Discovery Health Proprietary Limited

(Registration Number: 1997/013480/07)

Annual Financial Statements

for the year ended 30 June 2020

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These financial statements cover the financial results of Discovery Health Proprietary Limited and were audited in terms of the Companies Act, 71 of 2008.

Auditors:	PricewaterhouseCoopers Inc.
Prepared by:	T Tumiso CA(SA)
Supervised by:	R Naidoo CA(SA)

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Discovery Health Proprietary Limited
Directors' responsibility statement
for the year ended 30 June 2020

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

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

The directors have reviewed Discovery Health's budget and flow of funds forecast for the year up to 30 June 2021. 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 Discovery Health 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 Discovery Health's systems of internal control, which include internal financial controls that are designed to provide reasonable, but not absolute, assurance against material misstatement and loss. Discovery Health maintains internal financial controls to provide reasonable assurance regarding:

- safeguarding of assets against unauthorised use or disposition
- 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 they are 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.

Discovery Health's external auditors, PricewaterhouseCoopers Inc., have audited the annual financial statements and their unqualified report appears on pages 3 to 4.

The annual financial statements of Discovery Health for the year ended 30 June 2020, which appear on pages 5 to 50, have been approved by the Board of Directors on 14 September 2020 and are signed on its behalf by:

A. Gore
Director

D. Viljoen
Director

Independent auditor's report

To the Shareholder of Discovery Health Proprietary Limited

Our opinion

In our opinion, Discovery Health Proprietary Limited's financial statements present fairly, in all material respects the financial position of Discovery Health Proprietary Limited standing alone as at 30 June 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Discovery Health Proprietary Limited's *financial statements of the company standing alone* set out on pages

7 to 50 comprise:

- the accounting policies for the year ended 30 June 2020;
- the statement of financial position as at 30 June 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the annual financial statements.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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' *International Code of Ethics for Professional Accountants (including International Independence Standards).*

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Discovery Health Proprietary Limited (Registration Number: 1997/013480/07), Annual Financial Statements for the year ended 30 June 2020", which includes the Directors' Report as required by the Companies Act of South Africa. The other information 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 any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the Company or to cease operations, or has 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 judgment 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.
- 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 the 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.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: Andrew Graham Taylor

Registered Auditor

Johannesburg

15 September 2020

Discovery Health Proprietary Limited
Directors' report
for the year ended 30 June 2020

The directors present their report, which forms part of the annual financial statements of the Company for the year ended 30 June 2020.

Nature of business

Discovery Health provides administration and managed care services to the Discovery Health Medical Scheme and 18 closed schemes, as well as administration services to other business segments within the Discovery Limited Group.

COVID-19 Global pandemic

On 11 March 2020, the World Health Organisation declared COVID-19 a global pandemic. The global response to COVID-19 continues to evolve rapidly and has included mandates from various levels of governments across the world to mitigate the spread of the virus. The adverse impact on global commercial activity from the COVID-19 pandemic has contributed to significant volatility in financial markets.

The directors have obtained and will continue to monitor reports from across multiple functions within the Company on the implementation of the business continuity plans as well as the financial position of the Company.

While the directors continue to monitor developments closely, their current assessment is that there may be adverse impact on the business in the future. This is primarily as a result of the following factors:

- the business model of the Company is to provide administration services to medical aid schemes, for which a fee is earned based on membership. COVID-19 may have an impact on membership in the future which may in turn impact the Company's revenue;
- the business' operating model and technology stack lends itself to remote working, allowing our staff to remain fully operational and to work at full capacity; and
- the directors have considered the budgets and latest forecasts for the foreseeable future, including stress testing for various economic downturn scenarios, and believe that the impact on its business is limited.

There are no significant factors arising from COVID-19 which would cause the directors to reconsider the application of the going concern principle or the value of financial statement line items as at 30 June 2020.

Review of Results

Profit attributable to ordinary shareholders is R 1 883 million, a decrease from profits of R2 073 million reported in the prior financial year. The decrease in profits is mainly attributable to a decrease in other fee income from the administration services provided to other business segments within the Discovery Group.

Share Capital

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

Dividends

The directors declared the following dividends for the 30 June 2019 financial year:

- An interim ordinary dividend of R526 million to shareholders recorded at the close of business on 13 March 2019, paid on 15 March 2019.
- A final ordinary dividend of R574 million to shareholders recorded at the close of business on 2 October 2019, payable on 4 October 2019.

The directors declared the following dividends for the 30 June 2020 financial year:

- An interim ordinary dividend of R574 million to shareholders recorded at the close of business on 11 March 2020, payable on 13 March 2020.

Holding company

The Company is a wholly owned subsidiary of Discovery Limited which is listed in the insurance sector of the Johannesburg Stock Exchange (JSE) Limited.

Consolidated financial statements

The Company applied the exemption from presenting the consolidated financial statements due to the Company being a wholly owned subsidiary of Discovery Limited. Discovery Limited, incorporated in the Republic of South Africa, produces the group consolidated financial statements which are available for public use. The group consolidated financial statements can be accessed on the Discovery website or at the head office, 1 Discovery Place, Sandhurst, Gauteng. Refer to note 5.6 for detail on investments held in subsidiaries.

Directorate and secretary

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

Non-Executive directors
HL Bosman
Dr BA Brink
SEN de Bruyn
FN Khanyile
Dr TV Maphai
AL Owen (resigned 14 February 2020)
SV Zilwa
R Farber

Executive directors
A Gore
Dr J Broomberg
HD Kallner
NS Koopowitz
HP Mayers
Dr A Ntsaluba
A Pollard
B Swartzberg
DM Viljoen

Mr MJ Botha continues in office as Company Secretary.

Registered office
1 Discovery Place
Sandton
2196
Gauteng

Postal address
PO Box 786722
Sandton
2146
Gauteng

Directors' service contracts

All executive directors are employed on employment contracts that can be cancelled with one month's notice by either the executive or the Company.

Directors' interests in contracts

No material contracts involving director's interests were entered into in the current financial year. The directors had no interest in any third party or company responsible for managing any of the business activities of Discovery Health.

Directors' remuneration

A detailed analysis of remuneration paid to directors and prescribed officers is set out in note 21 to the financial statements. Remuneration packages for executive directors consist of the following components:

- *Guaranteed component*: cost to company element which comprises a fixed cash portion and compulsory benefits.
- *Short-term incentives:* consists of an annual personal incentive linked to individual goals for each director and a "profit pool" element, which allows senior management to share in the profit of the Discovery Limited Group's performance if above certain profit hurdles.
- *Long-term incentives:* Executive directors take part in the Discovery Limited share-based incentive scheme. This scheme is described in detail in note 19 to the financial statements.

Non-executive directors receive a combination of fixed and meeting attendance fees for their participation on the Board and board committees. Black non-executive directors also participate in the Discovery Limited BEE transaction described in note 19 to the financial statements. Non-executive directors' fees are reviewed annually and benchmarked against industry standards to ensure the fees remain competitive.

The Remuneration Committee, which is a sub-committee of the Board, is responsible for approving the remuneration packages for executive directors and recommending the non-executive directors' fees to the Board for approval.

Auditors

PricewaterhouseCoopers Inc. will continue in office in accordance with section 90(1) of the Companies Act.

Discovery Health provides administration and managed care services to the Discovery Health Medical Scheme and 18 closed schemes, as well as administration services to other business segments within the Discovery Limited Group.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of the annual financial statements are set out below. These policies have been consistently applied to all the years presented, except for those accounting policies resulting from the initial application of IFRS 16 Leases. Other interpretations, amendments and annual improvements effective for the first time in the current year have been considered and have no impact on the current reporting period.

1. Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), its interpretations adopted by the IASB, 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. They 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 financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Discovery Health's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are outlined in note 1 to the Annual Financial Statements.

All monetary information and figures presented in these financial statements are stated in millions of Rand (R million), unless otherwise indicated.

New standards and amendments to published standards not yet effective

- Discovery Health has not early adopted any accounting standards, amendments or annual improvements issued but not yet effective.
- The accounting standards, amendments and annual improvements described in the next page are those that are expected to have an impact on Discovery Health's results and/or disclosures. Accounting standards, amendments and annual improvements not mentioned below are not expected to have a significant impact on recognised amounts.

Standards effective for the first time in the current year:

Title and Effective date	Scope	Potential impact
Standard		
IFRS 16: Leases Effective date 1 July 2019	The new standard requires lessees to recognise a lease liability and a 'right-of use asset for nearly all lease contracts. Lessor accounting has not substantially changed in the new standard. A lessee will measure the lease liabilities at the present value of future lease payments. The 'right-of-use' asset will initially be the same amount as lease liabilities, including costs directly related to entering into the lease. 'Right-of-use' assets will be amortised over the shorter period of the useful life or the end of the lease term.	In terms of the new standard, Discovery Health will be required to raise an asset and liability in respect of these leases in its Statement of Financial Position. In addition, there will be a change in the timing of expense recognition in profit or loss, however there will be no overall impact over the lease term. The operating lease asset was transferred to Discovery Central Services at the beginning of the 2020 financial year.

Basis of presentation *continued*

New standards not yet effective:

Title and Effective date	Scope	Potential impact
Standards		
Amendment to the definition of material - amendments to IAS 1 and IAS8 Effective date 1 July 2020	The definition of material has been amended in both IAS 1 and IAS 8. This new definition states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements". The new elements incorporated in the definition are: obscuring information; expected to influence decisions and that the users are the primary users of general purpose financial statements. These amendments are not expected to have a significant impact on the financial statements but could change the way information in the financials is presented. This is particularly relevant in the clarity of disclosures to not obscure information. In addition, the clarification of the users to determine what is material, could result in a more focused group being considered in making materiality judgements.	This amendment is not expected to have a significant impact on Discovery Health's results, but would be considered prospectively in making materiality judgements as part of the preparation of the Financial Statements.

2. Foreign currency translation presentation

Functional and presentation currency

Items included in the financial statements of each of Discovery Health are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Rand, which is the functional and presentation currency of Discovery Health.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from:

- The settlement of trading transactions is included in the results of operating activities in profit or loss from operations.
- The settlement of financing transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised as foreign exchange gains and losses in the Statement of comprehensive income in the line item foreign exchange gains and losses and
- Qualifying cash flow hedges are deferred in the statement of other comprehensive income and are recycled to profit or loss in the periods in which the hedged item affects profit or loss.

