Discovery

DISCOVERY VITALITY ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2024

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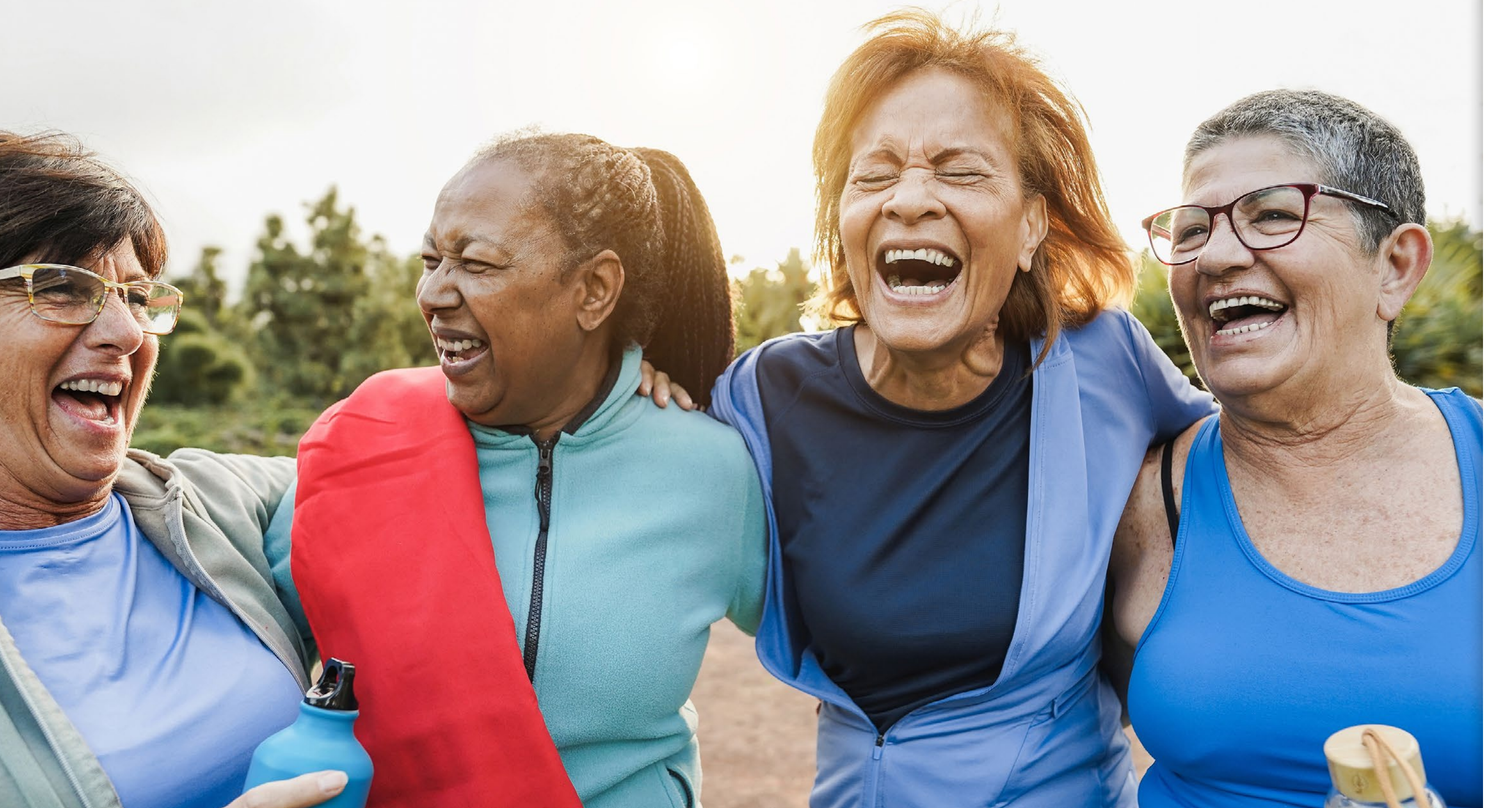
Discovery Vitality Proprietary Limited
Registration number 1999/07736/07)

ANNUAL FINANCIAL STATEMENTS

BASIS OF PREPARATION

The Annual Financial Statements have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards), the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council (FRSC), and the requirements of the South African Companies Act. They have been prepared in accordance with the going concern principle using the historical cost basis, except where otherwise stated in the accounting policies.

The Annual Financial Statements have been prepared under the supervision of L Lulema CA(SA), Chief Financial Officer. The Annual Financial Statements are reviewed by management, the Discovery Vitality Board, and are audited by the external auditors, Deloitte & Touche.



DIRECTORS' RESPONSIBILITY STATEMENT

for the year ended 30 June 2024

Directors' responsibility to the shareholder of Discovery Vitality Proprietary Limited (Vitality or Company)

The Directors of Vitality are required by the Companies Act, Act 71 of 2008, as amended (Companies Act), to maintain adequate accounting records and to prepare financial statements for each financial year which fairly present the state of affairs of Vitality at the end of the financial year, and of the results and cash flows for the period. In preparing the accompanying Annual Financial Statements, IFRS Accounting Standards have been used and reasonable estimates have been made. The Annual Financial Statements incorporate full and responsible disclosure, in line with Vitality's philosophy on corporate governance.

The Directors have reviewed Vitality's budget and cash flow forecast for the year ending 30 June 2025. On the basis of this review, and in the light of the current financial position and available cash resources, the Directors have no reason to believe that Vitality will not be a going concern for the foreseeable future. The going concern basis has therefore been adopted in preparing the Annual Financial Statements.

The Directors are responsible for Vitality's systems of internal control, which include internal financial controls that are designed to provide reasonable, but not absolute, assurance against material misstatement and fraud. Vitality maintains internal financial controls to provide reasonable assurance regarding:

- Safeguarding of assets against unauthorised use or disposition, and
- The maintenance of proper accounting records and the reliability of financial information used within the business, or for publication.

The controls contain self-monitoring mechanisms and actions are taken to correct deficiencies as and when identified. Even an effective system of internal control, no matter how well designed, has inherent limitations, including the possibility of circumvention and the overriding of controls. An effective system of control therefore aims to provide reasonable assurance with respect to the reliability of financial information and, in particular, the presentation of Annual Financial Statements.

To the best of their knowledge and belief, based on the above, the Directors are satisfied that no material breakdown in the operation of the systems of internal control and procedures has occurred during the year under review.

Vitality's external auditors, Deloitte & Touche, have audited the Annual Financial Statements and their unqualified report appears on page 3 to 4.

The Annual Financial Statements of Vitality for the year ended 30 June 2024, which appear on pages 7 to 42 have been approved by the Board of Directors on 14 October 2024 and are signed on its behalf by:

L Lulema

L Lulema
Director

Dinesh Govender

D Govender
Director

INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2024

To the Shareholder of Discovery Vitality Proprietary Limited

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Discovery Vitality Proprietary Limited (the Company) set out on pages 7 to 42, which comprise the statement of financial position as at 30 June 2024, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the financial statements present fairly, in all material respects, the separate financial position of Discovery Vitality Proprietary Limited (the Company) as at 30 June 2024, and its financial performance and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our Audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of the Company for the year ended 30 June 2023 were audited by another auditor who expressed an unmodified opinion on those statements on 6 October 2023.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Discovery Vitality Proprietary Limited (Registration Number: 1999/07736/07), Annual Financial Statements for the year ended 30 June 2024" which includes the Directors' Report as required by the Companies Act of South Africa and the Directors' responsibility statement, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the 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, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa, and for such internal control as the directors 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 separate 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.

Auditor's 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 auditor's 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 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.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT *continued*

for the year ended 30 June 2024

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In terms of the Independent Regulatory Board for Auditors (IRBA) Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte and Touche has been the auditor of Discovery Vitality Proprietary Limited for the first time in the current year.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per: Mpho Penelope Malavi
Partner

14 October 2024
5 Magwa Crescent
Waterfall
2090

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DIRECTORS' REPORT

for the year ended 30 June 2024

The Directors present their report, which forms part of the Annual Financial Statements of Discovery Vitality Proprietary Limited, for the year ended 30 June 2024.

Nature of business

Discovery Vitality consists of the Vitality Health programme, and to an extent the Vitality Money and Vitality Drive programmes, which give policyholders access to a wide range of tools, activities, and partners to encourage and reward their positive behaviour, thereby making them healthier, and enhancing and protecting their lives. As a policyholder engages in improving their health, they (1) earn Vitality Points, which contribute to improving their Vitality Status, and (2) earn rewards, some of which increase based on Vitality status, in the form of upfront discounts, Discovery Miles, cashbacks and vouchers at Vitality's rewards partners.

Review of results

Vitality made a loss for the year of R6 million (2023: R59 million profit).

Share capital

There were no changes in the authorised or issued share capital of the Company during the financial year.

Dividends

There were no dividends paid in the current or prior financial year.

Holding company

Vitality is a wholly owned subsidiary of Discovery Limited which is listed in the insurance sector of the JSE Limited. Discovery Limited and its subsidiaries are referred to as the Group in the financial statements.

Directors

The following were directors of the Company during the current and prior financial year unless otherwise indicated:

Executive Directors	Non-Executive Directors
D Govender	A Gore
L Lulema (Appointed 1 August 2023)	H Kallner
SP Mbatha (Resigned 1 July 2023)	NS Koopowitz
	A Pollard
	B Swartzberg
	T Maphai (Resigned 29 November 2023)

Directors' remuneration

A detailed analysis of directors' emoluments and participation in share incentive schemes is set out in note 24 of the Annual Financial Statements.

Directors' service contracts

All executive Directors are employed on employment contracts that can be cancelled with written notice by either the Executive or the company.

DIRECTORS' REPORT *continued*

for the year ended 30 June 2024

Directors' interests in contracts

No material contracts involving Director's interests were entered into in the current year. The Directors had no interest in any third party or company responsible for managing any of the business activities of Vitality.

Indemnification and insurance of directors and officers

The Company entered into agreements to indemnify its directors to the extent permitted by law against all liabilities including legal costs incurred by the Director in connection with or as a consequence of the Director acting in any capacity, including as an authorised representative of a Group company. During the financial year, the Company paid insurance premiums in respect of a Directors and Officers Liability insurance contract, which insures directors and officers of the Company against certain liabilities arising in the course of their duties to the Company or Group companies. Details of the nature of the liabilities covered and the amount of premium paid are not disclosed as such disclosure is prohibited under the terms of the contract.

Borrowing powers

The directors may exercise all the powers of the Company to borrow money. In terms of the Memorandum of Incorporation, the borrowing powers of the Company are unlimited.

Company secretary

A Ceba is the Company Secretary.

Registered office
1 Discovery Place
Sandton
Gauteng
2196

Postal address
PO Box 786722
Sandton
Gauteng
2146

Events after the reporting date

There are no significant events after the reporting date, being 30 June 2024, to the date of the approval of the Annual Financial Statements, namely, 14 October 2024.

Auditors

Deloitte & Touche have been appointed as external auditors, in accordance with section 90(1) of the Companies Act, for the year ended 30 June 2024 (2023: PricewaterhouseCoopers Inc.).

