Discovery Vitality Proprietary Limited

(Registration Number: 1999/07736/07)

Annual Financial Statements

for the year ended 30 June 2019

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These Annual Financial Statements cover the financial results of Discovery Vitality Proprietary Limited and were audited in terms of the Companies Act 71 of 2008.

Auditors:	PricewaterhouseCoopers Inc.
Prepared by:	T Tsangwane CA (SA)
Supervised by:	M Mpshane CA (SA)

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Directors' responsibility statement
for the year ended 30 June 2019

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

The directors of Vitality are required by the Companies Act (Act 71 of 2008) (Companies Act), to maintain adequate accounting records and to prepare Annual Financial Statements for each financial year which fairly present the state of affairs of Vitality at the end of the financial year, and of the results and cash flows for the period. In preparing the accompanying Annual Financial Statements, 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 Vitality's philosophy on corporate governance.

The Directors have reviewed Vitality's budget and cash flow forecast for the year ending 30 June 2020, on the basis of this review, and in the light of the current financial position and available cash resources, the Directors have no reason to believe that Vitality will not be a going concern for the foreseeable future. The going concern basis has therefore been adopted in preparing the Annual Financial Statements.

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

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

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

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

Vitality's external auditors, PricewaterhouseCoopers Inc., have audited the Annual Financial Statements and their unqualified report appears on page 3-4.

The Annual Financial Statements of Vitality for the year ended 30 June 2019, which appear on pages 5 to 45 have been approved by the board of directors on 2 September 2019 and are signed on its behalf by:

A. Gore
Director

D. Viljoen
Director

Independent auditor's report

To the Shareholder of Discovery Vitality Proprietary Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Discovery Vitality Proprietary Limited (the Company) as at 30 June 2019, and its financial performance and 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 Vitality Proprietary Limited's financial statements set out on pages 7 to 45 comprise:

- the accounting policies;
- the statement of financial position as at 30 June 2019;
- 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 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 sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled *"Discovery Vitality Proprietary Limited Annual Financial Statements for the year ended 30 June 2019"*, which includes the Director's 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 an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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 is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Registered Auditor

Johannesburg

3 September 2019

Discovery Vitality Proprietary Limited
Directors' report
for the year ended 30 June 2019

The directors present their report, which forms part of the Annual Financial Statements of Discovery Vitality (Pty) Ltd, for the year ended 30 June 2019.

Nature of business

Vitality offers a range of products to policyholders within the Discovery Limited Group (Discovery) in South Africa. Products include the Vitality Wellness and Rewards programme, which fulfils and tracks the Discovery core purpose of making people healthier, protecting and enhancing their lives.

Review of results

Vitality made a profit of R92 million for the current financial year (2018: R603 million). The prior year profit included a profit on sale of the joint interest in Discovery Card of R491 million. Excluding this profit on sale, year on year profit is lower primarily due to higher uptake on member benefits.

Share Capital

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

Dividends

There were no dividends paid in the current financial year (2018: R491 million was declared as Dividends in specie).

Holding company

Vitality is a wholly owned subsidiary of Discovery Limited which is listed in the insurance sector of the JSE Limited.

Directorate and secretary

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

Executive directors	*Non-executive directors*
A Gore	HL Bosman
H Kallner	Dr BA Brink
NS Koopowitz	SE de Bruyn Sebotsa
HP Mayers	R Farber
Dr A Ntsaluba	FN Khanyile
A Pollard	T Maphai
B Swartzberg	AL Owen
DM Viljoen	LM Chiume *
JM Robertson *	SV Zilwa
	MI Hilkowitz *
	TT Mboweni *

* Resigned during this financial year refer to Directors emoluments on page 43 for details of resignations

Mr. MJ Botha continues in office as Company Secretary.

Registered office	*Postal address*
1 Discovery Place	PO Box 786722
Sandton	Sandton
2146	2146

Directors' remuneration

A detailed analysis of remuneration paid to directors and prescribed officers is set out in note 20 of the Annual 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 fixed 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 profit in the Discovery Limited Group's performance if above certain profit hurdles.
- *Long-term incentive*: Executive Directors take part in Discovery Limited's share-based incentive scheme. This scheme is described in detail in note 16 to the Annual Financial Statements.

Non-executive directors receive a combination of fixed and meeting fees for their participation on the board and board committees. Black non-executive directors also participate in the Discovery BEE transaction described in note 17 to the Annual 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 of Executive Directors and recommending the Non-Executive Directors' fees to the board for approval.

Directors' service contracts

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

Directors' interests in contracts

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

Events after the reporting date

There are no significant events after the reporting date, being 30 June 2019, to the date of the approval of the Annual Financial Statements, namely, 2 September 2019.