3. Property and equipment

Property and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Discovery Health and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Property and equipment are depreciated to their residual values over their useful lives using the straight-line method to allocate their cost. Estimated useful lives are as follows:

• Computer equipment and operating systems	3 – 7 years
• Computer software packages	3 – 7 years
• Furniture, fittings and equipment	5 – 15 years
• Motor vehicles	4 years
• Leasehold improvements	Shorter of estimated life or lease period

Property and equipment *continued*

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to dispose and value-in-use.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount. These are recorded in profit or loss.

4. Intangible assets

Computer software development costs

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable software products controlled by Discovery Health are recognised 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;
- It can be demonstrated how 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 expenditure attributable to the software product during its development can be reliably measured.

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.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs are recognised as assets from the point where the recognition criteria above are satisfied, and are amortised once the asset is ready for use, over their useful lives (between three and ten years). The amortisation is reflected under marketing and administration expenses in profit or loss.

Computer software development costs recognised as assets are amortised over their useful lives. Estimated useful lives are as follows:

- Software 3 – 7 years
- Core Systems 10 years

Other intangible assets

Discovery Health does not recognise costs incurred to internally developed trademarks, patents and similar rights and assets, including franchises and management contracts. These costs are recognised in profit or loss in the period in which they are incurred.

Purchased intangible assets which represent rights to receive future profits are capitalised at their fair values, represented by the estimated net present value of future cash flows relating to existing business, or at a value as determined by an independent valuer. These intangible assets are amortised into profit or loss as profits are expected to emerge and only tested for impairment if an indication of impairment arises.

5. Financial Instruments

5.1 Financial assets

Recognition, classification, measurement and derecognition

Discovery Health initially recognises financial instruments when it becomes party to the contract.

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

At initial recognition, Discovery Health considers the appropriate classification as at Amortised Cost (AC); Fair value through profit or loss (FVTPL) or Fair value through other comprehensive income (FVOCI) for debt instruments. Discovery Health 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 compensates Discovery Health for the elements of 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;
- The business model for holding the financial assets.

Based on the criteria above, Discovery Health will classify a debt instrument as at:

- 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 (e.g. credit card advances) 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 both to collect contractual cash flows and by selling the financial assets.
- Fair value through profit or loss, for all other financial assets that do not meet the criteria above (mandatorily). In addition, Discovery Health can designate financial assets into this category if this will reduce measurement inconsistencies (i.e. 'accounting mismatch'). In considering whether the objective of a portfolio is to collect contractual cash flows or to trade in financial instruments, Discovery Health considers the purpose for which instruments are held, the methods of risk management in a portfolio, the manner of performance reporting on a portfolio and the basis for determining compensation to managers for asset performance.

For equity instruments Discovery Health 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 and has been elected for the investment in the shares of the holding company.

Subsequent measurement	
Amortised cost(AC)	These instruments are measured at amortised cost using the effective interest rate method. Movements in the balance of the instrument relate to expected credit losses, interest income and foreign exchange gains and losses which are recognised on profit or loss.
Fair value through profit and loss (FVTPL)	These instruments are measured at fair value with gains and losses, interest and dividends recognised in profit or loss.
Fair value through other comprehensive income (FVOCI) – equity	These instruments are measured at fair value with gains and losses recognised in other comprehensive income. Dividends are recognised in profit or loss.
Fair value through other comprehensive income (FVOCI) – debt	These instruments are measured at fair value with changes in fair value recognised in other comprehensive income. Discovery Health recognises interest using effective interest rate method, movements in the balance related to expected credit losses, interest income and foreign exchange gains and losses in profit or loss.

Financial assets *continued*

There are no financial assets that have been designated at fair value through profit or loss.

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and Discovery Health has also transferred substantially all risks and rewards of ownership

Expected credit losses

Expected credit losses are recognised on the following items:

- Debt instrument at amortised cost, which includes treasury bills, banking loans and advances and fixed deposits. This also includes loan commitment 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.

Discovery Health 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 credit losses varies according to the asset type, past bad debt experience and the potential to incorporate forward looking information. In certain instances, financial assets have been grouped based on shared characteristics (i.e. debt payment pattern similarities, financial instruments with collateral, debtor type), and expected credit losses determined on a collective basis.

The general expected credit loss approach requires that Discovery Health assess the credit risk of the instrument and determine whether there has been a significant increase in credit risk since initial 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.

Discovery Health measures expected credit losses on:

- financial assets that are not credit-impaired at the reporting date as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that Discovery Health 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 Discovery Health if the commitment is drawn down and the cash flows that Discovery Health expects to receive (adjusted using a credit conversion factor).

Discovery Health does not recognise expected credit losses on cash and cash equivalents receivable on demand due to the assessment that it is immaterial.

Credit Impaired and Default

Discovery Health considers a financial instrument to be credit-impaired where 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.

An event of default is defined as 90 days past due.

Write off

Where Discovery Health has no reasonable expectation of recovery of a debt, the amount is written off. This is considered to occur when all avenues of legal recourse to recover the debt have been unsuccessful.

5.2 Financial liabilities

No changes were introduced for the classification and measurement of financial liabilities, except for the recognition of changes in own credit risk, which is required to be recognised in other comprehensive income for liabilities designated at fair value through profit or loss with limited exceptions. Discovery Health has not reclassified any financial liabilities. The business model for managing a group of financial instruments is expected to remain stable, in rare instances where the business model changes there can be a reclassification of the business model. Financial liabilities are derecognised when the obligation has been extinguished.

5.3 Offset

Financial assets and liabilities are offset and the net amount reported 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 Discovery Health or the counterparty.

5.4 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, such an exchange or modification is treated 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 date of recognition of a new asset is consequently considered to be the date of initial recognition for impairment calculation purposes.

If the terms are not substantially different for financial assets or financial liabilities, Discovery Health 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 within non-interest revenue (for all other modifications). In assessing whether a financial asset was substantially modified, Discovery Health performs a qualitative assessment to determine if the terms were substantially modified. In assessing whether a financial liability has been substantially modified Discovery Health performs both a qualitative and quantitative (10% threshold) assessment to determine if the terms were substantially modified.

6. Financial Guarantee Policy

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 to 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).

Financial Guarantee Policy *continued*

Initial recognition
In the instances where the Company issues FGCs for the debt of the related fellow group companies, the Company determines the fair value. These FGCs are seen as transactions in a capacity as shareholder and are treated as capital contributions.

In some instances, the fellow group company 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 benefit of the FGC that the Company should recognise.

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

Subsequent measurement
The Company recognises financial guarantee fee income as follows:
- Amortises the fair value recognised on initial recognition over the period that the FGC is outstanding, generally being the period of the underlying debt.
- Recognises any premiums received for issuing the FGC also as financial guarantee fee income.
- 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 lifetime 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.
- In all other instances, the FGC is derecognised with an associated gain or loss in profit or loss.

7. Derivative financial instruments
Derivative financial instruments are classified as held for trading unless they are designated as effective hedging instruments.

Discovery Health initially recognises derivative financial instruments in the Statement of financial position at fair value on the date which a derivative contract is entered into (the best evidence of fair value on day one is the transaction price) and subsequently re-measures 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. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivative financial instruments *continued*

Discovery Health is permitted to designate certain derivatives as either:

- Hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges); or
- Hedges of highly probable forecast transactions (cash flow hedges).

Discovery Health documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. Discovery Health also documents its assessment, both at hedge inception 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. Discovery Health continues to apply hedge accounting, as permitted in IFRS, consistent with IAS 39 *Financial Instruments: Recognition and Measurements*.

Cash flow hedge

Discovery Health 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 gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within net fair value gains on financial assets at fair value through profit or loss in the income statement.

Amounts accumulated in the Statement of other comprehensive income are recycled 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, gains or losses deferred in equity are transferred from the Statement of other comprehensive income when the financial asset or liability is sold or impaired.

Cash flow hedge

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. Changes in the fair value of all such derivative instruments are recognised immediately in profit or loss, within net fair value gains on financial assets at fair value through profit or loss in the income statement.

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 recycled to profit or loss as follows:

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

8. Cash and cash equivalents

Cash and cash equivalents comprise:

- Cash in hand.
- Deposits held at call and short notice.
- Balances with banks.

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. Due to Discovery Health's sweeping arrangements in-force with various financial institutions, positive and negative cash balances are presented on a net basis for the purpose of presenting cash and cash equivalents in the statement of cash flows.

9. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured 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 rate 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.

10. Share capital

Shares are classified 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. Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

12. Deferred income tax

Discovery Health calculates deferred income tax on all temporary differences using the statement of financial position approach. Deferred tax liabilities or assets are calculated 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.

Discovery Health recognises deferred tax assets if the directors of Discovery Health consider it probable that future taxable income will be available against which the tax losses can be utilised.

Deferred income tax *continued*

Temporary differences arise primarily from the difference between accounting and tax balances arising from depreciation of property and equipment, effect of accounting for leases, revaluation of certain financial assets and liabilities, provisions for leave pay, provisions for share-based payments and tax losses carried forward. For leases, Discovery Health assesses the lease asset and lease liability together as a single transaction and asses the temporary difference on a net basis. However, the deferred income tax is not accounted for if it arises from 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.

Deferred income tax assets and liabilities are offset when:

- There is a legally enforceable right to offset current tax assets against current tax liabilities, and
- When the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority 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, Discovery Health separately discloses the deferred tax asset and deferred tax liability.

13. Leases

Leases prior to 1 July 2019

Finance leases

Discovery Health classifies leases as finance leases where it assumes substantially all the benefits and risks of ownership, based on the substance of the arrangement at inception of the lease. Finance leases are capitalised at the fair value of the leased asset at the inception of the lease, or, if lower, at the estimated present value of the minimum lease payments. Discovery Health allocates each lease payment between the liability and finance costs to achieve a constant rate of interest on the finance balance outstanding. The finance cost is recognised in profit or loss.

The assets acquired are depreciated over the useful life of the assets, unless it is not probable that Discovery Health will take ownership of the assets, in which case the assets are depreciated over the shorter of the useful life of the asset or the lease period, on a basis consistent with similar owned property and equipment.

Operating leases

Discovery Health classifies leases as operating leases where the lessor effectively retains the risks and benefits of ownership. Operating lease payments are recognised in profit or loss on a straight-line basis over the period of the lease. Minimum rentals due after year-end are reflected under commitments.

Discovery Health recognises as an expense any penalty payment to the lessor for early termination of an operating lease, in the period in which termination takes place.

The company has not entered into any new lease agreements since 1 July 2019.