STATEMENT OF FINANCIAL POSITION

for the year ended 30 June 2024

R million	Notes	2024	Restated[1] 2023	Restated[1] 2022
Assets				
Intangible assets	3	**132**	68	18
Property and equipment	4	**1**	28	*
Deferred income tax asset	5	**72**	71	67
Assets arising from contracts with customers	6	**108**	111	82
Financial assets				
– Loans to fellow group companies at amortised cost	7	**109**	75	52
– Derivative financial instruments at fair value through profit or loss		**–**	–	*
Contract receivables and other receivables	8	**526**	495	359
Current tax asset		**1**	12	14
Cash and cash equivalents	9	**83**	442	762
Total assets		**1 032**	1 302	1 354
Equity				
Capital and Reserves				
Ordinary Share capital	10	*****	*	*
Other reserves		**(28)**	(37)	(38)
Retained earnings		**283**	290	232
Total equity		**255**	253	194
Liabilities				
Contract liabilities to customers	6	**407**	466	510
Financial liabilities				
– Loans from fellow group companies at amortised cost	11	**157**	131	102
– Financial guarantee contracts	12	**3**	3	10
– Other financial payables at amortised cost	13	**182**	428	512
– Derivative financial instruments at fair value through profit or loss	14	**–**	1	2
Other payables	15	**28**	20	24
Total liabilities		**777**	1 049	1 160
Total equity and liabilities		**1 032**	1 302	1 354

* *Amount is less than R500 000.*

[1] *The comparative information has been restated to reflect a change in the order in which the individual line items are presented to better reflect their respective liquidity and new line items have been added. Refer to Note 23 for more detail.*

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2024

R million	Notes	2024	Restated[1] 2023
Revenue	16	**3 515**	3 190
Investment income using the effective interest rate method	17	**25**	32
Net fair value losses on financial assets at fair value through profit or loss		**(*)**	(1)
Other income	18	**1**	7
Total income		**3 541**	3 228
Acquisition costs		**(113)**	(117)
Expected credit losses		*****	–
Marketing and administration expenses		**(3 434)**	(3 057)
– Benefit expenses		**(2 824)**	(2 408)
– Marketing and administration expenses	19	**(610)**	(649)
Operating (loss)/profit		**(6)**	54
Interest expense on borrowings		**–**	(*)
(Loss)/profit before income tax		**(6)**	54
Income tax expense	21	**(*)**	5
(Loss)/profit for the year		**(6)**	59
Other comprehensive income:			
Income and expenses that will be reclassified to profit or loss when specific conditions are met:			
Cash flow hedges		**–**	*
– Gains/(losses) reclassified to profit or loss		**–**	*
– Tax on reclassified (gains)/losses		**–**	*
Other comprehensive income/(loss) for the year, net of tax		**–**	*
Total comprehensive (loss)/income for the year		**(6)**	59

* *Amount is less than R500 000.*

[1] *The comparative information has been restated for the correction of a prior period error. Refer to Note 23 for more detail.*

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2024

R million	Share capital	Hedging reserve	Share- based payment reserve	Retained earnings	Total equity
Year ended June 2023					
At the beginning of the year	*	*	(38)	232	194
Total comprehensive income for the year	–	*	–	59	59
Net profit for the year	–	–	–	59	59
Other comprehensive income	–	*	–	–	*
Transactions with owners	–	–	1	(1)	*
Employee share option schemes:					
– Value of employee services, net of tax	–	–	*	–	*
– Transfer of vested shares	–	–	1	(1)	–
At end of the year	*	*	(37)	290	253
Year ended 30 June 2024					
At the beginning of the year	*****	*****	**(37)**	**290**	**253**
Total comprehensive loss for the year	**–**	**–**	**–**	**(6)**	**(6)**
Net loss for the year	**–**	**–**	**–**	**(6)**	**(6)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**
Transactions with owners	**–**	**–**	**9**	**(1)**	**8**
Employee share option schemes:					
– Contribution to share trust	**–**	**–**	**(23)**	**–**	**(23)**
– Value of employee services, net of tax	**–**	**–**	**30**	**–**	**30**
– Intersegmental funding	**–**	**–**	**2**	**–**	**2**
– Transfer of vested shares	**–**	**–**	*****	**(*)**	**–**
Distribution of financial guarantees	**–**	**–**	**–**	**(1)**	**(1)**
At end of the year	*****	*****	**(28)**	**283**	**255**

* *Amount is less than R500 000.*

STATEMENT OF CASH FLOWS

for the year ended 30 June 2024

R million	Notes	2024	2023
Cash flows from operating activities		**(291)**	(233)
Cash utilised in operations	22.1	**(327)**	(268)
Taxation received	22.2	**11**	3
Interest received		**25**	32
Cash flows from investing activities		**(68)**	(87)
Purchase of equipment		**–**	(28)
Purchase of intangible assets		**(68)**	(59)
Net decrease in cash and cash equivalents		**(359)**	(320)
Cash and cash equivalents at the beginning of the year		**442**	762
Cash and cash equivalents at the end of the year		**83**	442

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2024

1. Significant accounting estimates and judgements in applying accounting policies

In preparing the Annual Financial Statements, estimates, assumptions, and judgements are made that could materially affect the reported amounts of assets and liabilities within the next financial year. Accounting estimates and judgements are regularly reviewed and are based on historical experience, current best estimates, and expectations of future outcomes as well as anticipated changes in the environment. The following represents the most material key management assumptions applied by management in preparing these Annual Financial Statements.

DISCOVERY MILES LIABILITY

The fair value of the Discovery Miles granted to members is estimated by applying a weighted average cost per Mile based on estimated redemption percentages. The weighted average cost is 10.08 cents per mile for the current financial year (2023: 9.86 cents per mile). Miles can be earned by various factors, such as achieving weekly Vitality Active Rewards goals, purchasing items within Healthy Living, and transacting with your Discovery Bank credit card. As per the Vitality benefit rules, Vitality issues Miles to members when they have met the qualifying criteria. This has been included as part of Contract Liabilities in the Statement of Financial Position.

ACCRUAL FOR LEAVE PAY

The accrual for leave pay is based on expected future salary increases of 5% (2023: 5.5%) and is discounted at a rate of 8.35% (2023: 8.5%).

DEFERRED INCOME TAX ASSET

Vitality recognises deferred income tax assets on carried forward tax losses to the extent there are sufficient estimated future taxable profits and/or taxable temporary differences against which the tax losses can be utilised.

2. Management of financial risk

Vitality's activities expose it to a variety of financial risks. Financial risks include market risk, credit risk and liquidity risk.

Financial risks are managed by Vitality as follows:

- The Capital, Currency, Investment Committee (CCIC) is a sub-committee of the Group Executive Committee and meets quarterly to focus on shareholder assets and the performance of asset managers responsible for managing these assets. The CCIC also sets exposure limits for exposures of individual counterparties.
- The Investment Committee is a sub-committee of the CCIC and meets monthly to make operational decisions regarding Vitality's liquidity.

Vitality has not significantly changed the processes used to manage its risks from previous periods. To assist in the analysis of the financial risks that Vitality is exposed to, the Statement of Financial Position has been divided into the following categories:

- Financial Assets and Liabilities.
- Non-Financial Assets and Liabilities.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

2. Management of financial risk *continued*

The following table reconciles the Statement of Financial Position to the categories listed above:

	30 June 2024			30 June 2023 Restated[1]		
R million	Total	Financial assets and liabilities	Non-financial assets and liabilities	Total	Financial assets and liabilities	Non-financial assets and liabilities
Intangible assets	**132**	**–**	**132**	68	–	68
Property and equipment	**1**	**–**	**1**	28	–	28
Deferred income tax asset	**72**	**–**	**72**	71	–	71
Assets arising from contract with customers	**108**	**–**	**108**	111	–	111
Loans to fellow group companies at amortised cost	**109**	**109**	**–**	75	75	–
Receivables:						
– Contract receivables	**32**	**32**	**–**	38	38	–
– Other receivables	**494**	**433**	**61**	457	255	202
Current tax asset	**1**	**–**	**1**	12	–	12
Cash and cash equivalents	**83**	**83**	**–**	442	442	–
Total assets	**1 032**	**657**	**375**	1 302	810	492
Contract liabilities	**407**	**–**	**407**	466	–	466
Loans from fellow group companies at amortised cost	**157**	**157**	**–**	131	131	–
Financial guarantee contracts	**3**	**3**	**–**	3	3	–
Other financial payables at amortised cost	**182**	**182**	**–**	428	428	–
Derivative financial instruments at fair value not designated as hedging instruments	**–**	**–**	**–**	1	1	–
Other payables and provisions	**28**	**–**	**28**	20	–	20
Total liabilities	**777**	**342**	**435**	1 049	563	486

[1] *The comparative information has been restated to reflect a change in the order in which the individual line items are presented to better reflect their respective liquidity and new line items have been added. Refer to Note 23 for more detail.*

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for the year ended 30 June 2024

2. Management of financial risk *continued*

2.1 MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and investment return. Market risk that could impact on future cash flows and hence the value of a financial instrument arises from:

- **Interest rate risk:** The impact of changes in market interest rates.
- **Currency risk:** The impact of changes in foreign exchange rates.

Vitality's exposure will be discussed in more detail below.

Interest rate risk

Sensitivity to changes in interest rates is relevant to financial assets and financial liabilities bearing floating interest rates due to the risk that future cash flows will fluctuate. However, sensitivity will also be relevant to fixed-rated financial assets and financial liabilities that are re-measured to fair value. The table below details the specific interest rate risk that the Vitality is exposed to:

R million	Carrying value	Floating	Fixed	Non-interest bearing
2024				
Loans to fellow group companies at amortised cost	**109**	**–**	**–**	**109**
Contract receivables	**32**	**–**	**–**	**32**
Other receivables	**433**	**–**	**–**	**433**
Cash and cash equivalents	**83**	**83**	**–**	**–**
Total financial assets	**657**	**83**	**–**	**574**
Loans from fellow group companies at amortised cost	**157**			**157**
Financial guarantee contracts	**3**	**–**	**–**	**3**
Other financial payables at amortised cost	**182**	**–**	**–**	**182**
Total financial liabilities	**342**	**–**	**–**	**342**
2023 Restated[1]				
Loans to fellow group companies at amortised cost	75	–	–	75
Contract receivables	38	–	–	38
Other receivables	255	–	–	255
Cash and cash equivalents	442	442	–	–
Total financial assets	810	442	–	368
Loans from fellow group companies at amortised cost	131	–	–	131
Financial guarantee contracts	3	–	–	3
Other financial payables at amortised cost	428	–	–	428
Derivatives not designated as hedging instruments	1	–	–	1
Total financial liabilities	563	–	–	563

[1] *The comparative information has been restated to reflect a change in the order in which the individual line items are presented to better reflect their respective liquidity and new line items have been added. Refer to Note 23 for more detail.*

INTEREST RATE SENSITIVITY ANALYSIS

For cash and cash equivalents, a 1% increase in the local interest rate would result in an increase of R830 000 before tax (2023: R4 million). A 1% decrease in the local interest rate would result in a decrease of R830 000 before tax (2023: R4 million). The sensitivity is based on the assumption that the interest rate had increased/decreased by 1% with all other variables held constant.

Currency Risk

Currency risk is the impact of changes in foreign exchange rates on future cash flows and hence the value of a financial instrument.

All Vitality's financial assets are Rand denominated and therefore have no exposure to currency risk.

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for the year ended 30 June 2024

2. Management of financial risk *continued*

2.2 CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Key areas where Vitality is exposed to credit risk are:

- Cash and cash equivalents: This risk is managed by monitoring exposure to external financial institutions. Credit ratings are provided below.
- Certain accounts within the Statement of Financial Position category of Contract and other receivables.
- Loans to fellow group companies.
- Financial guarantee contracts.

