,021	33,758

Vitality Corporate Services Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

14. Financial assets and financial liabilities (continued)

	Note	As at 30 June	
		2021 £'000	2020 £'000
Financial liabilities			
Financial liabilities at amortised cost			
Lease liabilities	19	15,274	18,977
Trade and other payables	14c	63,992	52,279
Total financial liabilities		79,266	71,256

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	
	2021 £'000	2020 £'000
Amount receivable from related parties	41,502	26,618
Trade receivables	565	-
Other receivables	2,822	2,699
Trade and other receivables	44,889	29,317
Less: current portion	43,264	28,187
Non-current portion	1,625	1,130

Included within other receivables is accrued income of £1,017k (2020: £1,329k) relating to the VitalityLife product sold by The Prudential Assurance Company Limited and £1,152k (2020: £nil) relating to Vitality Partner Debtors. A portion of these other receivables are long term and are expected to be received after 12 months and have therefore been classified as non-current. All other assets included within trade and other receivables are expected to be received within twelve months. The carrying amounts above reasonably approximate their fair values at the Statement of financial position dates.

(b) Cash and cash equivalents

	As at 30 June	
	2021 £'000	2020 £'000
Cash at bank and in hand	2,132	4,441
Total cash and cash equivalents	2,132	4,441

Some balances are subject to a variable interest rate. The average interest rate earned was 0.01% (2020: 1.21%).

Vitality Corporate Services Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

14. Financial assets and financial liabilities (continued)

(c) Trade and other payables

	As at	
	30 June	
	2021	2020
	£'000	£'000
Amounts owed to related parties	461	1,782
Trade payables	63,531	50,497
Total trade and other payables	63,992	52,279
Less: current portion	63,575	52,279
Non-current portion	417	-

All trade and other payables are expected to be settled within 12 months apart from accruals relating to sponsorship agreements covering more than 1 year. The carrying amounts above reasonably approximates their fair values at the Statement of financial position dates.

15. Non-financial assets and non-financial liabilities

The Company holds the following non-financial assets and non-financial liabilities:

	Note	As at	
		30 June	
		2021	2020
		£'000	£'000
Non-financial assets			
Property, plant and equipment	18	5,052	6,133
Right-of-use assets	19	13,610	16,930
Intangible assets	17	40,038	40,172
Investment in subsidiary	10	2,050	2,050
Deferred tax asset	12	1,961	1,428
Trade and other receivables		13,968	10,897
Current income tax receivable	11	1,235	2,586
Inventory	16	683	913
Total non-financial assets		78,597	81,109

Trade and other receivables consists of prepaid expenses. The Company does not have any non-financial liabilities at 30 June 2021 or 2020.

16. Inventory

Inventory consists of vouchers purchased for £683k (2020: £913k) which were bought in bulk to be sold to members as part of the wellness benefit program. An amount of £3.1m (2020: £2.9m) has been recognised as an expense in the Statement of comprehensive income for the financial year ended 30 June 2021.

Vitality Corporate Services Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

17. Intangible assets

	Capitalised software development costs £'000
Cost	
At 1 July 2019	75,023
Additions in the year	15,827
At 30 June 2020	90,850
Additions in the year	16,434
Impairment charge	(249)
At 30 June 2021	107,035
Accumulated amortisation	
At 1 July 2019	(37,503)
Amortisation in the year	(13,175)
At 30 June 2020	(50,678)
Amortisation in the year	(16,319)
At 30 June 2021	(66,997)
Net book amount at 30 June 2020	40,172
Net book amount at 30 June 2021	40,038

See note 6 for details regarding the current year impairment charge.

Vitality Corporate Services Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

18. Property, plant and equipment

	Computer equipment	Fixtures and fittings	Leasehold improvements	Telematics devices	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 July 2019	13,181	4,431	2,228	-	19,840
Additions in the year	2,231	555	587	-	3,373
Disposals in the year	(38)	-	-	-	(38)
At 30 June 2020	15,374	4,986	2,815	-	23,175
Additions in the year	942	44	116	669	1,771
Disposals in the year	(181)	-	-	(1)	(182)
At 30 June 2021	16,135	5,030	2,931	668	24,764
Accumulated Depreciation					
At 1 July 2019	(10,629)	(2,761)	(884)	-	(14,274)
Depreciation charge for the year	(1,508)	(796)	(502)	-	(2,806)
Disposals in the year	38	-	-	-	38
At 30 June 2020	(12,099)	(3,557)	(1,386)	-	(17,042)
Depreciation charge for the year	(1,657)	(670)	(524)	-	(2,851)
Disposals in the year	181	-	-	-	181
At 30 June 2021	(13,575)	(4,227)	(1,910)	-	(19,712)
Net book amount at 30 June 2020	3,275	1,429	1,429	-	6,133
Net book amount at 30 June 2021	2,561	803	1,021	668	5,052