14. Employee benefits

Post-employment benefits

Discovery Health makes contributions on behalf of its employees to defined contribution schemes, the assets of which are held in separate trustee-administered funds. These funds are registered in terms of the Pension Funds Act, 1956, and membership is compulsory for all Discovery Health employees.

Qualified actuaries perform annual valuations. Discovery Health has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

Share-based compensation

Discovery Health operates equity-settled and cash-settled share based compensation plans.

Equity-settled share-based compensation plans

Discovery Health expenses the fair value of the employee services received in exchange for the grant of the options, over the vesting period of the options, 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, Discovery Health 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

Discovery Health 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 liability is re-measured at each reporting date to its fair value, with all changes recognised immediately in profit or loss.

Leave pay

Discovery Health accrues in full employees' rights to annual leave entitlement in respect of past service. This is expensed over the period the services are rendered.

Profit share and bonus plan

Discovery Health 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. Discovery Health 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. Discovery Health recognises a liability and the related expense is included in staff costs in profit or loss.

15. Direct and indirect taxes

Direct taxes include South African and foreign jurisdiction corporate 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. Indirect taxes are included as part of marketing and administration expenses in profit or loss.

The charge for current tax is based on the results for the year as adjusted for items which are non-taxable or disallowed. It is calculated using taxation rates that have been enacted or substantively enacted by the reporting date, in each particular jurisdiction within which Discovery Health operates.

Taxation in respect of the South African life insurance operations is determined in accordance with the rates and basis applicable to section 29A of the Income Tax Act at the reporting date.

16. Revenue recognition

IFRS 15 requires that once contracts have been identified, the entity identifies the performance obligations in the contract. This is determined 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 Discovery Health, most contracts contained a single performance obligation.

The timing of revenue recognition is dependent on whether the entity transfers control over the good or service over time or at a point in time. In determining the appropriate timing for revenue recognition, Discovery Health considers whether the customer benefits from the entity performs.

For most revenue types, Discovery Health provides stand ready services to customers, where customers benefit as the entities services are consumed. In limited instances where revenue is not recognised over time it is recognised at a point in time when control transfers. For revenue recognised over time the stand ready service is recognised straight line over the term of the contract.

In determining the amount of revenue to recognise, Discovery Health 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 is highly probably that a significant reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty is resolved. Discovery Health 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 Discovery Health'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 Discovery Health.

Where contracts with customers involve a third party, Discovery Health considers whether it is acting as the principle or the agent in the delivery of the promised goods or services to the customer. This assessment is based on whether Discovery Health controls the good or service before it is transferred to the customer. For certain contracts with customers, Discovery Health 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.

Discovery Health considers whether there are costs incurred in the acquisition of fulfilment of a contract. These costs are recognised as an asset and amortised over the expected period over which performance obligations under the contract are satisfied. Contract costs incurred that are considered to be of a general and administrative nature, (that are not explicitly recovered from the customer), are expensed as incurred.

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 costs of obtaining cost would be amortised over 1 year or less the costs are not recognised as a separate asset.

Fee income from administration business	
Nature of performance obligations	Fee income is recognised on health administration and managed care services rendered. These are considered revenue and are seen as single performance obligations.
When does control pass PIT vs over time	Performance obligations to provide administration services are considered stand ready services, the customer obtains control over the service as the entity makes its services available on an "as and when" basis. As a result revenue is recognised over time, as the respective entity makes the services available, based on the passage of time.
When are amounts payable	Amounts are billed on health administration and managed care business at the end of the respective month with amounts paid within 30 days.
Variable consideration and estimates	There is no potential for amounts of revenue to vary relating to discounts or rebates on health administration business.
Costs to capitalise	Where costs are incurred directly to secure a new health administration customer, and the contract is expected to exceed 12 months, the costs are capitalised and amortised over the expected term of the contract.

17. Other non-revenue income

Investment income

Investment income comprises interest and dividends received on financial assets, interest received from assets held at amortised cost and cash and cash equivalents. Discovery Health recognises dividends when Discovery Health's 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 rate method.

Net fair value gains on financial assets at fair value through profit or loss

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

18. Marketing and administration expenses

Marketing and administration expenses include marketing and development expenditure and all other non-acquisition related expenditure. These costs are expensed in profit or loss as incurred.

19. Finance costs

Finance costs 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.

All other finance costs are recognised as an expense in profit or loss on an accrual basis using the effective interest rate method.

20. Contingent liabilities

Discovery Health 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 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.

21. Dividend distribution

Dividend distribution to Discovery Health's shareholders is recognised as a liability in Discovery Health's financial statements in the period in which the dividends are approved.

Discovery Health Proprietary Limited
Statement of financial position
for the year ended 30 June 2020

R million	Notes	2020	2019
Assets			
Property and equipment	3	36	105
Intangible assets	4	542	484
Financial assets			
- Derivative financial assets	5.1	17	86
- Investment at fair value through OCI	5.2	71	101
- Loans and receivables	5.3	5 209	4 956
- Contract receivables	5.4	866	883
- Investment in subsidiaries	5.5	21	*
- Investment in group companies	5.6	174	133
Deferred income tax asset	6	112	34
Current income tax asset	18.2	-	12
Cash and cash equivalents	18.3	119	291
Total assets		7 167	7 085
Equity Capital and reserves			
Share capital and share premium	7	271	271
Other reserves		58	81
Retained earnings		2 241	1 500
Total equity		2 570	1 852
Liabilities			
Financial liabilities			
- Borrowings at amortised cost	8	3 017	2 798
- Derivative financial liabilities	9	153	35
- Trade and other payables	10	1 058	2 157
- Financial guarantee contracts	5.6	230	133
Current income tax liability	18.2	25	-
Employee benefits	12	114	110
Total liabilities		4 597	5 233
Total equity and liabilities		7 167	7 085

**Amount is less than R500 000*

Discovery Health Proprietary Limited
Statement of comprehensive income
for the year ended 30 June 2020

R million	Notes	2020	2019
Fee income		7 207	6 800
Other income		240	523
Investment income	13	93	137
Net income		7 540	7 460
Movement in allowance for expected credit losses		(92)	(12)
Marketing and administration expenses	14	(4 559)	(4 378)
Profit from operations		2 889	3 070
Finance costs	15	(286)	(269)
Fair value adjustment on Derivatives		(12)	8
Foreign exchange gain		21	2
Profit before tax		2 612	2 811
Income tax expense	16	(729)	(738)
Profit for the year		1 883	2 073
Other comprehensive income:			
Items that may not be reclassified subsequently to profit or loss:			
Change in equity investments		(23)	1
- unrealised gains		(30)	1
- capital gains tax on unrealised (gains)		7	(*)
Items that are or may be reclassified subsequently to profit or loss:			
Cash flow hedges		(27)	(23)
- realised (gains) recycled to profit and loss		125	(48)
- tax on realised gains		(34)	14
- unrealised gains		(162)	15
- tax on unrealised (gains)		44	(4)
Other comprehensive income for the year, net of tax		(50)	(22)
Total comprehensive income for the year		1 833	2 051

** Amount is less than R500 000*

Discovery Health Proprietary Limited
Statement of changes in equity
for the year ended 30 June 2020

R million	Share capital and share premium	Hedging reserve	Share based payment reserve	Investment reserve[1]	Retained earnings	Total
Year ended 30 June 2019						
Opening balance	271	22	23	67	511	894
Total comprehensive income	-	(23)	-	1	2 073	2 051
Profit for the year	-	-	-	-	2 073	2 073
Other comprehensive income	-	(23)	-	1	-	(22)
Transactions with owners:	-	-	(9)	-	(1 084)	(1 093)
Value of employee services	-	-	7	-	-	7
Transfer of BEE share options	-	-	(16)	-	16	-
Dividends paid to equity holders	-	-	-	-	(1 100)	(1 100)
Closing balance	271	(1)	14	68	1 500	1 852
Year ended 30 June 2020						
Opening balance	271	(1)	14	68	1 500	1 852
Total comprehensive income	-	(27)	-	(23)	1 883	1833
Profit for the year	-	-	-	-	1 883	1883
Other comprehensive income	-	(27)	-	(23)	-	(50)
Transactions with owners:	-	-	27	-	(1 142)	(1 115)
Value of employee services	-	-	33	-	-	33
Transfer of BEE share options	-	-	(6)	-	6	-
Dividends paid to equity holders	-	-	-	-	(1 148)	(1 148)
Closing balance	271	(28)	41	45	2 241	2 570

Discovery Health Proprietary Limited
Statement of cash flows
for the year ended 30 June 2020

R million	Notes	2020	2019
Cash flow from operating activities		(52)	484
Cash generated by operations	18.1	642	1 213
Taxation paid	18.2	(753)	(841)
Dividends received	13	29	51
Interest received	13	50	86
Interest paid		(20)	(25)
Cash flow from investing activities		(73)	602
Proceeds from sale of equipment		-	97
Purchase of property and equipment	3	(6)	(52)
Purchase of intangible assets	4	(46)	(164)
Proceeds from sale of intangible assets	4	-	588
Purchase of investment in subsidiaries	5.5	(21)	-
Purchase of investment at FVTPL	5.7	-	(112)
Proceeds from sale of financial assets at FVTPL	5.7	-	245
Cash flow from financing activities		(47)	(1 133)
Dividends paid to equity holders		-	(1 100)
Repayment of borrowings		(47)	(33)
Net (decrease)/increase in cash and cash equivalents		(172)	(47)
Cash and cash equivalents at beginning of year		291	338
Cash and cash equivalents at end of year	18.3	119	291

1. Critical estimates

1.1 Employee benefits

Management makes estimates and assumptions when calculating the provision for leave pay. Assumptions are based on past experience and expectations of future outcomes. The provision for leave pay is based on expected future salary increases of 5% (2019: 5.5%) and is discounted at a rate of 3.91% (2019: 7.02%). Refer to note 12.

1.2 Software

Internally generated software assets are subject to an assessment that the costs incurred are in relation to a technically feasible project for which Discovery Health has the intention and ability to complete. Once complete, the intangible asset is amortised over the estimated useful life, taking into account any expected residual values. The amortisation methodology is included in accounting policy 4. Refer to note 4.

1.3 Expected Credit Losses

Financial Guarantee Contracts and long-term loans and receivables

An approved methodology was used by management in assessing the expected credit losses that needed to be provided with respect to the IFRS 9. The methodology used is consistent with the market practices, and considered the probability of default (PD), loss given default for corporates (LGD) and the exposure of default (ED).