Credit exposure relating to cash and cash equivalents

The following table provides information regarding the aggregated credit risk exposure for cash and cash equivalents, categorised by Moody's credit ratings at 30 June:

R million	Total	Baa1-3	Ba1-3
2024			
Cash and cash equivalents	**83**	**30**	**53**
2023			
Cash and cash equivalents	442	–	442

Credit Risk relating to loans and receivables

Vitality's loans and receivables comprise:

R million	Notes	2024	Restated[1] 2023
Contract receivables:		**32**	38
– Discovery Health Medical Scheme members	1	**1**	22
– Closed scheme members	1	**33**	18
– Less provision for impairment of contract receivables		**(2)**	(2)
Other receivables:		**433**	255
– Agents and brokers	2	**33**	15
– Vitality partner debtors	3	**419**	261
– Less allowance for expected credit losses		**(19)**	(21)
Total		**465**	293

[1] *The comparative information has been restated for Loans to fellow group companies that are now disclosed separately. Refer to Note 23 for more detail.*

Credit risk relating to loans and receivables is managed as follows:

1. The Vitality premiums due from Discovery Health Medical Scheme (DHMS) and closed scheme members do not carry significant credit exposure as amounts due from any single member is insignificant.
2. Agents and brokers are subject to a comprehensive relationship management program including credit assessment. Agents and brokers are not rated by Vitality as exposure to any single intermediary is insignificant. The widespread nature of the individual amounts combined with this close management relationship reduces credit risk. Most commission claw-backs are off-set against future payments and hence the risk of outstanding commission is minimal.
3. Vitality partner debtors settle their accounts within 30 days in the ordinary course of business. These debtors have not been rated.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

2. Management of financial risk *continued*

2.2 CREDIT RISK *continued*

Credit Risk relating to loans and receivables *continued*

Vitality ages and pursues unpaid accounts on a monthly basis. The ageing of the components of loans and receivables at 30 June was:

	2024		Restated 2023[1]	
R million	**Gross**	**Impairment**	Gross	Impairment
Not past due	**428**	**(11)**	257	(6)
30 days	**27**	**–**	13	–
60 days	**7**	**–**	9	–
90 days	**1**	**–**	2	–
120 days	**13**	**(6)**	20	(11)
150 days	**(1)**	**(*)**	3	(6)
>150 days	**11**	**(4)**	12	–
Total	**486**	**(21)**	316	(23)

* *Amount is less than R500 000.*

[1] *The comparative information has been restated for Loans to fellow group companies that are now disclosed separately. Refer to Note 23 for more detail.*

Vitality applies the expected credit loss model to loans and receivables, and contract assets from customers and cash and cash equivalents. The approach to determining credit losses varies according to the asset type, past bad debt experience and the potential to incorporate forward looking information.

The expected credit loss approach requires that Vitality assess the credit risk of the instrument and determine whether there has been a significant increase in credit risk since recognition. Where there has not been a significant increase in credit risk since initial recognition expected credit losses are measured as the 12 month expected credit losses. Where there has been a significant increase in credit risk, expected credit losses are recognised as the life-time credit losses.

Expected credit loss reconciliation:

	2024		2023	
R million	**12-month credit losses**	**Lifetime credit losses**	12-month credit losses	Lifetime credit losses
Balance at beginning of the year	**(23)**	**–**	(25)	–
Increase/decrease in provision	**2**	**–**	1	–
Amounts utilised during the year	**–**	**–**	1	–
Balance at end of the year	**(21)**	**–**	(23)	–

Credit risk relating to loans to fellow group companies

Loans to fellow group companies arise from intercompany transactions as disclosed in note 24 – Related Parties. There is immaterial credit risk relating to these loans as they are settled on a monthly basis.

Credit risk relating to financial guarantee contracts

Vitality has issued financial guarantees as security for loans incurred by Discovery Limited and Discovery Central Services Proprietary Limited. The maximum credit risk that Vitality is exposed to on these contracts is the carrying amount, which amounted to R14.8 billion (2023: R13.3 billion). For majority of the issued financial guarantees, Vitality is co-guarantor with Discovery Limited and Discovery Health Proprietary Limited.

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2. Management of financial risk *continued*

2.3 LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities (ie insufficient cash available to meet commitments as and when due).

Cash flow forecasting is performed by Vitality and liquidity requirements are monitored to ensure there is sufficient cash to meet operational needs.

Cash held by Vitality is managed by Group treasury. Group treasury invests it in interest-bearing accounts, time deposits and money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above mentioned forecasts. At the reporting date, the company held cash and cash equivalents of R83 million (2023: R442 million).

The table below analyses Vitality's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

R million	< 1 year	1-2 years	3-5 years	5-10 years	Total
2024					
Loans from fellow group companies at amortised cost	**157**	**–**	**–**	**–**	**157**
Other financial payables at amortised cost	**182**	**–**	**–**	**–**	**182**
	339	**–**	**–**	**–**	**339**
Financial guarantee contracts[2]	**14 775**	**–**	**–**	**–**	**14 775**
	15 114	**–**	**–**	**–**	**15 114**
2023 Restated[1]					
Loans from fellow group companies at amortised cost	131	–	–	–	131
Other financial payables at amortised cost	427	(27)	28	–	428
Derivative financial instrument	1	–	–	–	1
	559	(27)	28	–	560
Financial guarantee contracts[2]	13 318	–	–	–	13 318
	13 877	(27)	28	–	13 878

[1] *The comparative information has been restated for Loans from fellow group companies that are now disclosed separately. Refer to Note 23 for more detail.*

[2] *Vitality stands as guarantor for the obligations of fellow group companies and Vitality is confident that these companies will pay their own obligations. Refer to Note 12 for further details.*

3. Intangible assets – software development

R million	2024	2023
Year ended 30 June		
Opening carrying amount	**68**	18
Additions	**77**	59
Derecognition[1]	**–**	–
– Cost	**(6)**	–
– Accumulated amortisation	**6**	–
Amortisation charge	**(13)**	(9)
Closing carrying amount	**132**	68
Cost	**155**	84
Accumulated amortisation and impairment	**(23)**	(16)
Carrying amount	**132**	68

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4. Property and equipment

R million	Motor vehicles	Buildings WIP	Total
Year ended 30 June 2024			
Opening carrying amount	**1**	**27**	**28**
Reclassification			
– Cost	**–**	**(27)**	**(27)**
Depreciation charge	**(*)**	**–**	**(*)**
Closing carrying amount	**1**	**–**	**1**
Cost	**2**	**–**	**2**
Accumulated depreciation	**(1)**	**–**	**(1)**
Carrying amount	**1**	**–**	**1**
Year ended 30 June 2023			
Opening carrying amount	*	–	*
Additions	1	27	28
Depreciation charge	(*)	–	(*)
Closing carrying amount	1	27	28
Cost	2	27	29
Accumulated depreciation	(1)	–	(1)
Carrying amount	1	27	28

* *Amount is less than R500 000.*

5. Deferred income tax

R million	2024	2023[1]
Deferred tax asset – non-current	**98**	75
Deferred tax liability – non-current	**(26)**	(4)
Total deferred tax	**72**	71

R million	Balance at beginning of year	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	Balance at end of the year
Year ended 30 June 2024					
Assessed losses	**15**	**60**	**–**		**75**
Difference between wear and tear and depreciation/amortisation	**1**	**1**	**–**	**–**	**2**
Income received in advance/ deferred income	**(3)**	**(22)**	**–**	**–**	**(25)**
Financial instruments and share-based payments	**(1)**	**(1)**	**–**	**1**	**(1)**
Provisions	**59**	**(38)**	**–**	**–**	**21**
	71	*****	**–**	**1**	**72**
Year ended 30 June 2023[1]					
Assessed losses	–	15	–	–	15
Difference between wear and tear and depreciation/amortisation	(1)	2	–	–	1
Income received in advance/deferred income	10	(13)	–	–	(3)
Financial instruments and share-based payments	1	(2)	–	–	(1)
Prepayments	(*)	*	(*)	–	–
Provisions	57	2	–	–	59
	67	4	(*)	–	71

* *Amount is less than R500 000.*

[1] *The prior year split has been changed to bring in line with the current year categories disclosed.*

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6. Assets and liabilities arising from contracts with customers

Where either party to a contract has performed, Vitality presents either a contract asset or contract liability, depending on the relationship between Vitality's performance and the customer's payment. Where Vitality has performed and has unconditional rights to consideration – a IFRS 9 receivable asset is presented separately.

R million	Assets arising from contracts with customers[1]	Costs of obtaining contracts[1]	Contract liabilities	Contract receivables[2]
Year ended 30 June 2024				
Balance at beginning of the year	**20**	**91**	**(466)**	**38**
Reclassification to other receivables[3]	**(20)**			
Payments received	**–**	**–**	**–**	**(2 148)**
Costs of obtaining new contracts	**–**	**110**	**–**	**–**
Amortised during the year	**–**	**(93)**	**–**	**–**
Contract liabilities recognised in the current year	**–**	**–**	**36**	**–**
Revenue recognised in the year	**–**	**–**	**23**	**2 142**
Provision of impairment of contract receivables	**–**	**–**	**–**	**–**
Balance at end of the year	**–**	**108**	**(407)**	**32**
Year ended 30 June 2023				
Balance at beginning of the year	–	82	(510)	39
Payments received	(45)	–	–	(1 934)
Costs of obtaining new contracts	–	96	–	–
Amortised during the year	–	(87)	–	–
Contract liabilities recognised in the current year	–	–	21	–
Revenue recognised in the year	65	–	23	1 934
Provision of impairment of contract receivables	–	–	–	(1)
Balance at end of the year	20	91	(466)	38

[1] *Presented as assets arising from contracts with customers.*
[2] *Presented as part of Contract receivables and other receivables. See note 8.*
[3] *Fees received from a benefit partner were incorrectly disclosed as Assets arising from contracts with customers. This balance has been reclassified to Other receivables in the current financial year.*

The Company incurs costs upfront in respect of the Apple Watch benefit, to purchase the device and provide it to the customer. These costs are deferred and recognised over the two-year term of the benefit and recognised as an Asset arising from its contracts with customers in the Statement of financial position.

The contract liabilities relate to advance consideration received from customers for which revenue will be recognised over the expected terms of the arrangement as well as Miles and cashback balances that are due to the members.

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for the year ended 30 June 2024

7. Loans to fellow group companies at amortised cost

R million	2024	Restated[1] 2023
Discovery Bank Limited	**23**	*
Discovery Connect Distribution Services Proprietary Limited	*****	–
Discovery Health Proprietary Limited	**19**	19
Discovery Insure Limited	**9**	3
Discovery Life Investment Services Proprietary Limited	*****	*
Discovery Life Limited	**58**	53
Discovery Telematic Services Proprietary Limited	**–**	*
Closing carrying amount[1]	**109**	75
Current	**109**	75
Balance at beginning of the year	**75**	52
Net increase in loans	**34**	23
Balance at end of the year	**109**	75

[1] *Loans to fellow group companies was included Other receivables in the prior year.*

Loans to fellow group companies are measured at amortised cost. They are non-interest bearing and repayable on demand. The amortised cost approximates fair value.

8. Contract receivables and other receivables

R million	2024	Restated[1] 2023
Contract receivables (note 6)	**32**	38
– Discovery Health Medical Scheme members	**1**	22
– Closed scheme members	**33**	18
– Less allowance for expected credit losses on contract receivables	**(2)**	(2)
Other financial receivables	**433**	255
– Agents and brokers	**33**	15
– Vitality partners debtors	**419**	261
– Less allowance for expected credit losses	**(19)**	(21)
Other non-financial receivables[2]	**61**	202
– Prepayments	**57**	196
– Stock	**4**	6
Total contract receivables and other receivables	**526**	495
Current	**526**	495

[1] *The comparative information has been restated for Loans to fellow group companies, previously included in Other receivables is now disclosed in note 7. Refer to note 23 for more detail.*
[2] *These non-financial assets have been excluded from the risk disclosures presented in note 2.*

The fair value of short-term receivables approximates the carrying value.