Auditors

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

Vitality Wellness and Rewards Programme

The Vitality Wellness and Rewards Programme gives policyholders access to a wide range of tools activities and partners to help them get healthier and enhance their lives. As policyholders improve their health, they earn Vitality points, cash back and/or recognition (Active Rewards) which will determine their status. Their Vitality status will determine the level of benefits a member will receive from selected partners.

DiscoveryCard

The DiscoveryCard is a Visa credit card, in the prior year it was issued under the License of FirstRand Bank Limited. Members can earn cash back from using the DiscoveryCard at selected partners and earn Discovery Miles. The cash back earned is based on the members Vitality status. The Discovery Miles can be redeemed at the VitalityMall or used to obtain discounts with select travel partners.

Migration of DiscoveryCard members from FirstRand to Discovery Bank commenced in the current financial year, this migration is expected to continue into the new financial year.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Annual Financial Statements are set out below. These policies have been consistently applied to all the years presented.

1. Basis of presentation

Vitality's Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), 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.

Vitality has adopted IFRS 9 and IFRS 15 from 1 July 2018. Other amendments and annual improvements to IFRS effective from 1 July 2018 have also been adopted but do not have a material impact on Vitality's reported results. Vitality has elected to defer the hedging requirements under IFRS 9 in line with the provisions of the standard.

As permitted by the transitional provisions of both IFRS 9 and IFRS 15, Vitality has not restated prior year comparative financial statements. Retrospective adjustments arising from the application of these standards are not included in the financial statement balances at 30 June 2018, but have been adjusted to the opening balances at 1 July 2018. The note on page 45 present the required transitional disclosures required to understand the changes arising from the adoption of IFRS 9 and IFRS 15.

The preparation of the Annual 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 Vitality's accounting policies.

All monetary information and figures presented in these Annual Financial Statements are stated in thousands of Rand (R'000), unless otherwise indicated.

New standards and amendments to published standards not yet effective

Vitality has not early adopted any accounting standards, amendments or annual improvements issued but not yet effective.

The accounting standards, amendments and annual improvements described below are those that are expected to have an impact on Vitality'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.

During 2018, the IASB published a revised Conceptual Framework for Financial Reporting. This conceptual framework is not an accounting standard, rather it provides guidance and concepts to underpin the IASB's standard development process. This does not change any existing published accounting standard but could affect accounting policies developed by an entity where the IFRS do not stipulate accounting requirements. Vitality does not develop accounting policies with reference to the Conceptual Framework and thus does not anticipate any changes arising from the issuing of the Conceptual Framework for Financial Reporting.

The IASB also released non-mandatory guidance on making materiality judgements (IFRS Practice Statement 2). Vitality has considered this guidance in making materiality judgements in its Annual Financial Statements.

Standard	Scope	Potential impact
IFRS 9: Financial instruments Effective date: 1 July 2018	This standard introduces new requirements for the classification and measurement of financial assets, as well as a new impairment model which will result in earlier recognition of losses based on the expected credit loss method. No changes were introduced for the classification and measurement of financial liabilities, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss, unless the recognition would result in an accounting mismatch, in which case, the recognition of changes in own credit is recognised in the income statement. The hedging requirements of IFRS 9 have also been amended.	The decision to finalise the transitional approach has not yet been made. The current approach under consideration by Vitality is the cumulative catch up approach, which applies IFRS 9 retrospectively without restating comparative figures and where all measurement changes due to the adoption of IFRS 9 will be reflected in the opening retained earnings as at 1 July 2018. Vitality is still in the process of assessing the classification and measurement of the Company's financial assets. With respect to changes in the impairment model, Vitality does not expect significant impairment provisions to be raised due to the short-term nature of financial assets subject to the impairment model and low historical losses suffered.

Standard	Scope	Potential impact
	The amendments also align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.	It is anticipated that the hedge accounting requirements may simplify the existing hedge accounting process and effectiveness testing. However Vitality has elected to continue to account for its qualifying hedges under IAS 39 as permitted by IFRS 9, but will update its hedging documentation in line with IFRS 9.
IFRS 15: Revenue from contracts with customers Effective date: 1 July 2018	This standard establishes a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of goods or services transfer to a customer.	The decision on the transitional approach has not yet been made. The current approach under consideration by Vitality is the cumulative catch up approach, which applies IFRS 15 retrospectively without restating comparative figures. All measurement changes due to the adoption of IFRS 15 will be reflected in the opening retained earnings as at 1 July 2018. Vitality has performed detailed assessments of the most material contracts. This was performed by designing a detailed contract checklist, defining Vitality's ordinary activities and customers, scoping all contracts with customers and assessing related contracts to the checklist.