Loans and advances

There was no historical observed information over which management could assess to provide for expected credit losses and to determine adjustments for forward looking estimates. Management considered it appropriate to provide allowance for expected credit losses of 5% on loans and receivables during the period ended 30 June 2020.

2. Management of financial risk

Discovery Health is exposed to a range of financial risks through its financial assets and financial liabilities. Financial risks include market risk, credit risk and liquidity risk.

Financial risks are managed by Discovery Health as follows:

- The Capital, Currency, Investment Committee (CCIC) is a sub-committee of the 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 to individual counterparties.
- The Investment Committee is a sub-committee of the CCIC and meets monthly to make practical decisions regarding Discovery Health's liquidity and foreign currency exposure.

Discovery Health has not significantly changed the processes used to manage its risks from previous periods.

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.
- Equity risk: The impact of changes in equity prices and dividend income.
- Currency risk: The impact of changes in foreign exchange rates.

Discovery Health's exposure is discussed in more detail in the following pages.

Interest rate risk

Interest rate risk is the impact of changes in market interest rates on future cash flows and hence the value of a financial instrument. Interest rate risk is managed by the Investment Committee.

The table below details specific interest rate risk that Discovery Health is exposed to:

R million	Carrying value	Floating	Fixed	Non-interest bearing
At 30 June 2019				
Derivatives - hedges	86	-	-	86
Investment at fair value through OCI	101	-	-	101
Investment in subsidiaries	*	-	-	*
Investment in group companies	133	133	-	-
Loans and receivables[1]	4 886	109	2	4 775
Contract receivables	883	-	127	756
Cash and cash equivalents	291	291	-	-
Total financial assets	6 380	533	129	5 718
Borrowings at amortised cost	2 798	2 798	-	-
Derivatives - hedges	35	-	-	35
Financial guarantee contracts	133	-	-	133
Trade and other payables[1]	2 081	-	3	2 078
Total financial liabilities	5 047	2 798	3	2 246
At 30 June 2020				
Derivatives - hedges	17	-	-	17
Investment at fair value through OCI	71	-	-	71
Investment in subsidiaries	21	-	-	21
Investment in group companies	174	-	-	174
Loans and receivables[1]	5 172	804	-	4 368
Contract receivables	866	-	-	866
Cash and cash equivalents	119	119	-	-
Total financial assets	6 440	923	-	5 517
Borrowings at amortised cost	3 017	1 210	1 807	-
Derivatives - hedges	153	-	-	153
Financial guarantee contracts	230	-	-	230
Trade and other payables[1]	1 003	-	-	1 003
Total financial liabilities	4 403	1 210	1 807	1 386

[1] Loans and receivables & Trade and other payables exclude prepayments, stock and Vat as these balances are not financial instruments.

For loans and receivables with a floating interest rate, a 1% change in the interest rate would result in an increase or decrease of R8 million. While borrowings with floating interest rate, a 1% change in the interest rate would result in an increase or decrease of R12 million. This impact would be recognised in profit or loss. The sensitivity is based on the assumption that the interest rate has increased or decreased by 1% with all other variables held constant.

Equity price risk

Investments

Discovery Health holds shares in Discovery Limited which is listed on the JSE Limited. For this investment a 10% decrease in the equity markets would result in a loss of R7.1 million (2019: R10 million). This loss would be recognised directly in equity. A 10% increase in the equity markets would result in a similar equal but opposite amount to the above.

Equity price risk *continued*

Hedge derivative financial instruments

Discovery Health is exposed to equity price risk through its cash-settled incentive schemes namely, the Phantom share scheme and the Acquisition share scheme, the details of which is described in note 19. To manage this risk, Discovery Health has purchased various instruments from Baa1 to Baa3 South African banks to hedge a portion of its exposure to changes in the Discovery Limited share price.

Phantom share scheme

As at 30 June 2020, approximately 105% (2019: 94%) of this exposure is hedged. The hedges were designed to be highly effective, where the terms of the hedge or return swaps substantially match that of the Phantom share scheme on a per instrument basis. Combinations of return swaps and call options were designated on a unit for unit basis to substantially match the terms of the phantom share scheme and call option units.

The cash-settled call options held by Discovery Health:

Maturity date	Strike Price	Number of call options
At 30 June 2019		
330-Sep-19	R97.89 - R141.65	515 344
30-Sep-20	R114.96 - R141.65	282 231
30-Sep-21	R114.96 - R141.65	88 337
30-Sep-22	R141.65	51 317
At 30 June 2020		
30-Sep-20	R114.96 - R141.65	390 084
30-Sep-21	R114.96 - R141.65	140 563
30-Sep-22	R141.65	77 127

The fair value of the call and put options are repriced at each reporting date and were calculated on a Black-Scholes model using the same assumptions as tabled in note 19.

The return swaps held by Discovery Health:

Maturity date	Strike Price	Number of return swaps
At 30 June 2019		
30-Sep-19	97.89 - 171.04	719 726
30-Sep-20	114.96 - 173.59	812 874
30-Sep-21	114.96 - 173.59	694 356
30-Sep-22	141.65 - 173.59	455 983
30-Sep-23	173.59	200 697
At 30 June 2020		
30-Sep-20	114.96 - 173.59	965 316
30-Sep-21	114.96 - 173.59	816 585
30-Sep-22	141.65 - 173.59	525 642
30-Sep-23	141.65 - 173.59	248 239

The fair value of the return swaps is calculated by discounting the future cash flows of the instruments.

Acquisition share scheme

As at 30 June 2020, approximately 95% (2019: 84%) of this exposure is hedged. The hedges were designed to be highly effective, where the terms of the hedge or return swaps substantially match that of the Acquisition share scheme on a per instrument basis.

The return swaps held by Discovery Health:

Maturity date	Strike price	Number of return swaps
At 30 June 2019		
30-Jun-19	96.06 - 147.50	932
30-Jun-20	118.31 - 150.38	27 571
30-Jun-21	118.31 - 150.38	20 522
30-Jun-22	118.31 - 150.38	16 653
30-Jun-23	147.50 - 150.38	12 726
At 30 June 2020		
30-Jun-21	118.31 - 147.50	20 522
30-Jun-22	129.00 - 150.38	25 544
30-Jun-23	147.50 - 150.38	18 543
30-Jun-24	150.38	4 857

Equity price risk *continued*

At 30 June 2020, the fair value of the derivative instruments purchased to hedge the Phantom and Acquisition share schemes is R146 million (2019: R51 million). Security deposits of R170 million (2019: R61 million) were paid during the current year in respect of these derivatives.

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. Discovery Health has exposure to currency risk arising from various currency exposures, primarily with respect to the US dollar. The exchange rates at year-end are detailed in the table below (quoted as Rand per foreign currency at the closing spot rate):

	GBP	USD	SGD
30 June 2019	17.98	14.15	0.10
30 June 2020	21.44	17.41	0.08

Currency risk exposure:

R million	Total	Rand	USD	Other
At 30 June 2019				
Derivatives - hedges	86	86	-	-
Investment at fair value through OCI	101	101	-	-
Investment in subsidiaries	*	*	-	-
Investment in group companies	133	133	-	-
Contract receivables	883	722	5	156
Loans and receivables[1]	4 886	4 886	-	-
Cash and cash equivalents	291	246	45	-
Total financial assets	6 380	6 174	50	156
Borrowings at amortised cost	2 798	2 798	-	-
Derivatives - hedges	35	35	-	-
Financial guarantee contracts	133	133	-	-
Trade and other payables[1]	2 081	2 032	49	-
Total financial liabilities	5 047	4 998	49	-
At 30 June 2020				
Derivatives - hedges	17	17	-	-
Investment at fair value through OCI	71	71	-	-
Investment in subsidiaries	21	21	-	-
Investment in group companies	174	174	-	-
Contract receivables	866	711	1	154
Loans and receivables[1]	5 172	5 169	2	1
Cash and cash equivalents	119	113	6	*
Total financial assets	6 440	6 276	9	155
Borrowings at amortised cost	3 017	3 017	-	-
Derivatives - hedges	153	153	-	-
Financial guarantee contracts	230	230	-	-
Trade and other payables[1]	1 003	902	85	16
Total financial liabilities	4 403	4 402	85	16

[1] Loans and receivables & Trade and other payables exclude prepayments, stock and Vat as these balances are not financial instruments.

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. Discovery Health is exposed to credit risk through its financial investments, cash and cash equivalents and loans and receivables.

Credit exposure relating to cash and cash equivalents

Discovery Health is exposed to the issuer's credit standing on these instruments which is monitored by the CCIC by setting a minimum credit rating.

The aggregate credit risk exposure for cash and cash equivalents categorised by credit ratings is provided in the table below:

R million	Total	Baa1 Baa2 Baa3	Not rated
At 30 June 2019			
Cash and cash equivalents	291	290	1
Total	291	290	1
At 30 June 2020			
Cash and cash equivalents	119	119	-
Total	119	119	-

Credit risk relating to loans and receivables (including contract receivables)

Discovery Health's loans and receivables[1] comprise:

R million	Note	2020	2019
Vitality Group receivables		156	196
Closed scheme debtors	1	98	94
Discovery Health Medical Scheme	1	608	571
Intercompany balances	2	964	960
Loans to BEE initiatives		116	109
Loan to holding company	3	3 973	3 850
Loan to subsidiaries and their subsidiaries		2	3
Security deposits on derivatives		170	-
Other debtors		32	65
Less provision for impairment of other loans and receivables		(81)	(79)
Total		6 038	5 769

[1] *Loans and receivables & Trade and other payables exclude prepayments, stock and Vat as these balances are not financial instruments.*

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

1. Discovery Health Medical Scheme (DHMS) has been rated AAA by Global Credit Ratings. The closed schemes have not been rated. Amounts due from DHMS and the closed schemes are paid the following month.
2. Intercompany balances comprise receivables from Discovery Health's fellow subsidiaries. These loans are settled on a monthly basis. The fellow subsidiaries are not rated.
3. The loan to the holding company is current and will be settled in the ordinary course of business.

Discovery Health establishes an allowance for impairment that represents its estimate of incurred losses in respect of loans and receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on current circumstances and economic conditions which may indicate that the expected future cash flows may not be recoverable for similar financial assets.