9. Cash and cash equivalents

R million	2024	2023
Cash	**51**	31
Short term deposits	**32**	411
Cash and cash equivalents	**83**	442

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10. Ordinary share capital

R	2024	2023
Authorised		
1 000 ordinary share of R1 each	**1 000**	1 000
Issued		
1 ordinary share of R1 each (2023: 1 ordinary share)	**1**	1
Share capital	**1**	1

11. Loans from fellow group companies at amortised cost

R million	2024	Restated[1] 2023
Discovery Central Services Proprietary Limited	**46**	45
Discovery Connect Distribution Services Proprietary Limited	**–**	*
Discovery Health Proprietary Limited	**2**	1
Discovery Limited	**108**	85
Vitality Group International Inc.	**1**	–
Closing carrying amount[1]	**157**	131
Current	**157**	131
Balance at beginning of the year	**131**	102
Net increase in loans	**26**	29
Balance at end of the year	**157**	131

[1] *Loans from fellow group companies was included in Other payables in the prior year.*

Loans from fellow group companies are measured at amortised cost. They are non-interest bearing and repayable on demand. The amortised cost approximates to fair value.

12. Financial guarantee contracts

R million	Ref	2024	2023
Vitality has provided guarantees for the following group companies:			
Discovery Central Services Proprietary Limited	i	**2**	2
Discovery Limited	ii	**1**	1
Total		**3**	3
Balance at beginning of the year		**3**	10
New contracts guaranteed		**1**	–
Fee income released		**(1)**	(5)
Expected credit losses		*****	(2)
		3	3

* *Amount is less than R500 000.*

i) Vitality has guaranteed the following borrowing facilities of Discovery Central Services Proprietary Limited:
- A portion of a R650 million facility used to fund the systems build of Discovery Bank. The full amount has been drawn down and the outstanding value that Vitality has guaranteed at 30 June 2024 is R396 million (2023: R444 million).
- A R1.5 billion Financial Credit facility. The 30 June 2023 balance of R154 million was settled on 7 June 2024 when the facility expired. There is no balance outstanding at 30 June 2024. Subsequent to year-end, the facility was renewed for a further two years to 30 June 2026.
- A R691 million facility and the full amount has been drawn down. The balance outstanding at 30 June 2024 is R695 million (2023: R694 million).
- A 5-year borrowing facility for an amount of R1.4 billion. These funds were acquired for general corporate purposes and the full amount has been drawn down and the balance outstanding at 30 June 2024 is R1 408 million (2023: R1 408 million).
- A R750 million facility, undrawn at 30 June 2024. This facility is a committed 364-day notice facility granted in November 2023. Subsequent to year-end, the facility was reduced to R500 million.

ii) Vitality has issued financial guarantees in respect of Discovery Limited's Domestic Medium Notes issued for the value of R11.4 billion (2023: R9.9 billion).

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13. Other financial payables at amortised cost

R million	2024	Restated[1] 2023
Payables and accrued liabilities	**144**	399
Payroll creditors	**24**	22
Other financial payables	**14**	7
	182	428
Current	**182**	427
Non-current	**–**	1
	182	428

[1] *The comparative information has been restated for Loans from fellow group companies and Value-added tax liability, previously included in other financial payables, now disclosed in note 11 and note 15 respectively.*

14. Derivative financial instruments at fair value through profit or loss

R million	2024	2023
Derivatives not designated as hedging instruments:		
Equity price risk derivatives	**–**	1
	–	1
Current portion	**–**	1

15. Other payables

R million	2024	2023
Non-financial payables:		
Employee leave pay benefit	**15**	14
Value-added tax liability	**13**	6
	28	20
Current	**26**	18
Non-current	**2**	2
	28	20
Movement analysis for employee leave pay benefit:		
Balance at beginning of the year	**14**	13
Additional provisions raised	**15**	15
Used during the year	**(14)**	(13)
Paid to terminated employees	**(*)**	(1)
Balance at end of the year	**15**	14

16. Revenue

R million	2024	Restated[1] 2023
Vitality fee income – over time	**2 679**	2 440
Vitality Benefit Activation fee income – over time	**355**	297
Vitality Access fee income – over time	**481**	453
	3 515	3 190

[1] *The comparative information has been restated for the correction of a prior period error. Refer to Note 23 for more detail.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

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17. Investment income using the effective interest rate method

R million	2024	2023
At amortised cost interest income, using the effective interest rate – cash and cash equivalents	**25**	32
	25	32

18. Other income

R million	2024	2023
Amortisation of financial guarantee contracts	**1**	7
	1	7

Initial financial guarantee contracts are amortised over the term of the loan. Refer to note 12 for a list of guarantees that Vitality has issued.

19. Marketing and administration expenses

R million	2024	2023
Auditors' remuneration		
Audit fees		
– current year	**4**	3
	4	3
Staff costs including executive directors[1]		
Salaries, wages and allowances	**257**	223
Medical aid fund contributions	**21**	19
Defined contribution provident fund contributions	**21**	18
Social security levies	**1**	1
Share–based payment expenses		
– cash–settled	*****	–
– equity–settled	**29**	26
– gain on cashflow hedge	**–**	1
Staff training	**1**	1
Recruitment fees	**1**	1
Temporary staff	*****	–
Provision for leave pay	**1**	1
Other	**6**	8
	338	299
Other operating costs		
Amortisation of software	**13**	9
Building related and office costs	**2**	2
Depreciation of property and equipment	*****	1
Impairment of loans and receivables	**(2)**	2
IT systems and consumables	**147**	146
Marketing and distribution costs	**42**	29
Professional fees	**7**	4
Group recharges/recoveries and other operating costs	**59**	155
	268	348
Total marketing and administration expenses	**610**	649

* *Amount is less than R500 000.*

[1] *Executive directors' and prescribed officers' remuneration is included in employee costs. Refer to note 24 for detailed disclosure.*

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20. Incentive schemes

Discovery Group operates various share-based payment and long-term incentive arrangements. The details of these arrangements are described below:

SHARE BASED-PAYMENT ARRANGEMENTS

20.1 BEE staff share trust (equity-settled)

In 2005, 5 290 000 Discovery Limited's shares were issued to the BEE staff share trust for current and future employees. These shares have all been allocated in prior years. Additional shares have been purchased, for future allocation to employees. The trust consists of two components; the allocation scheme and the option scheme as described below.

ALLOCATION SCHEME

Shares have been allocated to senior black employees based on level of seniority and length of past service. The shares vest to employees two, three, four and five years after allocation at a rate of 25% per annum. On each vesting date, the trustees shall distribute to the employees the allocated shares to which the employee may be entitled.

OPTION SCHEME

Options granted to black employees may be exercised two, three, four and five years after the option is granted at a rate of 25% per annum. Any options not exercised by the end of the fifth year from the grant date shall lapse. On exercise of the option, the employee pays cash to the trust for the full purchase price of the option.

20.2 Discovery's phantom scheme (cash-settled)

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

20.3 Discovery's long-term incentive plans (equity settled)

DISCOVERY LONG-TERM INCENTIVE PLAN (LTIP)

The LTIP was introduced in the financial year ended 30 June 2020 and replaced the cash-settled Phantom scheme (see point 2 above) with an equity-settled LTIP.

Participants will receive Discovery Limited shares subject to performance criteria and if the participant is employed on each vesting date. For LTIP awards granted prior to the introduction of the Single Incentive Plan (SIP), the performance conditions are aligned to the organic growth methodology of the Discovery Group and will vest from between the third and fifth anniversary of these awards.

SINGLE INCENTIVE PLAN (SIP)

During the financial year ended 30 June 2022, Discovery replaced its management short-term incentive scheme and long-term incentive schemes with a single incentive scheme called SIP, consisting of a cash incentive (short-term incentive) and deferred share awards (long-term incentive). The SIP is based on the annual award of a single total incentive relating to the performance of the Discovery Group, business unit and the individual, and is assessed against financial and non-financial measures as outlined by the Discovery Group scorecard as well as business unit and individual scorecards.

The first deferred share awards were granted in November 2022. These shares will vest between one and three years after allocation of the shares for senior management and between three and five years for executive directors and prescribed officers.

The scheme mentioned in bullet 2 has been classified as a cash-settled scheme and a liability is raised in terms of IFRS 2 *Share-based Payment*. The other long-term incentive schemes have been accounted for in terms of IAS 19 *Employee Benefits*.

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20. Incentive schemes *continued*

SUMMARY OF UNITS GRANTED

The following is a summary of the terms and conditions of the units granted:

Date granted	Share/ option price (R)	Final vesting date	Shares under option at beginning of year	Share/ options granted during year	Share/ options vested during year	Share/ Options cancelled or adjusted during year	Shares under option at end of year
The Phantom scheme							
FY2019	–	30/09/2023	14 518	–	(13 471)	(1 047)	**–**
BEE staff share scheme							
FY2022	–	30/04/2027	1 265	–	(316)	–	**949**
FY2023	–	30/11/2027	1 596	–	–	–	**1 596**
FY2024	–	30/09/2028	–	25 537	(639)	–	**24 898**
Discovery LTIP and SIP							
FY2020	–	30/09/2024	65 270	–	(35 624)	4 844	**34 490**
FY2021	–	30/09/2025	161 622	–	(63 442)	3 410	**101 590**
FY2022	–	30/09/2026	146 386	–	–	6 225	**152 611**
FY2023	–	30/09/2025	235 859	–	(84 166)	8 439	**160 132**
FY2024	–	30/09/2026	–	136 610	–	(5 615)	**130 995**

VALUATION OF SHARE-BASED PAYMENT AND LONG-TERM INCENTIVES

The Discovery Limited phantom scheme awards are cash-settled and a liability is raised in terms of IFRS 2 *Share-based Payment*. The liability is repriced at each reporting date. The closing share price at 30 June 2024 was R134.69.

Vitality determines the grant date fair value of its equity-settled schemes at the date of allocating the grant to the employee. The grant date fair value is then recognised over the vesting period and a share-based payment reserve is recognised in terms of IFRS 2.

	Spot price	Risk free interest rate	Vesting period	Dividend yield (%)
Discovery LTIP ad SIP				
FY2020	**R113.82**	**6.83% –7.01%**	**4–5 years**	**2.40% – 2.52%**
FY2021	**R125.52**	**3.90% –5.02%**	**3–5 years**	**2.32% – 2.57%**
FY2022	**R135.94**	**5.76% –6.57%**	**3–5 years**	**2.29%– 2.46%**
FY2023	**R127.58**	**7.51% –7.73%**	**1–3 years**	**0.00% –1.08%**
FY2024	**R133.04**	**7.66% –8.16%**	**1–3 years**	**0.89% –1.36%**
BEE Staff share trust				
FY2022	**R152.26**	**6.36% –7.49%**	**2–5 years**	**1.21% – 1.48%**
FY2023	**R120.00**	**7.93% –8.53%**	**2–5 years**	**1.22% –1.47%**
FY2024	**R133.00**	**7.66% –8.16%**	**1–5 years**	**0.89% –1.48%**

21. Income tax expense

R million	2024	2023
Charge for the year:		
Current tax	**–**	–
Deferred tax	**(*)**	5
Total income tax expense recognised in profit or loss	**(*)**	5

Tax rate reconciliation %	2024	2023
Effective tax rate	**8.86**	(8.0)
Non-deductible expenses	**(35.86)**	–
Non-taxable income	**–**	35.0
Standard rate of taxation	**(27.0)**	27.0

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22. Cash flow information

	R million	2024	2023
22.1	**Cash utilised by operations**		
	(Loss)/Profit before taxation	**(6)**	54
	Adjusted for:		
	Investment income	**(25)**	(32)
	Interest expense on borrowings	**–**	*
	Non-cash items:		
	Allowance for expected credit losses	**(2)**	(2)
	Amortisation of intangible assets	**13**	9
	Amortisation of contract assets	**93**	87
	Contract liabilities movement	**(59)**	(44)
	Depreciation – Motor vehicles	**–**	*
	Gain from derivatives	**–**	(1)
	Provision for leave pay	**1**	1
	Amortisation of Financial guarantee contracts	**(1)**	(7)
	Share-based payment expense – cash settled	*****	–
	Share-based payment expense – equity settled	**29**	–
	Share-based payment transfer to retained earnings	**–**	(1)
	Hedge ineffectiveness	*****	*
	Working capital changes:		
	Decrease in Loans and receivables, contract receivables and loans to fellow group companies	**(124)**	(273)
	Increase in Other payables and loans from fellow group companies	**(246)**	(59)
		(327)	(268)
22.2	**Taxation received**		
	Amounts at beginning of the year	**12**	14
	Amounts charged to profit or loss	**(*)**	5
	Adjustment for movement in deferred taxation	*****	(4)
	Amounts at end of the year	**(1)**	(12)
	Taxation received	**11**	3

* *Amount is less than R500 000.*

23. Restatements

The changes to the financial statements have arisen from the following events:

- **Change 1:** Restatements resulting from prior period errors identified.
- **Change 2:** Changes in presentation in the primary statements.