Standard	**Scope**	**Potential impact**
IFRIC 23: Uncertainty over Income Tax Treatments Effective date: 1 July 2019	The IFRIC clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. This includes where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The interpretation requires that the entity account for tax consequences based on the probability of the tax authority accepting the treatment. The effects of uncertainty are recognized using either the most likely amount or the expected value where there are a range of possible outcomes.	There are is no uncertain tax position at balance sheet date.

New and amended standards not relevant for Vitality's operations

Standard	**Scope**	**Potential impact**
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 as 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 lease term. A lessee will not be required to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture).	No impact on Vitality

Standard	Scope	Potential impact
IFRIC 22: Foreign currency transactions and advance consideration Effective date: 1 July 2018	This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payment/receipts are made. The guidance aims to reduce diversity in practice.	No impact on Vitality
IFRS 4 (Amendment): Insurance contracts Effective date: 1 July 2018	Gives companies whose activities are predominantly connected with insurance an optional exemption from applying IFRS 9 until 1 January 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard – IAS 39.	No impact on Vitality

2. Foreign currency translation

2.1 Functional and presentation currency

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

2.2 Transactions and balances

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 Statement of Comprehensive Income.
- The settlement of financing transactions and from the translation at year-end exchange rates of assets and liabilities denominated in foreign currencies are recognised in Statement of Comprehensive Income as foreign exchange gains and losses.
- Qualifying cash flow hedges and qualifying net investment hedges are deferred in profit or loss and are recycled to Statement of Comprehensive Income in the periods in which the hedged item affects Statement of Comprehensive Income.

3. Loans and receivables

Vitality initially recognises Loans and receivables when it becomes party to the contract at amortised cost.

Financial instruments are classified at amortised cost where they are held in a business model whose objectives are achieved through the collection of cash flows and whose cash flow characteristics are sole payments of principle and interest. These instruments are measured at amortised cost using the effective interest rate method. Movements in the balance of the instrument relate to impairment losses which are recognised on profit or loss.

A provision for impairment of loans and receivables is established when there are expected credit losses (see accounting policy 8 for the policy on impairment).

4. Motor vehicles

Motor vehicles 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 Vitality 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.

Motor vehicles are depreciated over a 4-year useful life using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

The motor vehicles carrying amount is written down immediately to its recoverable amount if the 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.

5. Derivative financial instruments

Vitality 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 of the transaction) and subsequently re-measures these instruments at their 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 market 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 fair value is positive and as liabilities when fair value is negative.

Vitality designates certain derivatives as either:
- Hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge), or
- Hedges of highly probable forecast transactions (cash flow hedge).

Vitality 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. Vitality 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.

1.1 Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest rate method is used, is amortised to profit or loss over the period to maturity.

Derivative financial instruments (continued)

1.2 Cash flow hedge

Vitality recognises the effective portion of fair value changes of derivatives that are designated and qualify as cash flow hedges and prove to be highly effective in relation to the hedged risk, 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 the profit or loss.

Amounts accumulated in the statement of Other Comprehensive Income are recycled to profit or loss in the periods 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 a liability, the gains and losses previously deferred are transferred from the profit or loss and included in the initial measurement of the cost of the non-financial asset or liability.
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.

1.3 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.

6. Acquisition costs – contract assets with customers

Acquisition Costs represent the amount incurred by Vitality to purchase a fitness device for members which will be used to track physical activity over a contractual 24-month period. The costs are capitalised and amortised on a straight-line basis and disclosed as an asset in the Statement of Financial Position.

The amortisation of capitalised deferred acquisition costs is reflected under benefit expenses in profit or loss.

Active rewards acquisition costs are derecognised at the earlier of the following:

- Member cancels device benefit.
- Member cancels Vitality membership.
- Member defaults on penalties.
- Trade-in for a new device.

7. Intangible assets – software development assets

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design, building and testing of an identifiable unique software product 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.
- There is an ability to use the software product.

Intangible assets (continued)

- 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.
- Adequate technical and other resources to complete the development and to use or sell the software products are available.
- The expenditure attributable to the software product during its development can be reliably measured.

Consideration of impairment of intangible assets
Vitality performs an impairment assessment of its intangible assets at each reporting period through assessing indications of decline in the asset's market value, adverse technological changes, deterioration in the expected level of the asset's performance and assessment of future cash inflows and profitability. No indications of impairment were identified for Vitality's intangible assets in the current financial year.

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 expenditure that does not meet these criteria are recognised as an expense as and when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their useful lives, which does not exceed three years. The amortisation is reflected under marketing and administration expenses in profit or loss.