Credit risk *continued*

Discovery Health ages and pursues unpaid accounts on a monthly basis. The ageing of the components of loans and receivables at year end was:

R million	Gross 2020	Impairment 2020	Gross 2019	Impairment 2019
Not past due	6 107	(69)	5 829	(65)
30 days	*	-	3	-
60 days	*	-	2	-
90 days	1	(1)	1	(1)
120 days	3	(3)	5	(5)
150 days	3	(3)	*	*
>150 days	5	(5)	8	(8)
Total	6 119	(81)	5 848	(79)

**Amounts are less than R500 000*

Management have considered the level of impairments specifically those relating to past due loans and receivables and consider the level of provisioning adequate. The movement in the provision for impairment during the year was as follows:

R million	Movement
Opening balance at 1 July 2018	(69)
Increase in provision	(10)
Closing balance at 30 June 2019	(79)
Opening balance at 1 July 2019	(79)
Increase in provision	(2)
Closing balance at 30 June 2020	(81)

Credit exposure for hedge derivative instruments

Discovery Health is exposed to equity price risk through its cash-settled share incentive schemes, namely the Phantom share scheme and the Acquisition share scheme, the details of which is described in note 19. To manage this risk, Discovery Health has purchased various instruments from Baa1 to Baa3 rated South African banks to hedge a portion of its exposure to changes in the Discovery Limited share price.

2.3 Liquidity risk

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

Discovery Health performs cash flow forecasting. The CFO and treasury monitor rolling forecasts of Discovery Health's liquidity requirements to ensure it has sufficient cash to meet operational needs. Cash held by Discovery Health is managed by treasury. Treasury invests it in interest – bearing accounts, time deposits and money–market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide headroom as determined by the above-mentioned forecasts.

At the reporting date, Discovery Health had cash and cash equivalents of R119 million (2019: R291 million) and other liquid assets of R6 076 million (2019: R5 592 million).

The table below analyses Discovery Health's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date, on an undiscounted basis.

R million	Total	< 1 year	1-2 years	3 - 5 years
At 30 June 2019				
Borrowings	3 548	30	3 518	-
Derivatives - hedges	35	35	-	-
Financial guarantee contracts	133	-	8	125
Trade and other payables	2 081	2 069	6	6
Total Liabilities	5 797	2 134	3 532	131
At 30 June 2020				
Borrowings	3 424	1 287	2 137	-
Derivatives - hedges	153	48	82	23
Financial guarantee contracts	230	230	-	-
Trade and other payables	1 058	1 032	12	14
Total Liabilities	4 865	2 597	2 231	37

2.4 Fair value estimation

Discovery Health's financial instruments measured at fair value have been disclosed using a fair value hierarchy. The hierarchy has three levels that reflect the significance of the inputs used in measuring fair value. These are as follows:

Level 1 includes financial instruments that are measured using unadjusted, quoted prices in an active market for identical financial instruments. Quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 includes financial instruments that are valued using techniques based significantly on observable market data. Instruments in this category are valued using:

- Quoted prices for similar instruments or identical instruments in markets which are not considered to be active, or
- Valuation techniques where all the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data.

Level 3 includes financial instruments that are valued using valuation techniques that incorporate information other than observable market data and where at least one input (which could have a significant effect on instruments' valuation) cannot be based on observable market data.

R million	Level 1	Level 2	Level 3	Total
30 June 2019				
Financial assets				
Equity investments at fair value through FVOCI	101	-	-	101
Derivatives - hedges	-	86	-	86
Total	101	86	-	187
Financial liabilities				
Derivatives - hedges	-	35	-	35
Total	-	35	-	35
30 June 2020				
Financial assets				
Equity investments at fair value through FVOCI	71	-	-	71
Derivatives - hedges	-	17	-	17
Total	71	17	-	88
Financial liabilities				
Derivatives - hedges	-	153	-	153
Total	-	153	-	153

Specific valuation techniques used to value financial instruments in level 2

The fair value of the hedged derivatives is calculated by the issuers of those instruments, as follows:

- The fair value of call options is calculated based on a Black-Scholes model.
- The fair value of the return swaps is calculated by discounting the future cash flows of the instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

3. Property and equipment

R million	Furniture, fittings and equipment[1]	Computer equipment[2]	Motor vehicles	Leasehold improvements	Total
Year ended 30 June 2019					
Opening balance	27	117	5	74	223
Additions	12	-	-	40	52
Disposals					
-cost	(50)	(12)	-	(76)	(138)
-accumulated depreciation	32	9	-	-	41
Depreciation charge	(5)	(52)	(2)	(14)	(73)
Closing balance	16	62	3	24	105
At 30 June 2019					
Cost	132	321	26	171	650
Accumulated depreciation	(116)	(259)	(23)	(147)	(545)
Closing balance	16	62	3	24	105
Year ended 30 June 2020					
Opening balance	16	62	3	24	105
Additions	-	-	6	-	6
Transfer to intangible assets[3]					
-cost	-	(34)	-	-	(34)
-accumulated depreciation	-	17	-	-	17
Derecognition					
-cost	(10)	(9)	-	-	(19)
-accumulated depreciation	3	8	-	-	11
Depreciation charge	(5)	(35)	(3)	(7)	(50)
Closing balance	4	9	6	17	36
At 30 June 2020					
Cost	122	278	32	171	603
Accumulated depreciation	(118)	(269)	(26)	(154)	(567)
Closing balance	4	9	6	17	36

[1] During the year, furniture and fittings and Computer equipment and operating systems with a cost amount of R10 million and R9 million respectively were written off.

[2] Computer equipment include finance leased assets totalling to R8 million (2019: R34 million).

[3] During the year, the operating systems with a carrying amount of R17 million were prospectively reclassified as intangible assets.

4. Intangible assets

R million	2020	2019
Year ended 30 June 2020		
Opening balance	484	962
Additions	334	164
Transfer from property and equipment[1]		
- Cost	34	-
- Accumulated amortisation	(17)	-
Derecognition		
- Cost	(41)	(15)
- Accumulated amortisation	20	14
Disposals		
- Cost	(139)	(522)
- Accumulated amortisation	-	44
Impairment		
- Cost	-	(25)
- Accumulated amortisation	-	22
Amortisation charge	(133)	(160)
Closing balance	542	484
At 30 June 2019		
Cost	1 455	1 267
Accumulated amortisation	(913)	(783)
Closing balance	542	484

[1] *During the year, the operating systems with a carrying amount of R17 million were prospectively reclassified as intangible assets from property and equipment classification.*

During 2019, R99 million of the software and development intangible assets were sold at carrying value to Discovery Central Services (Pty) Ltd, a related party. Refer to note 21.

5. Financial assets

5.1 Derivative financial assets

R million	2020	2019
Acquisition share scheme - cash flow hedge	-	1
Phantom share scheme - cash flow hedge	7	85
Forward exchange contracts	10	-
Closing balance	17	86
Current	3	42
Non-current	14	44
Derivative financial assets	17	86

Please refer to note 2.1 for a detailed description of the derivative financial instruments listed above.

5.2 Investment at fair value through other comprehensive income (OCI)

The investment represents Discovery Health's treasury shareholding of 680 268 shares in its holding company, Discovery Limited. Discovery Limited is listed on the JSE Limited.

R million	2020	2019
Opening balance at beginning of the year	101	100
Unrealised gains at fair value through OCI	(30)	1
Closing balance - 30 June	71	101

Financial assets *continued*

5.3 Loans and receivables

R million	2020	2019
Intercompany balances	964	960
Loan to holding company	3 973	3 850
Loans to BEE initiatives	116	109
Loan to subsidiaries	2	3
Prepayments	33	67
Security deposits	170	-
Other debtors	32	46
Total before provision	5 290	5 035
Provision for impairment	(81)	(79)
Total after provision	5 209	4 956
Current	4 754	4 823
Non-current	455	133
Loan and receivables	5 209	4 956

The carrying value approximates the fair value of the loans and receivables.

5.4 Contract receivables

R million	2020	2019
Opening balance at beginning of the year	883	896
Revenue recognised in the year	7 308	7 001
Payments received	(7 355)	(7 014)
Foreign exchange valuation	30	-
Contract receivables	866	883

Discovery Health's contract receivables comprise:

R million	2020	2019
Closed scheme debtors	98	94
Discovery Health Medical Scheme receivable	608	571
Wellness debtors	4	22
Vitality Group receivables	156	196
Closing balance	866	883
Current	712	756
Non-current	154	127
Contract receivables	866	883

Financial assets *continued*

5.5 Investment in subsidiaries

Subsidiary	Issued ordinary capital R		Effective percentage holding %		Investment in subsidiary R	
	2020	2019	2020	2019	2020	2019
- Discovery Third Party Recovery Services	1	1	100	100	1	1
- PrimeMed Administrators	100	100	100	100	100	100
- Discovery Health Care Services	1	1	100	100	10 100	10 100
- Medical Services Organisation International (MSOI):					21 000 000	-
o MSOI Limited	10	-	70	-		
o MSOI Proprietary Limited	1 000	-	70	-		
Total	1 112	102			21 010 201	10 201

During the year, Discovery Health acquired 70% equity shareholding in Medical Services Organisation International Limited and Medical Services Organisation International Proprietary Limited at a cost of R21 million.

The investments are initially recognised at cost and carried at fair value through profit and loss. Please refer to accounting policy 5 for a detailed description of the accounting method used. All Companies invested in were incorporated in South Africa, except for Medical Services Organisation International Limited, which was incorporated in Isle of Man, United Kingdom.

Consolidated financial statements have not been presented as the Company is a wholly owned subsidiary of Discovery Limited. Discovery Limited, incorporated in the Republic of South Africa, produces the group consolidated financial statements which are available for public use. The group consolidated financial statements can be accessed on the Discovery website or at the head office, 1 Discovery Place, Sandhurst, Gauteng.

5.6 Financial guarantee contracts (FGC)

Discovery Health issued financial guarantee contracts, to the value of R 72 million (2019: R24 million), for Discovery Limited's syndicate and Domestic Term Note programme loans totaling R8 300 million (2019: R6 806million).

Discovery Health issued other financial guarantee contracts to the value of R158 million (2019: R109 million) for Discovery Central Services' (Pty) Ltd Investec loans amounting to R1 946 million (2019: R1 949 million).

During the year, Discovery Health issued a financial guarantee contract to the value of R0.5 million, for Discovery Bank Limited's Standard Bank loan facility amounting to R500 million.

R million	2020	2019
Financial guarantee issued are as follows:		
- Discovery Limited	72	24
- Discovery Bank Limited	*	-
- Discovery Central Services (Pty) Ltd	158	109
Closing balance	230	133

**Amount is less than R500 000*

All Financial guarantee contracts are classified as current.