CHANGE 1: RESTATEMENTS RESULTING FROM PRIOR PERIOD ERRORS IDENTIFIED

During the preparation of financial statements management may identify prior period errors that could have arisen due to miscalculations, oversights or misapplication of information that was available at the time. Errors can affect the recognition, measurement and presentation of disclosure of accounting transactions. Under IFRS Accounting Standards, management is required to restate information for material prior period errors. Immaterial prior period errors are corrected in the current financial period.

During the financial year ended 30 June 2024, management has identified prior period errors that required correction and accordingly restated the prior period information.

Item 1: Disclosure of income received through the vitality benefit programme

Income received through the Vitality benefit programme, was incorrectly disclosed as revenue and should have been treated as a cost recovery. This resulted in Revenue and Benefit Expenses being overstated. This income relates to cost recoveries that Vitality has earned as a result of providing benefits to its members from its various partners where members pay an activation fee.

The restatement does not impact the prior or current report period Statement of Financial Position and has had no change to operating, investing and financing cash flow.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

23. Restatements *continued*

CHANGE 1: RESTATEMENTS RESULTING FROM PRIOR PERIOD ERRORS IDENTIFIED *continued*

Item 2: Fees received through the vitality benefit programme

Fees received through the Vitality benefit programme, were incorrectly disclosed as a cost recovery and should have been treated as revenue. This resulted in Revenue and Benefit Expenses being understated. This relates to income earned as a result of Vitality acting as an agent in a transaction which should be recognised as an income. However, this was previously recognised as a reduction of the benefit expense.

The restatement does not impact the prior or current report period Statement of Financial Position and has had no change to operating, investing and financing cash flow.

Item 3: Access fees received from a fellow subsidiary

Access fees received from a fellow subsidiary, were incorrectly disclosed as revenue and should have been treated as a cost recovery of benefit expenses. This resulted in Revenue and Benefit Expenses being overstated. These access fees relate to a recovery of costs that Vitality receives for administering the Vitality money programme on behalf of Discovery Bank.

The restatement does not impact the prior or current report period Statement of Financial Position and has had no change to operating, investing and financing cash flow.

CHANGE 2: CHANGES IN PRESENTATION IN THE PRIMARY STATEMENTS AND NOTES

Vitality has enhanced the presentation of certain transactions within the Statement of financial position by introducing new line items. While these changes do not impact the total value of assets or liabilities, they provide users with a clearer understanding of the financial information. The key adjustments are as follows:

- New lines for Loans to/from fellow group companies at amortised cost, have been introduced to separately reflect the loan balances to/from fellow group companies and consolidates all related party balances into a single source. Previously, these balances were included in Loans and other receivables and Trade and other payables at amortised cost which have been renamed Contract receivables and other receivables and Other financial payables respectively.
- A new line item, Other payables, now includes Employee benefits, which were previously disclosed separately. It also includes non-financial payables, which were previously included in Trade and other payables. The latter has been renamed Other financial payables at amortised cost.

The following tables summarise the impact of the above changes on Vitality's Annual Financial Statements.

Statement of financial position

R million	30 June 2022 (previously reported)	Presentation changes Increase (decrease)	**1 July 2022 Restated**
Assets			
Loans to fellow group companies	–	52	**52**
Contract receivables and other receivables	411	(52)	**359**
Liabilities			
Loans from fellow group companies	–	102	**102**
Other financial payables	625	(113)	**512**
Other payables and provisions	–	24	**24**
Employee benefits	13	(13)	**–**

R million	30 June 2023 (previously reported)	Presentation changes Increase (decrease)	**30 June 2023 Restated**
Assets			
Loans to fellow group companies	–	75	**75**
Contract receivables and other receivables	570	(75)	**495**
Liabilities			
Loans from fellow group companies	–	131	**131**
Other financial payables	565	(137)	**428**
Other payables and provisions	–	20	**20**
Employee benefits	14	(14)	**–**

Directors' responsibility statement
Independent auditor's report
Directors' report
Statement of financial position
Statement of comprehensive income
Statement of changes in equity
Statement of cash flows
Notes to the Annual Financial Statements
Accounting policies

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

23. Restatements *continued*

CHANGE 2: CHANGES IN PRESENTATION IN THE PRIMARY STATEMENTS AND NOTES *continued*

Statement of comprehensive income

R million	30 June 2023 (previously reported)	Correction of error: Item 1	Correction of error: Item 2	Correction of error: Item 3	30 June 2023 Restated
Revenue	3 352	(112)	257	(307)	**3 190**
Benefit expenses	(2 570)	112	(257)	307	**(2 408)**

24. Related parties

LIST OF RELATED PARTIES AS DEFINED

Holding company

Discovery Limited (incorporated in South Africa) owns 100% of the ordinary share capital issued by Discovery Vitality.

Fellow group companies

Fellow group companies include all companies held directly or indirectly by Discovery Limited.

Key Management personnel

Key management personnel have been defined as directors of Discovery Vitality Proprietary Limited. Refer to the Directors' Report for a list of directors of Vitality.

TRANSACTIONS WITH RELATED PARTIES

Fellow group companies

Vitality undertakes certain transactions fellow subsidiaries within the Discovery Limited Group. Details of these transactions are set out below. All amounts are excluding VAT.

R million	2024	2023
Discovery Health Proprietary Limited		
Vitality fee income	**376**	335
Premium income	**21**	19
Systems recharges and consultant fees	**(13)**	(30)
Discovery Insure Limited		
Benefit sales	**99**	27
Systems recharges	*	*
Discovery Invest Proprietary Limited		
System recharges	*	*
Discovery Life Limited		
Vitality fee income[1]	**127**	120
Systems recharges	*	*
Benefit sales	**3**	1
Discovery Bank		
Operations charges – Bank Rewards	**13**	25
Bank Access Fee[2]	**360**	307
Discovery Connect		
Acquisition costs	**(47)**	(51)
VG a division of Discovery Health		
Systems Recharges – Vitality International	**(17)**	(16)
Discovery Central Services – Building, Office and Corporate charges	**(256)**	(232)
Vitality Group International		
Professional Fees	**4**	–

* *Amount is less than R500 000.*
[1] *The comparative amount was omitted from the prior year financial statements and is now included in the current year financial statements.*
[2] *A recovery of costs that Vitality receives for administrating the Vitality money programme on behalf of Discovery Bank.*

Balances due to/from fellow group companies can be found in note 7 and note 11.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

24. Related parties *continued*

KEY MANAGEMENT PERSONNEL

Aggregate details of transactions between Vitality and key management personnel, their families (as defined per IAS 24) and entities significantly influenced or controlled by key management:

Vitality loyalty programme

	Premiums received		Rewards paid	
R'000	**2024**	2023	**2024**	2023
Vitality benefits	**109**	173	**1 519**	2 965

Payments to Directors for the year ended 30 June 2024 for services rendered are as follows:

R'000	Services as Directors	Basic salary	Performance bonus	LTIP[2]	Provident fund contributions	Other benefits[1]	Total
Executive							
D Govender	–	5 355	4 056	6 904	401	242	16 958
L Lulema[3]	–	1 850	454	–	198	112	2 614
SP Mbatha[4]	–	–	–	–	–	–	–
Subtotal	**–**	**7 205**	**4 510**	**6 904**	**599**	**354**	**19 572**
Non-Executive							
A Gore	–	8 436	9 152	11 363	1 264	489	30 704
HD Kallner	–	8 197	22 743	18 398	410	298	50 046
NS Koopowitz[5]	–	24 202	47 989	5 633	235	620	78 679
A Pollard[6]	–	9 810	7 064	10 748	298	424	28 344
Dr TV Maphai[7]	635	–	–	–	–	–	635
B Swartzberg	–	5 861	12 151	3 503	621	347	22 483
Subtotal	**635**	**56 506**	**99 099**	**49 645**	**2 828**	**2 178**	**210 891**
Total	**635**	**63 711**	**103 609**	**56 549**	**3 427**	**2 532**	**230 463**
Less: paid by fellow subsidiaries	**(635)**	**(56 506)**	**(99 099)**	**(49 645)**	**(2 828)**	**(2 178)**	**(210 891)**
Paid by Vitality	**–**	**7 205**	**4 510**	**6 904**	**599**	**354**	**19 572**

1 *"Other benefits" comprise medical aid contributions, travel, other allowances and fees from group subsidiaries.*
2 *"LTIP" comprises cash-settled and equity-settled incentives.*
3 *Appointed 1 August 2023.*
4 *Resigned 1 July 2023.*
5 *Salary and incentive are paid in GBP.*
6 *Salary and incentive are paid in USD.*
7 *Black Non-Executive Directors also participate in the Discovery Limited BEE-transaction. Resigned 23 November 2023.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

24. Related parties *continued*

Payments to Directors for the year ended 30 June 2023 for services rendered are as follows:

R'000	Services as Directors	Basic salary	Performance bonus	LTIP[2]	Provident fund contributions	Other benefits[1]	Total
Executive							
S Mbatha	–	2 930	1 839	592	227	148	5 736
D Govender	–	5 064	3 995	1 756	380	209	11 404
Subtotal	–	7 994	5 834	2 348	607	357	17 140
Non-Executive							
R Farber[6]	3 713	–	–	–	–	4 010	7,723
SV Zilwa[7,8]	2 687	–	–		–	–	2 687
Dr TV Maphai[7]	1 651	–	–	–	–	–	1 651
HL Bosman[5]	1 033	–	–	–	–	–	1 033
FN Khanyile[8]	1 964	–	–	–	–	–	1 964
A Gore	–	7 987	9 603	8 692	1 198	422	27 902
HD Kallner	–	7 472	7 062	23 823	374	228	38 959
NS Koopowitz[3]	–	21 255	22 734	10 816	118	563	55 486
Dr A Ntsaluba[8]	–	2 922	5 811	4 961	219	177	14 090
A Pollard[4]	–	8 968	9 368	6 677	225	388	25 626
B Swartzberg	–	5 592	13 032	2 522	586	265	21 997
DM Viljoen[8]	–	3 301	6 358	4 417	521	170	14 767
Subtotal	11,048	57 497	73 968	61 908	3 241	6 223	213 885
Total	11 048	65 491	79 802	64 256	3 848	6 580	231 025
Less: paid by fellow subsidiaries	(11 048)	(57 497)	(73 968)	(61 908)	(3 241)	(6 223)	(213 885)
Paid by Vitality	–	7 994	5 834	2 348	607	357	17 140

1 *"Other benefits" comprise medical aid contributions, travel, other allowances and fees from group subsidiaries.*
2 *"LTIP" comprises cash-settled and equity-settled incentives.*
3 *Salary and incentive are paid in GBP.*
4 *Salary and incentive are paid in USD.*
5 *Director's fees for services rendered by HL Bosman were paid to Rand Merchant Insurance Holdings Limited. Resigned 1 December 2022.*
6 *Director's fees for services and fees for other consulting services rendered by R Farber were paid in AUD. Director's fees for consulting services are included as part of other benefits. Resigned 1 February 2023.*
7 *Black Non-Executive Directors also participate in the Discovery Limited BEE-transaction.*
8 *Resigned 1 February 2023.*

25. Events after reporting date

OTHER SIGNIFICANT EVENTS

No significant events occurred after the reporting date being 30 June 2024 to the date of approval of the Annual Financial Statements namely 14 October 2024.