8. Impairment of assets

Financial assets carried at amortised cost

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

The expected credit loss approach requires that Vitality assess the credit risk of the instrument and determine whether there has been a significant increase in credit risk since recognition. Where there has not been a significant increase in credit risk since initial recognition expected credit losses are measured as the 12 month expected credit losses. Where there has been a significant increase in credit risk, expected credit losses are recognised as the life time credit losses. There is assumed to be an increase in credit risk where a financial instrument is more than 30 days past due.

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

9. Offsetting financial instruments

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 or on a pass through arrangement. 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 Vitality or the counterparty.

10. Cash and cash equivalents

Cash and cash equivalents comprise:
- 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 cost which due to their short term nature approximates fair value.

11. Share capital

Shares are classified as equity when there is no obligation to transfer cash or assets. 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.

12. Deferred income tax

Vitality calculates deferred income tax on all temporary differences using the Statement of Financial Position approach. It calculates deferred tax liabilities or assets by applying corporate tax rates that have been substantively enacted to the temporary differences existing at each reporting date 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.

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

Temporary differences arise primarily from revaluation of certain financial assets and liabilities and Share based payment and provisions for leave pay. 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 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 taxes assets and liabilities

Deferred income tax (continued)

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.

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 separately discloses the deferred tax asset and deferred tax liability.

13. Employee benefits

13.1 Post-employment benefits

Vitality operates 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 Vitality employees.

For defined contribution plans, Vitality pays contributions to privately administered pension insurance plans on a mandatory basis. Vitality has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

13.2 Share-based compensation

Vitality operates equity-settled and cash-settled share-based compensation plans.

Equity-settled share-based compensation plans
Vitality recognise in the profit or loss 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, Vitality revises its estimate of the number of options expected to vest. Any changes to the estimated number of options are recognised in profit and loss immediately

Cash-settled share-based compensation plans
Vitality 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 remeasured at each reporting date to its fair value, with all changes recognised immediately in profit or loss.

13.3 Leave pay

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

Employee benefits (continued)

13.4 Profit share and bonus plan

Vitality recognises a liability and an expense for bonuses and profit-sharing in staff costs, based on a formula where there is a contractual obligation or where there is a past practice that has created a constructive obligation. This liability is disclosed in trade and other payables in the Statement of Financial Position.

14. 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. Accounts payable 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.

15. Provisions

Provisions are recognised when a present obligation (legal or constructive) arises as a result of past events, uncertain timing or amount, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured as the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date.

Vitality recognises a provision for the anticipated conversion of Points to Miles when the Vitality member meets their pre-determined goals set out in terms of the benefit, as well as a provision for earned but not redeemed Active Rewards points based on actuarial assumptions (see note number 1 – critical estimates for more details).

16. Contingent liabilities

Vitality 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.

17. Financial Guarantees

Vitality provides a Financial Guarantee to Discovery Limited on its borrowing facilities. Vitality recognises the underlying asset and liability measured at its fair value.

18. Revenue from contract with customers

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 the Vitality, all contracts contained a single performance obligation.

Nature of performance obligations

Revenue includes the Vitality fee income that members pay to access the Vitality benefit, various activation fees for activating additional benefits as well as Income from penalties imposed on goals not achieved on the Active Rewards benefit.

When does control pass point in time vs over time

Performance obligations to provide access to benefits are considered stand ready services as the customer obtains benefits over the duration of the contract and when required by the customer. As a result, revenue is recognised over time based on the passage of time.

When are amounts payable

Amounts are billed either monthly, payable within 30 days, or billed on activation of the benefit, payable immediately.

Variable consideration and estimates

There are no adjustments to the transaction price as a result of any variable consideration, nor is there any financing component.

Costs to capitalise

In respect of the Apple watch benefit, Vitality incurs costs upfront to purchase the device and provides it to the customer. These costs are deferred and recognised over the 2-year term of the benefit.

19. Investment income

Interest is recognised on assets held at amortised cost and cash and cash equivalents and is accounted for on an accrual basis using the effective interest rate method.

20. Net Benefit expenses

Benefit expenses include all direct expenses paid net of rebates and discounts under the Vitality programme and are expensed in profit or loss as incurred.

21. Acquisition costs

Acquisition costs represent cost incurred directly related to acquiring new business. These costs are expensed in profit or loss as incurred.

22. 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.

23. Direct and indirect taxes

Direct taxes include South African corporate tax payable. Direct taxes are disclosed as taxation in profit or loss.
Indirect taxes include various other taxes paid to central and local governments, including 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, disallowed and/or any allowances. Income tax is calculated using taxation rates that have been enacted at the reporting date.