Financial assets *continued*

During the year, the FGC was amortised by R27 million. The FCG valuation subsequently increased by R83 million primarily due to the country's credit rating downgrade.

Financial guarantee movement:

R million	2020	2019
Opening balance at beginning of the year	133	-
Financial guarantee contract issued	41	133
Fee income	(27)	-
Valuation	83	-
Closing balance	230	133

Investment in group company's movement:

R million	2020	2019
Opening balance at beginning of the year	133	-
Financial guarantee contract issued	41	133
Closing balance	174	133

5.7 Investment at fair value through profit and loss (FVTPL)

R million	2020	2019
Opening balance at beginning of the year	-	126
Additional deposits	-	112
Interest received	-	*
Fair value adjustment	-	7
Withdrawals	-	(245)
Investment at FVTPL	-	-

**Amounts are less than R500 000*

6. Deferred income tax

R million	2020	2019
Deferred tax asset	211	153
Deferred tax liability	(99)	(119)
Total Deferred income tax	112	34
Movement summary:		
Balance at beginning of year	34	(20)
Statement of comprehensive income charge	61	42
Deferred tax on cash flow hedge charged to other comprehensive income	17	10
Tax on IFRS transitional adjustments	-	2
Capital gains taxation charged to OCI	-	*
Balance at end of year	112	34

**Amounts are less than R500 000*

Deferred tax assets and liabilities are classified as non-current.

Deferred income tax *continued*

Deferred tax comprises:

R million	Opening balance	Charge for the year	Closing balance
Year ended 30 June 2020			
Provisions	67	32	99
Difference between wear and tear and depreciation	(79)	10	(69)
Other temporary differences:			
- Operating lease	1	(1)	-
- Share-based payments	78	(24)	54
- Finance leases	5	(6)	(1)
- Cash flow hedge	(11)	52	41
- Prepayments	(8)	6	(2)
- Unrealised gains on financial instruments	(20)	7	(13)
- Derivatives	1	2	3
Total	34	78	112

R million	Opening balance	Charge for the year	Closing balance
Year ended 30 June 2019			
Provisions	56	11	67
Difference between wear and tear and depreciation	(118)	39	(79)
Other temporary differences:			
- Deferred revenue	36	(36)	-
- Deferred acquisition cost	(14)	14	-
- Operating lease	4	(3)	1
- Share-based payments	76	2	78
- Finance leases	5	*	5
- Cash flow hedge	(37)	26	(11)
- Prepayments	(8)	*	(8)
- Derivatives	-	1	1
- Unrealised gains on financial instruments	(20)	(*)	(20)
Total	(20)	54	34

**Amounts are less than R500 000*

7. Share capital and share premium

R	2020	2019
Authorised		
1 100 ordinary shares of R1 each	1 100	1 100
Issued		
1 032 ordinary shares of R1 each	1 032	1 032
Share premium	270 999 968	270 999 968
Share capital and share premium	271 001 000	271 001 000

8. Borrowings at amortised cost

R million	2020	2019
Interest bearing loans		
- Discovery Limited	2 863	2 597
- Discovery Insure Limited	150	150
Finance lease liability	4	51
Closing balance	3017	2 798
Current	1 210	28
Non-current	1 807	2 770
Borrowings at amortised cost	3 017	2 798

Interest bearing borrowings

Discovery Limited

Discovery Health borrowed R2 010 million from Discovery Limited. The loan for R727 million is repayable on 30 June 2021. The loan for R1 283 million is repayable on 31 July 2022. Interest on the loan is calculated using a floating interest rate which is payable quarterly or may be capitalised to the loan

The balance due as at 30 June 2020 is R2 863 million (2019: R2 597 million). Interest accrued for the year is R266 million (2019: R244 million).

Discovery Insure

Discovery Health borrowed R150 million from Discovery Insure Limited in the 2016 financial year. The loan bears interest at the three-month JIBAR plus 240 basis points per annum. The borrowings are repayable after five years and interest is paid quarterly.

The balance due as at 30 June 2020 is R150 million (2019: R150 million). Interest accrued for the year is R13 million (2019: R14 million).

Movement analysis of interest bearing loans:

R million	2020	2019
Opening balance	2 747	2 503
Interest accrued (note 15)	279	258
Interest paid	(13)	(14)
Closing balance	3 013	2 747

Capitalised finance lease liability

Discovery Health leases certain computer and office equipment that is unsecured, as the rights to the leased asset remain with the lessee in event of a default.

R million	Minimum lease payments	Finance cost	Present value
30 June 2019			
Due within one year	30	(2)	28
Due between two to five years	23	(*)	23
Closing balance	53	(2)	51
30 June 2020			
Due within one year	4	(*)	4
Due between two to five years	*	(*)	*
Closing balance	4	(*)	4

**Amounts are less than R200 000*

9. Derivative financial liability

R million	2020	2019
Phantom share scheme - cash flow hedge	132	35
Acquisition share scheme – cash flow hedge	3	-
Phantom share scheme – de-designated hedge	17	-
Acquisition share scheme – de-designated hedge	1	-
Closing balance	153	35
Current	48	-
Non-current	105	35

Refer to note 2.1.2 for a detailed description of the derivative financial instruments listed above.

10. Trade and other payables

R million	2020	2019
Payables and accrued liabilities	131	192
Intercompany balances	480	1 354
Payroll creditors	356	443
Security deposits on derivatives	-	61
Straight-lining operating lease payments[1]	-	3
Value-added tax	54	75
Other creditors	37	29
Closing balance	1 058	2 157
Current	1 032	2 155
Non-current	26	2

[1]The operating leases were transferred to Discovery Central Services (Pty) Ltd. Refer to note 17 on operating lease commitments.

11. Contract liabilities

R million	2020	2019
Opening balance at beginning of the year	-	59
Income recognised in profit and loss	-	(59)
Closing balance	-	-

12. Employee benefits

R million	2020	2019
Opening balance	110	100
Additional provision raised	136	138
Used during the year	(123)	(119)
Paid to terminated employees	(9)	(9)
Closing balance	114	110
Current	92	90
Non-current	22	20

13. Investment income

R million	2020	2019
Interest income on cash and cash equivalents at amortised cost	40	41
Dividend income[1]	29	51
Interest income on third-party loans at amortised cost	24	45
Investment income	93	137

[1]The dividends were received from the investment in subsidiaries entities Discovery Third Party Services R27 million (2019: R50 million), Discovery Limited R1 million (2019: R1 million) and Prime Med Administration Services R1million.

14. Marketing and administration expenses

R million	2020	2019
Audit fees – current year	4	3
Audit fees – prior year	*	(*)
Fees for other services	-	*
Auditors' remuneration	4	3
Property	143	53
Computer and office equipment	39	35
Operating lease charges	182	88
Salaries and allowances	1 846	1 656
Medical aid fund contributions	145	134
Defined contribution provident fund contributions	110	99
Social security levies	8	8
Share based payment expenses	50	200
- cash-settled	17	193
- equity-settled	33	7
Loss/(gain) on fair value hedge	180	10
Staff training	9	3
Recruitment fees	3	3
Temporary staff	5	1
Leave pay expense	13	19
Other	36	58
Staff costs including executive directors (note 21)	2 405	2 191
Amortisation of intangible assets (note 4)	133	160
Building related and office costs	60	58
Depreciation of equipment (note 3)	50	73
Gain on disposal of intangible assets	-	(110)
Impairment of investment in subsidiary	-	20
Impairment of intangible asset (note 4)	-	3
Derecognition of intangible asset (note 4)	21	1
Derecognition of property and equipment (note 3)	8	-
IT systems and consumables	519	388
Marketing and distribution costs	144	162
Professional fees	163	162
Vitality service fees	376	390
Other operating expenses	494	789
Other operating costs	1 968	2 096
Marketing and administration expenses	4 559	4 378

**Amounts are less than R500 000*

15. Finance costs

R million	2020	2019
Interest expense on:		
- Interest on borrowings	279	258
- Other interest paid	5	2
- Finance lease liability	2	5
- Credit support	*	4
Finance cost	286	269

**Amount is less than R500 000*

16. Taxation

R million	2020	2019
Current tax	790	780
- Current year	785	790
- Prior year adjustment	5	(10)
Deferred tax	(61)	(42)
- Current year	(60)	(42)
- Prior year adjustment	(1)	-
South African normal taxation	729	738

Reconciliation of rate of taxation %	2020	2019
Effective rate	27.9	26.3
Exempt dividend	0.3	2.6
Non-deductible expenditure	(0.1)	(0.4)
Under/overprovision in prior years	(0.1)	(0.5)
South African normal tax rate	28.0	28.0

17. Operating lease commitments

Discovery Health had various operating lease agreements. Most leases contained renewal options. The lease terms did not contain restrictions on Discovery Health's activities concerning dividends, additional debt or further leasing.

At the beginning of the year, Discovery Health transferred the operating leases agreement and the related assets to Discovery Central Services (Pty) Ltd.

R million	2020	2019
Discovery Health leased certain land and buildings under operating leases. The remaining lease periods ranged from one month to five years. The future minimum commitments were as follows:		
Due within one year	-	1
Due within two to five years	-	2
Cash flow commitment	-	3
Accrued to a liability (refer to note 10)	-	(3)
Land and buildings	-	-

18. Cash flow information

	R million	Note	2020	2019
18.1	Profit before taxation		2 612	2 811
	Adjusted for:			
	Finance costs	15	286	269
	Dividend income	13	(29)	(51)
	Interest income	13	(64)	(86)
	Non-cash items:			
	Deferred revenue		-	(59)
	Accrued interest income		14	-
	Depreciation	3	50	73
	Amortisation	4	133	160
	Impairment of intangible asset	4	-	3
	Derecognition of intangible asset	4	21	1
	Derecognition of property and equipment	3	8	-
	Impairment of investment in subsidiary	14	-	20
	Operating lease payments in advance		-	(12)
	Gain on transfer of operating leases	17	(3)	-
	Accrual of financial guarantee fee income	5.6	(27)	-
	Valuation of financial guarantee contracts	5.6	83	-
	Gain on disposal of intangible assets	14	-	(110)
	Provision for bad debts		8	75
	Provision for employee benefits		13	19
	Loss from derivatives		238	380
	Fair value gain on investment at FVTPL	5.7	-	(7)
	Foreign exchange (gains)/losses		(21)	(2)
	Share-based payment expenses	14	50	201
	Loss/(gain) on fair value hedge		(36)	(48)
	Unrealised gains on investments at FVTPL		-	(8)
	Intangible asset (internal asset creation/capitalisation)		(149)	-
	Working capital changes:			
	Loans and receivables including contract assets		(1 387)	(1 834)
	Trade and other payables		(1 158)	(582)
	Cash generated by operations		642	1 213
18.2	Taxation paid			
	Amounts unpaid at beginning of year		12	(49)
	Amounts charged to statement of comprehensive income		(729)	(738)
	Adjustment for movement in deferred taxation		(61)	(42)
	Balance at the end of the year		25	(12)
	Taxation paid		(753)	(841)
18.3	Cash movement			
	Cash at bank and on hand		111	103
	Short term deposits with bank		8	188
	Cash and cash equivalents		119	291

19. Share based payment expenses

Staff incentive schemes

Discovery Limited operates various share-based payment arrangements. The details of these arrangements are described below:

1. BEE staff trust

In 2005, 5 290 000 Discovery Limited shares were issued to the BEE staff share trust for current and future employees. These shares have all been allocated during prior years. As at 30 June 2019, there were 389 283 outstanding shares, where 82 036 vested during the current financial year. 980 000 shares were purchased accumulatively in prior years, for future allocation to employees. An additional 40 000 shares were purchased by the BEE staff share trust during the current year. The trusts consist of two components; the allocation scheme and the option scheme as described below:

1.1 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.