ACCOUNTING POLICIES

for the year ended 30 June 2024

Summary of material accounting policies

1. BASIS OF PREPARATION

The Annual Financial Statements have been prepared in accordance with the IFRS® Accounting Standards as issued by the IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards), the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, as well as the South African Companies Act, No 71 of 2008, as amended (Companies Act). The Annual Financial Statements have been prepared in accordance with the going concern principle using the historical cost basis, except where otherwise stated in the accounting policies below.

The preparation of Vitality's Annual Financial Statements, in conformity with IFRS Accounting Standards, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Vitality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are material to the financial statements, are outlined in note 1 to the Annual Financial Statements.

New standards and amendments which became effective during the financial year

Vitality does not expect any new IFRS Accounting standards, amendments, or interpretations that became effective during the financial year to have a material impact on recognised or disclosed amounts.

New standards and amendments to published standards not yet effective

Vitality does not expect the IFRS Accounting Standards, amendments, or annual improvements it has not listed below to have a material impact on recognised or disclosed amounts.

Vitality expects the following IFRS Accounting Standards, amendments, and annual improvements that were issued during the financial year but are not yet effective to have a material effect on recognised and disclosed accounts.

IFRS 18 Presentation and Disclosure in Financial Statement	IFRS 18 supersedes IAS 1 *Presentation of Financial Statements* and provides additional requirements for the presentation and disclosure of information in the primary financial statements and the notes to improve transparency and comparability of information. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027. IFRS 18 will impact the Company's Statement of comprehensive income and related note disclosures. The Company will assess the additional disclosure requirements.

2. FOREIGN CURRENCY TRANSLATION

2.1 Functional and presentation currency

Items included in the Annual Financial Statements are measured in South African Rands (ZAR) which is the currency of the primary economic environment in which the Company operates (the functional currency).

2.2 Transactions and balances

The Company translates foreign currency transactions into the functional currency using the exchange rates prevailing at the dates of the transactions. The Company includes foreign exchange gains and losses as follows:

- The settlement of trading transactions in the results of operating activities in profit or loss.
- The settlement of financing transactions and the translation at year-end exchange rates of assets and liabilities denominated in foreign currencies in profit or loss as foreign exchange gains and losses, and
- Qualifying cash flow hedges are deferred in the Statement of other comprehensive income. Subsequently, the Company reclassifies these foreign exchange gains and losses to profit or loss in the periods in which the hedged item affects profit or loss.

3. PROPERTY AND EQUIPMENT

The Company measures property and equipment at cost, which includes capitalised borrowing costs, less accumulated depreciation, and any accumulated impairment losses.

The Company includes subsequent costs in the asset's carrying amount or recognises costs as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The Company recognises all other repairs and maintenance in profit or loss during the financial period in which they are incurred.

If significant parts of an item of property and equipment have different useful lives, then the Company accounts for the components as separate items (major components) of property and equipment.

The Company depreciates property and equipment when the assets are ready for use, applying the straight-line method over their estimated useful lives, as follows:

- Motor vehicles 4 years

ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

3. PROPERTY AND EQUIPMENT *continued*

The Company reviews assets' residual values and useful lives at least at each financial year-end and adjusts if appropriate. For the treatment of impairment of items of property and equipment, refer to accounting policy 6.

Property and equipment shall be derecognised:

- On disposal, or
- When no future economic benefits are expected from its use or disposal.

The Company determines gains/losses on derecognition by comparing the proceeds with the carrying amount. The Company records these gains/losses in profit or loss.

4. INTANGIBLE ASSETS

4.1 Computer software development costs

The Company measures items of computer software development costs at cost, less accumulated amortisation and any accumulated impairment losses. The Company does not capitalise internally generated intangibles, excluding capitalised development costs, and it reflects the related expenditure in profit or loss in the period in which the expenditure is incurred.

The Company recognises development costs that are directly attributable to the design and testing of identifiable software products which the Company controls as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use
- Management intends to complete the software product and use or sell it
- There is an ability to use or sell the software product
- The Company can demonstrate the software product will generate probable future economic benefits
- Adequate technical, financial, and other resources to complete the development and to use or sell the software product are available, and
- The Company can reliably measure expenditure attributable to the software product during its development.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of directly attributable overheads. For cloud computing arrangements, implementation costs that do not meet the requirements to be capitalised as an asset are expensed as incurred.

The Company expenses the following items as incurred:

- Costs associated with maintaining computer software programmes.
- Other development expenditures that do not meet the criteria noted above.

The Company does not recognise development costs previously recognised as expenses, as assets in a subsequent period. The Company recognises computer software development costs as assets from the point where the recognition criteria above are satisfied and the Company amortises the asset when it is ready for use, over its useful life. The Company presents amortisation as part of marketing and administration expenses in profit or loss.

If significant parts of computer software development costs have different useful lives, the Company accounts for the components as separate items (major components) of computer software development costs. Computer software development costs recognised as assets are amortised over their useful lives.

Software applications	3 – 7 years
Core Systems	12 –16 years (2023: 16 years)

4.2 Other intangible assets

The Company does not recognise costs incurred for internally developed trademarks, patents and similar rights and assets, including franchises and management contracts. The Company recognises these costs in profit or loss in the period they are incurred.

The Company measures the intangible asset at cost plus any directly attributable cost of preparing the asset for its intended use, less accumulated amortisation and any accumulated impairment losses. The Company amortises these intangible assets over their useful lives.

The Company reviews intangible assets' residual values and useful lives at least at each financial year-end and adjusts if appropriate. For the treatment of impairment of intangible assets, refer to accounting policy 6.

The Company derecognises intangible assets

- On disposal, or
- When no future economic benefits are expected from its use or disposal

The Company determines gains/losses arising from the derecognition of an intangible asset as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. The Company recognises such gains/losses in profit or loss when the asset is derecognised.

ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

5. IMPAIRMENT OF NON-FINANCIAL ASSETS

The Company reviews assets, including intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Such indicators include continued losses and changes in technology, market, economic, legal, and operating environments.

The Company recognises an impairment loss for the amount by which the asset's carrying value exceeds its recoverable amount. The Company measures the recoverable amount using the higher of the value-in-use and the fair value less costs to sell. The Company immediately recognises these costs in profit or loss in the period they are incurred.

The Company reviews assets, that suffered an impairment for possible reversal of the impairment at the end of each reporting period.

6. FINANCIAL INSTRUMENTS

The Company initially recognises financial instruments when it becomes party to the contract.

The Company measures financial instruments at initial recognition at the fair value net of directly attributable transaction costs unless the financial instrument is classified as fair value through profit or loss. For instruments the Company classifies at fair value through profit or loss, attributable transaction costs are immediately expensed.

6.1 Financial assets

RECOGNITION, CLASSIFICATION, MEASUREMENT AND DERECOGNITION

At initial recognition, the Company considers the appropriate classification of financial assets as at Amortised cost (AC), Fair value through profit or loss (FVTPL), Fair value through other comprehensive income (FVOCI) for debt instruments, or Fair value through other comprehensive income (FVOCI) for equity instruments. The Company considers:

- Whether the contractual cash flows of the financial asset are solely payments of principal and interest (SPPI). Such contractual cash flows are consistent with a basic lending arrangement and compensate the Company for the elements of the time value of money, credit risk and other basic lending risks and a profit margin. Examples of such instruments include Treasury Bills, Government Bonds, cash, and fixed-term deposits. It excludes instruments such as equity-linked financial assets or puttable investments in unit trusts, and
- Whether the business model of the Company is to hold to collect contractual cash flows or a business model that results in collecting contractual cash flows and selling the financial assets.

Based on the criteria above, the Company will classify a debt instrument as:

- Amortised cost, if the financial asset meets the SPPI criterion and is held for the purpose to collect the contractual cash flows. Examples of this include loans and advances to customers (eg credit card advances and home loans) and fixed-term deposits.
- Fair value with changes in other comprehensive income (debt instruments) if the financial asset meets the SPPI criterion and is held either to collect contractual cash flows or for sale. The Company currently does not hold financial assets in this category.

For equity instruments, the Company is permitted to make the irrevocable election to present changes in fair value in other comprehensive income. However, cumulative gains or losses recognised cannot be reclassified to profit or loss on disposal. This election is available on an instrument-by-instrument basis. The Company has made this election for the accounting records of specified associates. All other equity instruments are measured at FVTPL.

ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

6. FINANCIAL INSTRUMENTS *continued*

6.1 Financial assets *continued*

RECOGNITION, CLASSIFICATION, MEASUREMENT AND DERECOGNITION *continued*

Subsequent measurement	
Amortised cost (AC)	The Company measures these instruments at amortised cost using the effective interest method. Movements in the balance of the instrument relate to expected credit losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. The Company measures interest revenue using the effective interest rate on the gross carrying amount for those financial assets categorised in Stage 1.
Fair value through profit or loss (FVTPL)	The Company measures these instruments at fair value with gains and losses recognised in profit or loss. Movements in this balance are due to fair value gains or losses, interest or dividends, and foreign exchange gains or losses. Dividends are recognised in profit or loss.
Subsequent measurement	
Fair value through other comprehensive income (FVOCI)–equity	The Company measures these instruments at fair value with gains and losses recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss. Dividends are recognised in profit or loss.
Fair value through other comprehensive income (FVOCI) debt	The Company measures these instruments at fair value with changes in fair value recognised in other comprehensive income. Vitality recognises interest using effective interest method, movements in the balance related to expected credit losses, interest income and translation differences in profit or loss. The Company measures interest revenue using the effective interest rate on the gross carrying amount for those financial assets categorised in Stage 1. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

The Company has not designated financial assets at fair value through profit or loss.

The Company expects the business model for managing a group of financial instruments to remain stable. In rare instances where the business model changes, there can be a reclassification of the business model. Any reclassifications are applied prospectively from the first day of the first reporting period after the change in business model, with no restatement of any previously recognised gains, losses or interest. The Company has not had any changes in business models in the current reporting period, and consequently, there have been no reclassifications.

The Company derecognises financial assets when the rights to receive cash flows from them expire or when they have been transferred and the Company has also transferred substantially all the risks and rewards of ownership with no retention of control of financial assets.

EXPECTED CREDIT LOSSES

The Company measures expected credit losses on the following items:

- Debt instruments at amortised cost or fair value with changes in other comprehensive income, which include treasury bills, banking loans and advances and fixed deposits. This also includes loan commitments for undrawn credit facilities
- Lease receivables
- Financial guarantee contracts
- Other receivables which are financial assets at amortised cost
- Contract receivables and contracts assets with non-insurance customers and cash and cash equivalents

The Company has a multitude of different debtors and loans included in other receivables, which are financial assets which do not represent a homogeneous group of assets. The approach to determining expected credit losses varies according to the asset type, past bad debt experience and the potential to incorporate forward-looking information. In certain instances, the Company aggregates financial assets based on shared characteristics (ie debt payment pattern similarities, financial instruments with collateral, debtor type), and the Company determines expected credit losses on a collective basis.