Vitality Corporate Services Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

19. 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	
	2021 £'000	2020 £'000
Right-of-use assets		
Buildings	13,520	16,805
Vehicles	77	36
Computer equipment	13	89
Net book amount	13,610	16,930
	As at 30 June	
	2021 £'000	2020 £'000
Lease liabilities		
Current	2,623	2,537
Non-current	12,651	16,440
	15,274	18,977

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

	Year ended 30 June	
	2021 £'000	2020 £'000
Depreciation charge for right-of-use assets		
Buildings	2,031	1,889
Vehicles	38	28
Computer equipment	76	76
	2,145	1,993
Interest expense	340	350
Expense relating to short-term leases (included in administrative expenses)	91	2,781

20. Ordinary share capital

	30 June 2021 Number of shares	30 June 2021 £'000	30 June 2020 Number of shares	30 June 2020 £'000
Ordinary shares				
<i>Authorised</i>				
Ordinary shares of £1 each	27,900,000	27,900	27,900,000	27,900
<i>Called up, issued and fully paid</i>				
Ordinary shares of £1 each	27,900,000	27,900	27,900,000	27,900

There is only one class of ordinary share, and all the shares issued have equal voting rights.

Vitality Corporate Services Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

21. Preference shares

	30 June 2021 Number of shares	30 June 2021 £'000	30 June 2020 Number of shares	30 June 2020 £'000
Preference shares				
<i>Authorised</i>				
Preference shares of £1 each	40,250,000	40,250	40,250,000	40,250
<i>Called up, issued and fully paid</i>				
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 articles of association of the Company authorise a maximum value of preference shares of £12,000k. The articles of association allow this limit to be exceeded by resolution of the board.

During the year ended 30 June 2020, 850,000 preference shares were purchased by Discovery Holdings Europe Limited for which they paid £850k to the Company. No preference shares were purchased or redeemed during the year ended 30 June 2021.

22. Movement in operating assets and liabilities

	Year ended 30 June	
	2021 £'000	2020 £'000
(Increase) / decrease in operating assets:		
Trade and other receivables	(18,643)	9,295
	(18,643)	9,295
Increase / (decrease) in operating liabilities:		
Trade and other payables	11,713	(11,835)
	11,713	(11,835)
Decrease in operating assets and liabilities	(6,930)	(2,540)

For the year ended 30 June 2021 the movement in trade and other receivables excludes £1,351k (2020: £1,951k) in respect of the movement in the current income tax asset. For the year ended 30 June 2020 a non-cash movement of £585k for trade and other payables was adjusted in the above table related to the adoption of IFRS 16.

23. Contingencies

The Company provides a program of wellness benefits to individuals who are policyholders of VitalityHealth, VitalityLife or VitalityInvest. 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

Vitality Corporate Services Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

23. Contingencies (continued)

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 the Company 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.

24. Related party transactions

As at and year ended 30 June 2021				
	Sales to: £'000	Purchases from: £'000	Amounts owed to: £'000	Amounts owed from: £'000
Immediate parent company	-	4,384	-	359
Other Vitality Group companies	262,315	859	-	38,792
Discovery group companies	766	5,325	438	326
Other related parties	966	1,049	-	1,265
	264,047	11,617	438	40,742

As at and year ended 30 June 2020				
	Sales to: £'000	Purchases from: £'000	Amounts owed to: £'000	Amounts owed from: £'000
Immediate parent company	4,713	-	171	-
Other Vitality Group companies	271,407	3,653	158	24,420
Discovery group companies	563	7,594	1,453	2,198
Other related parties	3,952	593	-	-
	280,635	11,840	1,782	26,618

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

Purchases from other related parties have been incurred in the amount of £10k (2020: £13k) for services received from companies outside the Vitality group controlled by a Director of companies within Vitality. All transactions were on commercial and arm's length terms.

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.

The Company does not show any investment in associate value in the statement of financial position at 30 June 2021 or 2020 for their 50% investment in Healthcare Purchasing Alliance Limited ("HPA") as HPA has an immaterial amount of net assets at 30 June 2021 (2020: £nil). 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.

Vitality Corporate Services Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

25. Parent and ultimate controlling party

The immediate parent undertaking is Discovery Holdings Europe Limited, a company incorporated in the United Kingdom.

Discovery Holdings Europe Limited is 100.0% (2020: 100%) owned by Discovery Group Europe Limited.

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 the smallest and largest group to consolidate these financial statements is Discovery Limited. The consolidated financial statements of Discovery Limited can be obtained from Discovery Limited, PO Box 786722, Sandton, South Africa.