Discovery Vitality Proprietary Limited
Statement of financial position
for the year ended 30 June 2019

R'000	Notes	2019	2018
Assets			
Intangible assets – software development assets	3	**32 942**	14 286
Acquisition costs - contract assets with customers	4	**76 060**	69 898
Investment in fellow subsidiary	20	**6 171**	-
Motor vehicles	5	**417**	-
Financial assets			
- Derivatives	6	**7 786**	15 821
- Loans and receivables	7	**271 965**	238 034
Deferred income tax	8	**10 180**	-
Cash and cash equivalents	19.3	**490 867**	421 061
Total assets		**896 388**	759 100
Equity			
Capital and Reserves			
Share capital	9	**1**	1
Other reserves		**363**	4 024
Retained earnings		**304 481**	210 477
Total equity		**304 845**	214 502
Liabilities			
Financial liabilities			
- Derivatives	6	**2 919**	70
- Trade and other payables	10	**476 553**	338 286
Financial guarantee contract	20	**6 171**	-
Contract Liabilities	11	**49 272**	181 047
Employee benefits	12	**11 198**	9 214
Provision for Vitality benefits	13	**14 665**	8 333
Deferred income tax	8	**-**	5 810
Current income tax		**30 765**	1 838
Total liabilities		**591 543**	544 598
Total equity and liabilities		**896 388**	759 100

Discovery Vitality Proprietary Limited
Statement of comprehensive income
for the year ended 30 June 2019

R'000	Notes	2019	2018
Revenue	14	**3 056 856**	3 075 673
Benefit expenses		**(2 196 660)**	(2 249 282)
Acquisition costs		**(92 650)**	(89 254)
Marketing and administration expenses	16	**(678 065)**	(611 726)
Profit from operations		**89 481**	125 411
Finance costs		**(55)**	(24)
Investment income	15	**41 968**	30 523
Profit on sale of joint interest in DiscoveryCard		**-**	491 000
Profit before tax		**131 394**	646 910
Income tax expense	18	**(36 988)**	(43 732)
Total profit for the year		**94 406**	603 178
Other comprehensive income:			
Items that may be reclassified subsequently to Statement of Comprehensive Income:			
Cash flow hedges		**(2 034)**	(177)
- gains recycled to profit or loss		**(3 610)**	(7 263)
- tax on realised gains		**1 164**	1 642
- unrealised gains		**604**	7 016
- tax on unrealised gains		**(192)**	(1 572)
Other comprehensive (loss) for the year, net of tax		**(2 034)**	(177)
Total comprehensive income for the year		**92 372**	603 001

Discovery Vitality Proprietary Limited
Statement of Changes in Equity
for the year ended 30 June 2019

R'000	Share capital and share premium	Hedging reserve	Share-based payment reserve	Retained earnings	Total
Year ended June 2018					
At the beginning of the year	800 001	1 850	1 018	99 522	902 391
Profit for the year	-	-	-	603 178	603 178
Other comprehensive income	-	(177)	-	-	(177)
Total comprehensive income for the year	-	(177)	-	603 178	603 001
Distribution	(800 000)	-	-	-	(800 000)
Employee share option schemes:					
- Value of employee services	-	-	110	-	110
Dividends in specie				(491 000)	(491 000)
Opening balance reclassification – Share based payment to Retained earnings			1 223	(1 223)	-
Total	(800 000)	-	1 333	(492 223)	(1 290 890)
At end of the year	1	1 673	2 351	210 477	214 502
Year ended 30 June 2019					
At beginning of the year	**1**	**1 673**	**2 351**	**210 477**	**214 505**
Profit for the year	-	-	-	**94 406**	**94 406**
Other comprehensive income	-	**(2 034)**	-	-	**(2 034)**
Total comprehensive income for the year	-	**(2 034)**	-	**94 406**	**92 372**
Employee share option schemes:					
- Value of employee services	-	-	**500**	-	**500**
- Transfer of share options	-	-	**(2 128)**	**2 128**	-
Opening balance reclassification – Provision for doubtful debts to Retained earnings	-	-	-	**(2 530)**	**(2 530)**
Total	-	**(2 034)**	**(1 628)**	**94 004**	**90 343**
At end of the year	**1**	**(360)**	**723**	**304 481**	**304 845**

Discovery Vitality Proprietary Limited
Statement of cash flows
for the year ended 30 June 2019