In calculating the expected credit losses, the general expected credit loss approach requires that the Company assess the credit risk of the instrument and determine whether there has been a significant increase in credit risk since initial recognition.

ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

6. FINANCIAL INSTRUMENTS *continued*

6.1 Financial assets *continued*

RECOGNITION, CLASSIFICATION, MEASUREMENT AND DERECOGNITION *continued*

EXPECTED CREDIT LOSSES *continued*

The Company measures the loss allowance using the following approach:

- The Company refers to financial assets that have not had a significant increase in credit risk since initial recognition as Stage 1 financial assets. The Company measures loss allowances on Stage 1 financial assets at an amount equal to the 12-month expected credit losses
- The Company refers to financial assets that have had a significant increase in credit risk since initial recognition as Stage 2 and 3 financial assets. If the financial assets have had a significant increase in credit risk since initial recognition and are credit impaired or in default, the Company refers to these as Stage 3 financial assets. The Company recognises lifetime expected credit losses in measuring the loss allowance for Stage 2 and 3 financial assets.

The Company measures expected credit losses on:

- Financial assets that are not credit-impaired at the reporting date as the present value of all cash shortfalls (ie the difference between the cash flows due to the entity in accordance with the contract and the cash flows that Vitality expects to receive)
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows, and
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive (adjusted using a credit conversion factor).

The Company measures assets that are trade receivables, contract assets, and lease receivables using the simplified approach, should there be no significant financing component. The simplified approach does not require the Company to track changes in credit risk but instead requires the entity to recognise a loss allowance based on lifetime expected credit loss at each reporting date.

The Company does not recognise expected credit losses on Treasury Bills issued by the South African Reserve Bank and cash and cash equivalents receivable on demand due to the assessment that they are immaterial.

SIGNIFICANT INCREASE IN CREDIT RISK (SICR)

At each reporting date, the Company assesses whether the credit risk on a financial asset has increased significantly since initial recognition. When making the assessment, the Company uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses.

CREDIT IMPAIRED AND DEFAULT

The Company considers a financial instrument to be credit-impaired when current circumstances and economic conditions indicate that the expected future cash flows from a financial instrument may not be recoverable. These circumstances include but are not limited to evidence of financial or operational challenges for the debtor and missed contractual payments.

WRITE-OFF

The Company will reduce the gross carrying amount of a financial asset when it has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

6. FINANCIAL INSTRUMENTS *continued*

6.2 Financial liabilities

At initial recognition, the Company considers the appropriate classification as at Amortised costs (AC) or Fair value through profit or loss (FVTPL).

Financial liabilities are measured at FVTPL if:

- They are held for trading.
- The financial liabilities are part of a group of financial assets and financial liabilities which are managed and performance evaluated on a fair value basis. These include financial liabilities held within the portfolios of unit-linked insurance and unit-linked investments.

The Company measures all other financial liabilities that are within the scope of IFRS 9 at amortised cost.

Subsequent measurement	
Amortised cost (AC)	The Company measures these instruments at amortised cost using the effective interest method. Interest income and foreign exchange gains and losses are recognised in profit or loss.
Fair value through profit or loss (FVTPL)	The Company measures these instruments at fair value with gains and losses and any interest recognised in profit or loss.

The Company derecognises financial liabilities when the obligation is extinguished.

6.3 Offset

The Company offsets the financial assets and liabilities and it reports the net amount in the Statement of financial position when there is a legally enforceable right to set off the recognised amounts, and there is an intention to settle on a net basis or to realise the asset and settle the liability 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 reporting entity or the counterparty.

6.4 Modifications

Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms or the terms of an existing financial asset or liability are substantially modified, the Company treats an exchange or modification as a derecognition of the original asset or liability and the recognition of a new asset or liability at fair value, including calculating a new effective interest rate, with the difference in the respective carrying amounts being recognised in other gains and losses on financial instruments within non-interest revenue. The Company consequently considers the date of recognition of a new asset to be the date of initial recognition for impairment calculation purposes.

If the terms are not substantially different for financial assets or financial liabilities, the Company recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate. The difference between the new gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or in other gains and losses on financial instruments (for all other modifications).

In assessing whether a financial asset was substantially modified, the Company performs a qualitative assessment to determine if the terms were substantially modified. In assessing whether a financial liability has been substantially modified, the Company performs both a qualitative and quantitative (10% threshold) assessment to determine if the terms were substantially modified.

6.5 Interbank offered rates (IBOR) reforms

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some IBORs with alternative, nearly risk-free rates (referred to as 'IBOR reform'). Vitality has exposures to IBORs on its financial instruments, such as Libor and Jibar, that have been or will be replaced or reformed as part of these market-wide initiatives.

The United Kingdom has seen a change from the GBP Libor to the Reformed Sterling Overnight Index Average (SONIA) and the South African Rand Overnight Index Average (ZARONIA) has been designated as the preferred alternative near risk-free rate to succeed Jibar. On 3 November 2023, the South African Reserve Bank (SARB) announced that ZARONIA may henceforth be used in financial contracts.

The IBOR reforms will result in changes in the basis for determining the contractual cash flows of financial assets and financial liabilities, including derivatives.

For financial assets and liabilities measured at amortised cost, Vitality will update the effective interest rate only if:

- The change is necessary as a direct consequence of reform, and
- The new basis for determining the contractual cash flows is economically equivalent to the previous basis.

ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

7. FINANCIAL GUARANTEE CONTRACTS (FGCS)

The Company accounts for financial guarantee contracts (FGCs) in accordance with IFRS 9 Financial Instruments. The Company issues FGCs to assist in securing funding for fellow group companies.

FGCs are contracts which require The Company, as the issuer of the contract, to make specified payments to reimburse the holder for a loss that the holder incurs because the specified debtor fails to make payment when it is due under the original or modified terms of the debt instrument.

The Company measures the FGC:

- initially at fair value; and
- subsequently at the higher of:
  - The amount of expected credit losses determined under IFRS 9 (calculation 1); and
  - The amount initially recognised less, when appropriate, the cumulative amount of income recognised under the principles of IFRS 15 Revenue from Contracts with Customers (calculation 2).

Initial recognition

In instances where the Company issues FGCs for the debt of its parent entity, Discovery Limited, or another related entity within the Discovery Group of Companies where the issuer of the FGC does not have a direct parent or subsidiary relationship, the Company shows this as a capital distribution to its parent company, Discovery Limited.

In some instances, the Group entity can also pay a premium to the issuer of the FGCs. The Company then determines if the price represents the fair value, or whether there is still an additional cost of the FGC that the Company should recognise.

In the instance where the Company does not receive all the premiums upfront, it recognises the FGC using a net approach. The net approach requires that the Company presents the financial guarantee as its fair value less all future premiums.

Subsequent measurement

The Company subsequently recognises financial guarantee fee income as follows:

- Amortises the fair value recognised on initial recognition over the period that the FGC is outstanding, generally the period of the underlying debt;
- Recognises any premiums received for issuing the FGC also as financial guarantee fee income; and
- Where the Company has applied the net approach, the Company adjusts for the premiums subsequently received to ensure it takes into account all premiums in using calculation 2.

The Company calculates the 12-month expected credit losses for purposes of calculation 1. Where the outcome is such that calculation 1 is more than calculation 2, differences are recognised and presented as part of expected credit losses.

Where the outcome is such that calculation 2 is more than calculation 1, no adjustments are required. Any previously recognised expected credit losses can be reversed but limited to the total value previously recognised.

Derecognition

The Company derecognises FGCs when the FGC is extinguished, expires or the underlying debt is extinguished.

At the date of derecognition:

- Where the FGC is extinguished in exchange for a new FGC to the same holder and in respect of the same guaranteed entity, the FGC derecognised is seen as compensation for the new FGC, or
- In all other instances, the FGC is derecognised with an associated gain or loss in profit or loss.

ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

8. DERIVATIVE FINANCIAL INSTRUMENTS

The Company classifies derivative financial instruments as held for trading unless they are designated as effective hedging instruments.

The Company initially recognises derivative financial instruments in the Statement of financial position at fair value on the date on which a derivative contract is entered into (the best evidence of fair value on day one is the transaction price). The Company subsequently remeasures these instruments to fair value. The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. Fair values are obtained from quoted prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. The Company presents all derivatives as assets when the fair value is positive and as liabilities when the fair value is negative.

Under general hedge accounting, the Company has ensured that derivatives that qualify for cash flow hedge accounting are those derivatives designated as hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction. The Company applies hedge accounting when the hedging relationship meets the following requirements:

- There is an economic relationship between the hedged item and the hedging instrument
- The effect of credit risk does not dominate the value changes that result from that economic relationship, and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

The Company documents, at the inception of the transaction, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedging relationships. The Company also documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the derivatives that are used in hedging transactions are expected to be and have been highly effective in offsetting changes in fair values or cash flows of hedged items.

8.1 Cash Flow Hedge

The Company recognises the effective portion of fair value changes of derivatives that are designated as cash flow hedges in the cash flow hedging reserve in the Statement of other comprehensive income. The Company recognises the gain or loss relating to the ineffective portion immediately in profit or loss, within net fair value gains on financial assets at fair value through profit or loss.

Amounts accumulated in the Statement of other comprehensive income are reclassified to profit or loss in the period in which the hedged item will affect profit or loss. Where the forecast transaction or a foreign currency firm commitment results in the recognition of a non-financial asset or liability, the gains and losses previously deferred are transferred from the Statement of other comprehensive income and included in the initial measurement of the cost of the non-financial asset or liability. Where the forecast transaction subsequently results in the recognition of a financial asset or liability, the Company transfers gains or losses deferred in equity from the Statement of other comprehensive income to the income statement when the financial asset or liability is sold or impaired.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

DERIVATIVES THAT DO NOT QUALIFY FOR HEDGE ACCOUNTING

Certain derivative instruments do not qualify for hedge accounting. The Company recognises changes in the fair value of all such derivative instruments immediately in profit or loss, within net fair value gains on financial assets at fair value through profit or loss.

8.2 Hedging Reserve

The hedging reserve includes the cash flow hedge reserve. The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges. Amounts are subsequently reclassified to profit or loss as follows:

- For the effective portion reclassified for hedges relating to share-based payments, as part of marketing and administration expenses (staff costs)
- For the effective portion recycled for hedges relating to interest rate risk, as part of finance costs.

For the purpose of cash flow hedges, in determining whether a forecast transaction is highly probable, an entity will assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of IBOR reforms. The Company anticipates that ZARONIA will impact some of its Jibar risk management and hedge accounting relationships in the longer term.

ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

- Cash in hand
- Balances with banks, including bank overdrafts repayable on demand and that form an integral part of cash management process
- Deposits held at call and short notice, including short-term highly liquid investments that are readily convertible into known amounts of cash and subject to insignificant risk of changes in value, eg certain money market investments.

Cash and cash equivalents only include items held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. Cash and cash equivalents have a maturity of less than three months from the date of acquisition. Cash and cash equivalents are carried at amortised cost (or, in specified instances, at fair value through profit or loss), which, due to their short-term nature, approximates fair value.

10. SHARE CAPITAL

The Company classifies shares as equity when there is no contractual obligation to transfer cash or other financial assets to the holder. Incremental costs directly related to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

11. BORROWINGS

The Company recognises borrowings initially at fair value, net of transaction costs incurred.

Subsequently, the Company measures borrowings at amortised cost. Any difference between the proceeds and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs against the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

12. INCOME TAXES, DIRECT AND INDIRECT TAXES

12.1 Current tax

The Company calculates and measures current tax at the amount expected to be paid to or recovered from the taxation authorities. The Company uses the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

12.2 Deferred tax

The Company calculates deferred tax on all temporary differences using the Statement of financial position approach. The Company calculates deferred tax liabilities or assets by applying corporate tax rates that have been substantively enacted to the temporary differences between the tax values of assets and liabilities and their carrying amount, where such temporary differences are expected to result in taxable or deductible amounts in determining taxable income for future periods when the carrying amount of the assets or liabilities are recovered or settled.