1.2 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.

2. The Discovery Limited Phantom share scheme

Participants earn a cash bonus based on allocation of bonus scheme units, which in turn are linked to the performance of the Discovery Limited share price. The bonus is earned if the participant is employed on each vesting date. For units issued in September, the vesting of the units is two, three, four and five years after allocation of the bonus units. The bonus may not be carried forward.

The 2013 – 2018 allocations were pre-determined combinations of units that replicate the economics of a Discovery Limited share and units that replicate the economics of a call option over a Discovery Limited share.

3. Acquisition schemes

There are various schemes offered to franchise directors, agents and employees where participants are allocated share units, which replicate the economics of a Discovery Limited share. The share units are settled as a cash bonus on vesting. The bonus is earned if the participant is employed on the vesting date. The vesting periods on the schemes vary from two to five years. The bonus may not be carried forward.

The share option schemes mentioned in 1 above have been classified as equity-settled schemes and therefore, a share-based payment reserve has been recognised. The schemes mentioned in 2 and 3 above have been classified as cash-settled schemes and a liability is raised in terms of IFRS 2.

4. Discovery long-term incentive plan

The Discovery Long-term incentive plan (LTIP) was introduced in the financial year-ended 30 June 2020 and replaces the cash-settled LTIP 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. The performance conditions are aligned to the organic growth methodology of the Group and will vest from between the 3rd and 5th anniversary of these awards.

Share based payment expenses *continued*

Staff incentive schemes *continued*

The following is a summary of the terms and conditions of the share options granted to Discovery Health employees:

Date granted	Option price	Final vesting date	Opening balance	Options granted	Options vested	Options cancelled / Adjusted	Closing balance
1. BEE staff trust							
FY 2013	-	30/09/2018	818	-	-	(818)	-
FY 2014	-	30/09/2019	57 395	-	(513)	(56 882)	-
FY 2015	-	28/02/2020	113 438	-	(6 767)	(106 671)	-
FY 2016	-	30/09/2021	21 879	-	(8 902)	(4 082)	8 895
FY 2016	R122.41	01/03/2021	9 044	-	-	-	9 044
FY 2016	R121.50	31/03/2021	20 247	-	-	-	20 247
FY 2017	-	01/04/2022	82 361	-	(26 605)	(3 473)	52 283
FY 2017	R122.50	30/11/2021	106 671	-	-	(6 946)	99 725
FY 2018	-	30/04/2023	33 791	-	(9 113)	-	24 678
FY 2019	-	30/09/2023	10 704	-	-	1 414	12 118
FY 2020	-	30/09/2023	-	9 464	-	-	9 464
2. The Phantom share scheme							
FY 2015	-	30/09/2019	130 725	-	(130 318)	(407)	-
FY 2015	R97.89	30/09/2019	261 449	-	(260 635)	(814)	-
FY 2016	-	30/09/2020	232 783	-	(115 983)	(3 609)	113 191
FY 2016	R122.50 - R134.94	30/09/2020	455 801	-	(227 084)	(7 218)	221 499
FY 2017	-	30/09/2021	826 790	-	(273 095)	(32 755)	520 940
FY 2017	R110.40 - R115.23	30/09/2021	197 098	-	(64 610)	(3 269)	129 219
FY 2018	-	30/09/2022	1 118 044	-	(279 301)	(42 279)	796 464
FY 2018	R84.76 - R141.65	30/09/2022	333 886	-	(85 701)	(6 540)	241 645
FY 2019	-	31/03/2024	954 656	-	-	(15 205)	939 451
3. The Acquisition share scheme							
FY 2014	-	30/06/2019	425	-	-	(73)	352
FY 2015	-	30/06/2020	6 570	-	(5 535)	(331)	704
FY 2016	-	30/06/2021	13 970	-	(6 165)	(1 438)	6 367
FY 2017	-	30/06/2022	35 576	-	(11 033)	(2 218)	22 325
FY 2018	-	30/06/2023	36 602	-	(5 909)	(4 697)	25 996
FY 2019	-	30/06/2024	34 571	-	-	(2 961)	31 610
4. Discovery long-term incentive plan							
FY 2020	-	30/09/2024	-	1 732 171	-	(11 782)	1 720 389

Share based payment expenses *continued*

Staff incentive schemes *continued*

The Black-Scholes model was used to calculate the fair value of the following options based on the assumptions in the below table:

	Spot price	Exercise price	Option term	Volatility	Dividend yield
BEE staff share trust					
Issued in prior years	R113.00 - R127.14	R113.00 - R122.50	Up to 1.25 years	26.19% - 27.37%	1.31% - 1.70%
Phantom scheme:					
01/07/2017 - 30/06/2018	R104.55	R97.89 - R141.65	Up to 2.25 years	44.14% - 73.14%	0% - 2.64%
01/07/2016 - 30/06/2017	R104.55	R 114.96 - R115.23	Up to 1.25 years	54.49% - 73.14%	0% - 3.64%
01/07/2015 - 30/06/2016	R104.55	R122.50 - R134.94	Up to 0.83 years	61.14% - 73.14%	0% - 3.23%

**Refer to table on previous page for detailed option prices.*

The Phantom schemes and Acquisition schemes are cash-settled and are thus repriced at each reporting date. The fair value of shares granted under these schemes during the current financial year, has been calculated using the closing price of R104.55 adjusted for expected future dividends that will be declared by Discovery Limited during the vesting period.

Discovery Health is exposed to equity price risk through its cash-settled share incentive schemes, namely the Phantom share scheme and the Acquisition share scheme, the details of which have been described above. To manage this risk, Discovery Health has purchased a combination of total return swaps and call options from Baa or A – rated South African banks to hedge a portion of its exposure to changes in the Discovery share price.

20. Contingencies

Discovery Health has provided the guarantees in respect of the borrowing facilities for the following companies:

- Discovery Limited,
- Discovery Central Services (Pty) Ltd, and
- Discovery Bank Limited.

Please refer to note 5.6 for more details on the guarantees.

There are no material claims that have been instituted against Discovery Health.

21. Related parties

The Company is a wholly owned subsidiary of Discovery Limited (incorporated in South Africa) and undertakes certain transactions with related parties within the Discovery Limited Group, details of which are set out below. For purposes of this section, Discovery Health will be referred to as the Company and where relevant, amounts are excluding VAT.

Discovery Limited

Discovery Health entered into a long term loan agreement with Discovery Limited. The principal amount is R2 010 million. The loan for R727 million is repayable on 30 June 2021. The loan amounting to R1 283 million is repayable on 31 July 2022. Interest will accrue at the relevant interest rate on a day-to-day basis. The balance at year-end is R2 863 million (2019: R2 597 million). Interest for the year is R266 million (2019: R244 million).

Discovery Health holds 680 268 treasury shares in Discovery Limited valued at R71 million (2019: R101 million). During the year, Discovery Health received dividends from Discovery Limited amounting to R 1 million (2019: R 1 million). Discovery Health paid dividends amounting to R 1 148 million (2019: R1 100 million) to the holding company, Discovery Limited.

Discovery Insure Limited

Discovery Health entered into a long-term loan agreement with Discovery Insure Limited. The principal amount is R150 million. The loan bears interest at the 3 month JIBAR plus 240 basis points per annum. The balance at year-end is R150 million (2019: R150 million). Interest accrued for the year amounted to R13 million (2019: R14 million).

Vitality Group International Inc.

During the year, Vitality Group South Africa, a division Discovery Health, converted a portion of the short-term loan granted to Vitality Group International Inc. into a long-term interest bearing loan repayable over three years. The principal amount is R518 million. The loan bears interest at the 30 day JIBAR plus 250 per annum. Interest accrued for the year amounted to R6 million.

Discovery Vitality Proprietary Limited

The Vitality Wellness programme is integrated with products offered by the Company. Vitality charges a service fee for this integration, which is determined on an annual basis and agreed upon contractually. Service fees paid amounted to R376 million (2019: R390 million).

Discovery Health Medical Scheme (DHMS)

The Company administers DHMS and provides managed care services for which it charges an administration fee and a managed care fee respectively. These fees are determined on an annual basis and approved by the trustees of DHMS. The fees amounted to R6 190 million (2019: R5 853 million).

DHMS owes the Company R608 million (2019: R571 million) at year-end.

The Company provided Wellness screening services to DHMS. The fees received for these services in the current year amounted to R38 million (2019: R30 million).

Discovery Consulting Services

The Company has established a network of 30 franchises (2019: 32 Franchises) in order to sell its products. The Company has paid R52 million (2019: R52 million) in fees to the franchises. The Discovery Consulting Services participate in the Acquisition Scheme. During the year R1 million (2019: R3 million) was accrued for in terms of this scheme. Refer to note 19 for further details.

Related parties *continued*

Managed medical schemes

The Company administers the following restricted membership medical schemes:

- Anglo Medical Scheme
- Anglovaal Group Medical Scheme
- Bankmed Medical Scheme
- BMW Employees Medical Aid Scheme
- Engen Medical Aid Scheme
- Glencore Medical Scheme
- LA Health Medical Scheme
- Lonmin Medical Scheme
- Malcor Medical Aid Scheme
- MMed Medical Fund
- Netcare Medical Scheme
- Quantum Medical Aid Society
- Remedi Medical Scheme
- Retail Medical Scheme
- TFG Medical Aid Scheme
- Tsogo Sun Group Medical Scheme
- University of Kwa-Zulu Natal Medical Scheme
- South African Breweries Medical Scheme

The Company charges these schemes administration and managed care fees, which are determined on an annual basis and approved by the trustees of the respective closed schemes. The fees amounted to R1 141 million (2019: R1 064 million). R98 million (2019: R94 million) is due to the Company from these schemes at year-end.