R'000		2019	2018
Cash flow from operating activities		**101 662**	118 537
Cash generated by operations	19.1	**81 788**	134 831
Taxation paid	19.2	**(22 094)**	(46 817)
Interest received	15	**41 968**	30 523
Cash flow from investing activities		**(31 856)**	-
Purchase of Motor vehicles	5	**(466)**	-
Additions to Software intangible assets	3	**(31 390)**	*
'et increase in cash and cash equivalents		**69 806**	118 537
ash and cash equivalents at beginning of the year		**421 061**	302 524
Cash and cash equivalents at end of the year	18.3	**490 867**	421 061

**Included as part of working capital in the comparatives*

1. Critical estimates

Discovery Miles liability

The fair value of the Discovery Miles granted to members is estimated by applying a weighted average cost per Mile based on estimated redemption percentages. The weighted average cost is 8.71 cents per Mile for the current financial year (2018: 8.68 cents per mile). This has been included in the Miles liability in the Statement of Financial Position.

Points to Miles

The Provision for Miles is estimated by use of existing member data as required in the pre-determined conditions. Data used to determine the provision includes: historic health claims by the members (Health Band Index), average monthly Card spend by the members, projected Vitality status on 1 January 2019 (Based on projected earned Vitality status from projection model), expected points earned over 2018 (from status projection model).

The Points to Miles are calculated based on a conversion percentage taking into account criteria above, subsequently the conversion percentage is multiplied with the expected points.

Earned but not-redeemed Active Rewards points

The Provision for Earned but not-redeemed Active Rewards points is based on actuarial weighted average cost per point. For meeting weekly Vitality Active Reward (VAR) goals, Vitality members earn a chance to play a gamified rewards board, from which they win either Gold or Diamond Vitality Reward Points (VRPs). The accumulated VRPs carry different denominations, are redeemable for various rewards at Vitality's network of partners and expire after twelve weeks.

At each reporting date a provision for VAR is recognised for all earned and unredeemed VRPs, using an actuarially-determined weighted average rate of 47.15 cents (2018: R Nil) for each Gold reward point and R75.39 (2018: R Nil) for each Diamond reward point. The weighted average rate incorporates historical redemption breakage adjustments and the different commercial arrangements with Vitality partners for the costs of redeeming the VRPs.

Employee benefits

Management makes estimates and assumptions when calculating the provision for leave pay. Assumptions are based on past experience of future outcomes. The provision for leave pay is based on expected future salary increases 5.5% (2018: 5.5%) and discounted at a rate of 7.02% (2018: 6.96%).

Deferred income tax

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

2. Management of financial risk

Vitality through its operations is exposed to financial and operational risks.

2.1 Financial Risk

Vitality 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 Vitality 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 of individual counterparties.
- The Investment Committee is a sub-committee of the CCIC and meets monthly to make practical decisions regarding Vitality's liquidity.

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

- financial assets and liabilities.
- non-financial assets and liabilities.

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

	30 June 2019			30 June 2018		
R'000	**Total**	**Financial assets and liabilities**	**Non-financial assets and liabilities**	Total	Financial assets and liabilities	Non-financial assets and liabilities
Intangible asset – software development assets	**32 942**	**-**	**32 942**	14 287	-	14 287
Acquisition costs - contract assets with customers	**76 060**	**-**	**76 060**	69 898	-	69 898
Investment in fellow subsidiary	**6 171**	**-**	**6 171**	-	-	-
Motor vehicles	**417**	**-**	**417**	-	-	-
Derivatives - hedges	**7 786**	**7 786**	**-**	15 821	15 821	-
Loans and receivables	**271 965**	**271 965**	**-**	238 034	238 034	-
Cash and cash equivalents	**490 867**	**490 867**	**-**	421 061	421 061	-
Deferred income tax	**10 180**	**-**	**10 180**			
Total assets	**896 388**	**770 618**	**125 770**	759 100	674 916	84 184
Derivatives - hedges	**2 919**	**2 919**	**-**	70	70	-
Trade and other payables	**476 553**	**476 553**	**-**	338 286	338 286	-
Financial Guarantee Contract	**6 171**	**6 171**	**-**	-	-	-
Contract liabilities	**49 272**	**-**	**49 272**	181 047	160 961	20 086
Other liabilities	**56 628**	**-**	**56 628**	25 195	-	25 195
Total liabilities	**591 543**	**485 643**	**105 900**	544 598	499 317	45 281

2.1.1 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:

- **Equity risk:** The impact of changes in equity prices and dividend income.
- **Interest rate risk:** The impact of changes in market interest rates.
- **Currency risk:** The impact of changes in foreign exchange rates.

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

a) 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.

2 Management of financial risk continued

The table below details specific interest rate risk that the company is exposed to.