The Company recognises deferred tax assets if its directors consider it probable that future taxable income will be available against which the tax losses can be utilised.

Temporary differences arise primarily from the difference between accounting and tax balances arising from:

- Property and equipment
- The revaluation of financial assets and liabilities at fair value through profit or loss
- Provisions for leave pay
- Liabilities for share-based payments, and.
- Tax losses carried forward.

Deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable income. Deferred tax related to cash flow hedges, which are charged or credited directly to the statement of other comprehensive income, is also credited or charged directly to the statement of other comprehensive income and is subsequently recognised in profit or loss when the gain or loss is realised.

ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

12. INCOME TAXES, DIRECT AND INDIRECT TAXES *continued*

12.2 Deferred tax *continued*

The Company offsets deferred tax assets and liabilities when:

- There is a legally enforceable right to offset current tax assets against current tax liabilities, and
- When the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

If offsetting does not apply, the Company separately discloses the deferred tax asset and deferred tax liability.

The Company reviews the carrying amount of the deferred tax asset at each reporting date and it is 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. The Company reassesses unrecognised deferred tax assets at each reporting date and recognises them to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

12.3 Direct and Indirect taxes

Direct taxes include South African tax payable and are disclosed as taxation in profit or loss.

Indirect taxes include various other taxes paid to central and local governments, including value-added tax and skills development levies. The Company includes those indirect taxes which it cannot reclaim directly as part of marketing and administration expenses in profit or loss. Alternatively, if the indirect taxes qualify to be capitalised, they are included as part of the cost of property, equipment, or intangible assets.

13. EMPLOYEE BENEFITS

13.1 Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

13.2 Post-employment benefits

The Company operates defined contribution schemes, the assets of which are held in separate private trustee-administered funds. The Company pays contributions to these funds on a mandatory basis. These funds are registered in terms of the Pension Funds Act of 1956, and membership is compulsory for all Discovery employees. Qualified actuaries perform annual valuations. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

13.3 Share-based compensation

The Company operates equity-settled and cash-settled share-based compensation plans.

EQUITY-SETTLED SHARE-BASED COMPENSATION PLANS

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

The fair value of the options are determined, excluding non-market vesting conditions. These vesting conditions are included in the assumptions of the number of options expected to vest. At each reporting date, the Company revises its estimate of the number of options expected to vest. Any changes to the estimated number of options are recognised in profit or loss immediately.

CASH-SETTLED SHARE-BASED COMPENSATION PLANS

The Company recognises employee services received in exchange for cash-settled share-based payments at the fair value of the liability incurred and expenses these services over the vesting period of the benefits, as employee costs.

The Company remeasures the liability at each reporting period to its fair value and recognises all changes immediately in profit or loss.

Two of the schemes that the Group operates, namely the BEE staff share trust and Discovery long-term incentive plan (LTIP) (equity-settled), are both equity-settled share-based payment arrangements in accordance with the requirements of IFRS 2 *Share-based Payment*. In these schemes, Discovery Limited grants the awards to the employees within the Discovery Group. The Company classifies the share-based payment transaction according to whether the entity has the obligation to settle. As Discovery Limited's shares are being awarded to employees, the Company classifies the transaction as equity-settled.

Under the IFRS Accounting Standards, the Group does not consider any repayment or recharge arrangements in determining the classification of these group share-based payments. Any recharge payments the Group receives from its subsidiaries are treated as a return on capital from the subsidiary. Any excess of recharges above the carrying amount of investment in subsidiary is recognised immediately as dividend income.

ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

13. EMPLOYEE BENEFITS *continued*

13.3 Share-based compensation *continued*

CASH-SETTLED SHARE-BASED COMPENSATION PLANS *continued*

Discovery Limited manages two share trusts. Discovery Limited treats the share trusts set up to facilitate the share-based payment arrangements as an agent, ie, an extension of Discovery Limited. In other words, shares held by the Trust are treated as treasury shares of Discovery Limited.

- BEE Staff Share Trust: Shares and options to acquire shares have been allocated to senior black employees based on their level of seniority and length of past service. The trust will hold shares until the date of vesting of the shares to the employee or the exercise date of the option.
- Discovery LTIP Trust: Participants will receive Discovery Limited shares subject to performance criteria and if the participant is employed on each vesting date. The trust will hold shares until the date of vesting of the shares to the employee. Per the LTIP Trust deed, the LTIP Trust recharges the costs of the shares acquired for the employees to the relevant subsidiary whose employees are awarded the shares.

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

The fair values of the options are determined excluding non-market vesting conditions. These vesting conditions are included in the assumptions of the number of options expected to vest.

At each reporting date, the Company revises its estimate of the number of options expected to vest. Any changes to the estimated number of options are recognised in profit or loss immediately.

13.4 Profit share and bonus plan

The Company operates several other profit-sharing and bonus compensation arrangements and recognises these when a constructive obligation has been created by past practice. These are calculated with reference to predetermined formulae.

The Company has other deferred compensation schemes in place where employees are incentivised based on a variable other than the share price of Discovery Limited, such as embedded value, value of in-force and earnings multiples. The Company recognises a liability and the related expense is included in employee costs in profit or loss.

14. OTHER PAYABLES AND PROVISIONS

14.1 Other payables

Other payables consist of VAT payables, premiums and fees received in advance. These are not financial liabilities and are, accordingly, not measured at amortised cost.

The Company measures as management's best estimate of the amount required to settle VAT obligations and the present value of the cash consideration received in advance on premiums and fees.

14.2 Provisions

The Company recognises provisions when it has a present legal or constructive obligation of uncertain timing or amount, as a result of past events and it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The Company measures provisions as the present value of management's best estimate of the amount required to settle the obligation at the reporting date. The pre-tax discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as finance costs.

ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

15. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Company does not recognise contingent liabilities, but it discloses a contingent liability when:

- It has a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or
- It has a present obligation that arises from past events but is not recognised because:
  - It is not probable that an outflow of resources will be required to settle an obligation, or
  - The amount of the obligation cannot be measured with sufficient reliability.

16. REVENUE RECOGNITION

A primary source of revenue for the Company arises from Vitality Income which is accounted for in terms of IFRS 15 *Revenue from Contracts with Customers*.

IFRS 15 requires that once the Company identifies contracts, it identifies the performance obligations in the contract. The Company determines this on the basis of whether the customer can benefit from the promised good or service individually or together with other readily available resources and whether the performance obligation is distinct in the context of the contract. For the Company, most contracts contained a single performance obligation.

The timing of revenue recognition is dependent on whether the Company transfers control over the good or service over time or at a point in time. In determining the appropriate timing for revenue recognition, the Company considers whether the customer benefits as the entity performs. For most revenue types, the Company provides stand-ready services to customers, where customers benefit as the entity's services are consumed. In limited instances where revenue is not recognised over time, the Company recognises revenue at a point in time when control transfers. For revenue, the Company recognises over time, the stand-ready service is recognised in a straight line over the term of the contract.

In determining the amount of revenue to recognise, the Company considers any uncertainty created through variable consideration contained in the contract and constrains the recognition of revenue in order to recognise revenue only to the extent that it is highly probably that a significant reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty is resolved. The Company also considers the impact of the timing of receiving payments for revenue transactions and determines whether a significant financing component should be taken into account in the measurement of the transaction price. As the Company's contracts routinely include single performance obligations, there is limited complexity in allocating transaction prices to performance obligations. Payment terms vary across the different revenue types earned by the Company.

Where contracts with customers involve a third party, the Company considers whether it is acting as the principal or the agent in the delivery of the promised goods or services to the customer. This assessment is based on whether the Company controls the goods or services before it is transferred to the customer.

For certain contracts with customers, the Company receives income in advance of discharging the related performance obligation. In these instances, the amount is recognised as a contract liability incurred in the acquisition or fulfilment of a contract. The Company considers whether there are costs incurred for the acquisition or fulfilment of a contract. The Company recognises these costs as an asset and amortises the costs over the expected period over which performance obligations under the contract are satisfied. The Company expenses contract costs it incurs which are considered to be of a general and administrative nature and that are not explicitly recovered from the customer, as it incurs the cost.

Where the transaction price included in a contract is payable less than 12 months from the date of satisfying the related performance obligation, the practical expedient is applied in that a significant financing component is not recognised. Similarly, where the costs of obtaining a contract would be amortised over 1 year or less, the costs are not recognised as a separate asset.

ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

16. REVENUE RECOGNITION *continued*

Vitality Income	
Nature of performance obligations	Vitality income includes the fee income that Vitality members pay to access the Vitality benefit and various activation fees for activating additional benefits. The performance obligation relates to access to the Vitality rewards programme and partner benefits the Company provides to its members.
When does control pass – Point in time (PIT) vs over time	Performance obligations to provide access to benefits are considered stand-ready services as the customers obtain benefits over the duration of the contract and when required by the customers. As a result, the Company recognises revenue over time based on the passage of time.
When are amounts payable?	The Company bills the amounts either monthly, payable within 30 days, or billed on activation of the benefit, payable immediately.
Variable consideration and estimates	There are no adjustments to the transaction price as a result of any variable consideration. There is no significant financing component.
Costs to capitalise	In respect of the Apple Watch benefit, the Company incurs costs upfront to purchase the device and provide it to the customer. These costs are deferred and recognised over the two-year term of the benefit.

The Company presents any unconditional rights to consideration separately as a receivable. The Company assesses a contract asset for impairment in accordance with IFRS 9. An impairment of a contract asset is measured, presented and disclosed on the same basis as a financial asset that is within the scope of IFRS 9. Any impairment losses the Company recognises on any receivables or contract assets arising from its contracts with customers are disclosed separately from impairment losses from other contracts.

Costs of obtaining contracts

The Company defers and recognises the incremental costs of acquiring new contracts, which are expected to be recovered out of future revenue margins, as an expense over the period in which the related performance obligations are satisfied and recognised as an asset arising from its contracts with customers in the Statement of financial position.

17. OTHER NON-REVENUE INCOME

17.1 Investment income

Investment income comprises dividends as well as the interest the Company receives from assets held at amortised cost and cash and cash equivalents.

The Company recognises dividends when its right-to-receive payment is established. This is on the "last day to trade" for listed shares and on the "date of declaration" for unlisted shares. Dividend income includes scrip dividends, irrespective of whether there is an option to receive cash instead of shares.

Interest is accounted for on an accrual basis using the effective interest method.

17.2 Net fair value gains/(losses) on financial assets at fair value through profit or loss

Net fair value gains/(losses) on financial assets at fair value through profit or loss include gains and losses arising from interest, dividends and net realised and unrealised gains or losses on financial assets held at fair value through profit or loss.

18. MARKETING AND ADMINISTRATION EXPENSES

Marketing and administration expenses include marketing and development expenditures, all other non-acquisition-related expenditures, and benefits paid under the Vitality programme. These costs are expensed in profit or loss as incurred.

19. INTEREST EXPENSE ON BORROWINGS AND LEASE LIABILITIES

Interest expenses (net of investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets) directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The Company recognises all other interest as an expense in profit or loss on an accrual basis using the effective interest method.

In addition, interest expense includes any reclassified gains or losses from other comprehensive income arising from cash flow hedges of interest rates, amortisation of financing-related fees such as loan commitment fees and letter of credit fees, and modification gains and losses on borrowings.

Discovery Limited | +27 11 529 2888 | askthecfo@discovery.co.za | www.discovery.co.za