The Discovery Fund & Trust

The Discovery Fund is a fund for sustainable non-governmental healthcare projects, especially in primary healthcare. These projects complement the delivery of primary and preventative care in the public sector and help to relieve the burden on state facilities.

The Discovery Fund received contributions from the Company of R23 million during the year (2019: R29 million). The Company also paid The Discovery Fund a management fee of R2 million (2019: R2 million).

Fellow group companies & subsidiaries:

Discovery Health provides administrative services and system development to its fellow subsidiaries and associates. Certain subsidiaries also incur costs on behalf of the Company. These loans are interest free and are repayable on demand.

Sale of assets to group companies

At the beginning of the financial year, the Company transferred the operating lease commitments to the value of R3 million to Discovery Central Services (Pty) Ltd (refer to note 17). No sale of assets transpired between the Company and Discovery Central Services (Pty) Ltd in 2020 (2019: R193 million). In the prior year the Company sold assets to Vitality Group International resulting in a loss on sale of assets of R131 million.

Prime Med Administrators Services (Pty) Ltd

During the year, Prime Med Administrators Services declared dividends in specie amounting to R1 million, to the Discovery Health.

Related parties *continued*

The table below summarises the total value of fees charged and received for these services and the balances outstanding at 30 June:

R' million	Receivable / (Payable) 2020	2019	Fees received / (paid) 2020	2019
Discovery Bank	29	(*)	(1)	(3)
Discovery Central Services	(469)	220	(1 413)	(1 106)
Discovery Connect	8	8	15	11
Discovery Health Care Services	*	*	-	-
Discovery Insure	14	(18)	7	3
Discovery Life	23	(1 309)	(76)	(59)
Discovery Life Collective Investments	*	*	*	-
Discovery Life Investment Services	11	17	5	4
Discovery Limited	3 973	3 850	-	-
Discovery Medical Suppliers	32	27	(13)	(5)
Discovery Third Party Recovery Services	2	3	*	*
Discovery Vitality	50	(4)	(319)	56
Discovery Vitality Australia	*	-	*	-
Discovery Partner Markets	1	-	(52)	(24)
Grove Nursing Services	42	34	(1)	-
Ping An Health	1	(3)	8	7
Prime Med Administration Services	-	(*)	-	-
Quantium Health Australia	-	1	-	(1)
Quantium Health South Africa	2	1	-	(1)
Southern RX Distributors	93	101	1	(*)
Vitality Corporate Services	(5)	26	14	33
Vitality Group International Inc.	132	522	809	1 152
Vitality Life	-	5	-	57

**Amounts are less than R500 000*

Discovery staff retirement funds

The Discovery Pension and Provident Funds ("the Funds") were set-up specifically for Discovery staff. Contributions to the Funds during the year amounted to R110 million (2019: R99 million). The Funds have invested R27 million (2019: R1 226 million) into financial assets managed by Discovery Life Collective Investments, and R1 320 million in unit linked insurance policies with Discovery Life (2019: R0 million). These policies are linked to unit trusts managed by Discovery Life Collective Investments. In February 2020 the Discovery Limited Board approved the appointment of the Discovery Retirement Funds comprising funds underwritten by Discovery Life and registered as the Discovery Life Pension Umbrella Fund and the Discovery Life Provident Umbrella Fund, as retirement fund provider to the Discovery Staff. In April 2020 the Board of the Funds resolved to transfer the assets of the Funds to the Discovery Retirement Funds with effect from 1 July, this transfer is still subject to the regulated Section 14 transfer process. The Board also resolved to close the Funds after the transfer is completed and there are no assets remaining in the Funds.

Key management personnel of Discovery Limited, families of key management (as defined in IAS 24) and entities significantly influenced or controlled by key management

During the current financial year, the following transactions occurred between Discovery Limited and key management personnel, their families (as defined in IAS 24) and entities significantly influenced or controlled by key management:

CSI donations and management fees of R25 million (2019: R31 million) were paid to the Discovery Fund & Trust in which an executive director of Discovery Limited has significant influence.

Discovery Health Proprietary Limited
Notes to the Annual Financial Statements
for the year ended 30 June 2020

Related parties *continued*

Payments to directors for the year ended 30 June 2020 for services rendered:

R'000	Services as directors	Basic salary	Performance bonus	Phantom scheme bonus	Provident fund contributions	Other benefits (1)	Solidarity fund contribution	Total
A Gore	-	6 767	4 375	3 636	1 088	413	-	16 279
HD Kallner	-	5 105	7 258	11 036	271	168	-	23 838
NS Koopowitz(2)	-	19 858	18 798	44 887	214	541	-	84 298
HP Mayers (3)	-	11 644	7 598	50 258	1 160	1 205	-	71 865
Dr A Ntsaluba	-	4 281	3 417	2 400	342	273	-	10 713
A Pollard (4)	-	7 857	4 323	5 191	197	298	-	17 866
B Swartzberg	-	4 902	3 682	3 166	470	173	-	12 393
DM Viljoen	-	4 419	3 350	2 331	722	89	-	10 911
Dr J Broomberg	-	5 115	3 100	1 856	256	159	-	10 486
Executive subtotal	-	69 948	55 901	124 761	4 720	3 319	-	258 649
Dr RN Noach	-	5 155	5 183	7 709	258	80	-	18 385
Prescribed officer	-	5 155	5 183	7 709	258	80	-	18 385
AL Owen(5)	2 224	-	-	-	-	185	-	2 409
R Farber(6)	2 689	-	-	-	-	3 764	(244)	6 209
SV Zilwa*	1 832	-	-	-	-	-	-	1 832
DR TV Maphai*	1 390	-	-	-	-	-	(127)	1 263
SE De Bruyn	1 364	-	-	-	-	-	-	1 364
Dr BA Brink	1 062	-	-	-	-	-	(118)	944
HL Bosman(7)	1 663	-	-	-	-	-	(139)	1 524
FN Khanyile(8)	844	-	-	-	-	-	(75)	769
Non-Executive Subtotal	13 068	-	-	-	-	3 949	(703)	16 314
Total	13 068	75 103	61 084	132 470	4 978	7 348	(703)	293 348
Less: paid by the Company	-	(13 884)	(8 645)	(12 731)	(919)	(392)	-	(36 571)
Paid by subsidiaries	13 068	61 219	52 439	119 739	4 059	6 956	(703)	256 777

(1) "Other benefits" comprise medical aid contributions travel and other allowances.
(2) Salary and incentive are paid in GBP.
(3) Remuneration consists of GBP and Rands components.
(4) Salary and incentive are paid in USD.
(5) Salary and incentive are paid in GBP.
(6) Director's fees for services rendered by R Farber were paid in AUD components.
(7) Director's fees for services rendered by HL Bosman were paid to Rand Merchant Insurance Holdings Limited.
(8) Director's fees for services rendered by F Khanyile were paid to WDB Investment Holdings Proprietary Limited.
**Black non-executive directors also participate in the Discovery Limited BEE transaction.*

Related parties *continued*

Payments to directors for the year ended 30 June 2019 for services rendered:

R'000	Services as directors	Basic salary	Perform-ance bonus	Phantom scheme bonus	Provident fund contribu-tions	Other benefits (1)	Total
A Gore	-	6 910	6 590	6 259	1 036	391	21 186
HD Kallner	-	5 176	7 922	10 016	259	157	23 530
NS Koopowitz (2)	-	16 344	17 334	7 922	180	429	42 209
HP Mayers (3)	-	15 823	18 394	3 235	1 657	384	39 493
Dr A Ntsaluba	-	4 338	4 278	4 894	325	252	14 087
A Pollard (4)	-	6 433	2 486	5 689	129	250	14 987
JM Robertson	-	3 956	3 841	4 881	813	108	13 599
B Swartzberg	-	5 165	5 090	5 122	266	160	15 803
DM Viljoen	-	4 510	4 440	2 748	688	77	12 463
Executive subtotal	-	68 655	70 375	50 766	5 353	2 208	197 357
Dr J Broomberg	-	4 863	3 899	3 593	243	150	12 748
Prescribed officer	-	4 863	3 899	3 593	243	150	12 748
AL Owen(5)	2 755	-	-	-	-	194	2 949
MI Hilkowitz(5)	4 213	-	-	-	-	-	4 213
R Farber(6)	3 074	-	-	-	-	3 072	6 146
SV Zilwa	1 741	-	-	-	-	-	1 741
DR TV Maphai	1 011	-	-	-	-	-	1 011
SE De Bruyn Sebotsa	1 247	-	-	-	-	-	1 247
Dr BA Brink	1 306	-	-	-	-	-	1 306
HL Bosman(7)	1 448	-	-	-	-	-	1 448
FN Khanyile(8)	631	-	-	-	-	-	631
TT Mboweni	317	-	-	-	-	-	317
L Chuime	138	-	-	-	-	-	138
Non-Executive Subtotal	17 881	-	-		-	3 266	21 147
Total	17 881	73 518	74 274	54 359	5 596	5 624	231 252
Less: paid by the Company	(17 881)	(68 665)	(70 375)	(50 766)	(5 353)	(5 474)	(218 504)
Paid by subsidiaries	-	4 863	3 899	3 593	243	150	12 748

(1) "Other benefits" comprise medical aid contributions, travel and other allowances.
(2) Salary and incentive are paid in GBP.
(3) Remuneration consists of GBP and Rands components.
(4) Salary and incentive are paid in USD.
(5) Director's fees for services rendered are paid in GBP.
(6) Director's fees for services rendered by R Farber were paid in AUD and Rand components.
(7) Directors' fees for services rendered by HL Bosman were paid to Rand Merchant Insurance Holdings Limited.
(8) Director's fees for services rendered by F Khanyile were paid to WDB Investment Holdings Proprietary Limited.

22. Events after reporting date

Prime Med Administrators (Pty) Ltd, a subsidiary of Discovery Health, started the deregistration process in July 2020. The investment in the subsidiary of R100 will be written off in the 2021 financial year

There are no other significant events after the reporting date, being 30 June 2020, to the date the approval of the annual financial statements.