R'000	Carrying value	Floating	Fixed	Non-interest bearing
2019				
Derivatives	**7 786**	**-**	**7 786**	**-**
Loans and receivables	**271 965**	**-**	**-**	**271 965**
Cash and cash equivalents	**490 867**	**490 867**	**-**	**-**
Trade and other payables	**(476 553)**	**-**	**-**	**(476 553)**
	294 065	**490 867**	**7 786**	**(204 588)**
2018				
Derivatives	15 821	-	15 821	-
Loans and receivables	238 034	-	-	238 034
Cash and cash equivalents	421 061	421 061	-	-
Trade and other payables	(338 286)	-	-	(338 286)
	336 630	421 061	15 821	(100 252)

a) Interest rate risk

For cash and cash equivalents, a 1% increase in the local interest rate would result in an increase of R4.4 million before tax. A 1% decrease in the local interest rate would result in a decrease of R4.4 million before tax. The sensitivity is based on the assumption that the interest rate had increased/decreased by 1% with all other variables held constant.

b) Equity price risk

Hedge Derivative Instruments

Vitality is exposed to equity price risk through its cash-settled share incentive scheme, the details of which is described in note 17. To manage this risk, Vitality has purchased various instruments from a BBB+ rated South African bank to hedge a portion of its exposure to changes in the Discovery share price.

As at 30 June 2019, 100% (2018: 99.39%) of this exposure is hedged. The hedges were designed to be highly effective, where the terms of the hedge substantially match that of the phantom share scheme on a per instrument basis.

The cash-settled call options held by Vitality at 30 June were:

Maturity Date	Strike Price	Number of call options
2019		
30 September 2019	97.89 – 141.65	66 494
30 September 2020	134.94 – 141.65	38 485
30 September 2021	141.65 – 141.65	15 326
30 September 2022	141.65 – 141.65	14 898
2018		
30 September 2018	84.76 - 134.94	83 485
30 September 2019	97.89 - 141.65	69 316
30 September 2020	114.96 - 141.65	39 875
30 September 2021	114.96 - 141.65	16 674
30 September 2022	141.65	16 209

The fair value of the call and put options are repriced at each reporting period and were calculated based on the Black-Scholes model using the same assumptions as tabled in note 17.

2 Management of financial risk continued

The return swaps held by Vitality at 30 June were:

Maturity Date	Strike Price	Number of return swaps
2019		
30 September 2019	97.89 – 155.13	71 679
30 September 2020	114.96 – 173.59	80 989
30 September 2021	114.96 – 173.59	67 678
30 September 2022	141.65 – 173.59	43 685
30 September 2023	173.59 – 173.59	21 991
2018		
30 September 2018	84.71 - 134.94	66 581
30 September 2019	97.89 - 171.04	73 479
30 September 2020	114.96 - 171.04	57 678
30 September 2021	114.96 - 171.04	45 090
30 September 2022	141.65 – 171.04	21 762

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

c) Currency Risk

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

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

2.1.2 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.

Credit Risk relating to loans and receivables

Vitality's loans and receivables comprise:

R'000	Notes	2019	2018
Vitality premiums due from Discovery Health Medical Scheme members	1	**92 967**	77 152
Vitality premiums due from Closed scheme members	1	**5 946**	4 836
Fellow subsidiary intercompany account	2	**36 776**	27 503
FNB credit card fees due	3	**28 581**	28 486
Debtors control account	4	**30 302**	37 238
Agents and brokers	6	**2 983**	6 412
Vitality partners	5	**63 985**	31 596
Other debtors		**36 163**	40 165
Less provision for impairment of other loans and receivables		**(25 738)**	(15 354)
Total		**271 965**	238 034

2 Management of financial risk continued

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

1. The Vitality premiums due from Discovery Health Medical Scheme (DHMS) and closed scheme members do not carry significant credit exposure as amounts due from any single member is insignificant.

2. Loans with fellow subsidiaries arise from intercompany transactions as disclosed in note 21 - Related Parties. These loans are settled on a monthly basis.

3. FNB has been rated as Baa2- by Moody's. FNB settles their accounts within 30 days.

4. Agents and brokers are subject to a comprehensive relationship management program including credit assessment. Agents and brokers are not rated by Vitality as exposure to any single intermediary is insignificant. The widespread nature of the individual amounts combined with this close management relationship reduces credit risk. Most commission claw-backs are off-set against future payments and hence the risk of outstanding commission is minimal.

5. Vitality partners settle their accounts within 30 days. These debtors have not been rated.

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

R'000	Gross 2019	Impairment 2019	Gross 2018	Impairment 2018
Not past due	**261 642**	**-**	188 275	(1 741)
30 days	**7 995**	**-**	15 499	(2 205)
60 days	**4 793**	**(224)**	15 742	(4 159)
90 days	**9 494**	**(51)**	1 879	(1 373)
120 days	**10 665**	**(18 181)**	(150)	(977)
150 days	**(88)**	**(1 955)**	23 303	(253)
>150 days	**3 202**	**(5 326)**	8 840	(4 646)
Total	**297 703**	**(25 738)**	253 388	(15 354)

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

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

The movement in the provision for impairment during the year was as follows:

R'000	2019	2018
Opening Carrying amount	**(15 354)**	(13 257)
Increase in provision	**(42 984)**	(34 633)
Amounts utilised during the year	**32 600**	32 536
Closing Carrying amount	**(25 738)**	(15 354)

2 Management of financial risk continued

Credit exposure for cash and cash equivalents

The credit risk on cash and cash equivalents is managed by monitoring exposure to external financial institutions against approved limits per institution.

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

R'000	Total	AA+ AA AA-	A+ A A-	BBB+ BBB BBB-	P1 P2 P3	Not rated
2019						
Cash and cash equivalents	**490 867**	**75 698**	**-**	**-**	**331 446**	**83 723**
2018						
Cash and cash equivalents	421 061	270 966	-	-	-	150 095

2.1.3 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).

Cash flow forecasting is performed by Vitality and liquidity requirements are monitored to ensure there is sufficient cash to meet operational needs. Such forecasting takes into consideration Vitality's debt financing plans and covenant compliance.

Cash held by Vitality 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 sufficient headroom as determined by the above mentioned forecasts. At the reporting date, the shareholders held money market funds and cash and cash equivalents of R491 million (2018: R421 million) and other liquid assets of R279 million (2018: R254 million).

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

R'000	< 1 year	1-5 years	5-10 years	Total
2019				
Trade and other payables	**475 492**	**1 061**	**-**	**476 553**
2018				
Trade and other payables	330 179	5 378	2 729	338 286

3. Intangible assets – software development assets

R'000	2019	2018
Opening carrying amount	**14 286**	1 158
Additions	**31 390**	16 689
Amortisation charge	**(7 669)**	(3 561)
Impairment amount	**(5 065)**	-
Closing carrying amount	**32 942**	14 286
Cost	**49 237**	17 847
Accumulated amortisation	**(11 230)**	(3 561)
Accumulated impairment amount	**(5 065)**	-
Closing carrying amount	**32 942**	14 286

4. Acquisition costs – contract assets with customers

R'000	2019	2018
Opening carrying amount	**69 898**	82 086
Additions	**75 505**	65 948
Amortisation charge	**(69 342)**	(78 136)
Closing carrying amount	**76 060**	69 898
Cost	**334 615**	259 111
Accumulated amortisation	**(258 555)**	(189 213)
Closing carrying amount	**76 060**	69 898

Contract assets with customers relate to acquisition costs incurred by Vitality to purchase a fitness device for customers. The costs incurred are amortised over a 24-month period and are expected to be recovered out of future revenue margins. Refer to note 22 for the adoption of new IFRS standards.

5. Motor vehicles

R'000	2019	2018
Opening carrying amount	**-**	-
Additions at cost	**466**	-
Accumulated depreciation	**(49)**	-
Closing carrying amount	**417**	-

6. Derivative financial instruments

R'000	2019 - Asset	2019 - Liability	2018 - Asset	2018 - Liability
Phantom share scheme - cash flow hedge	**7 786**	**(2 919)**	15 821	(70)
Total	**7 786**	**(2 919)**	15 821	(70)
Current portion	**3 744**	**(23)**	6 319	-
Non-current portion	**4 042**	**(2 896)**	9 502	(70)
	7 786	**(2 919)**	15 821	(70)

Refer to note 2.1.1 for a detailed description of the derivative financial instruments listed above.

7. Loans and receivables

R'000	2019	2018
Vitality premiums due from Discovery Health Medical Scheme members	**92 967**	77 152
Fellow subsidiary intercompany account	**36 776**	27 110
Vitality premiums due from Closed scheme members	**5 946**	4 836
FNB credit card fees due	**28 581**	28 486
Debtors control account	**30 302**	37 238
Agents and brokers	**2 983**	6 412
Vitality partners	**63 985**	31 596
Other debtors	**36 163**	40 165
	297 703	253 387
Provision for impairment	**(25 738)**	(15 354)
	271 965	238 034
Current	**269 485**	228 211
Non-current	**2 480**	9 823
	271 965	238 034

8. Deferred income tax

R'000	2019	2018
Deferred tax asset	**36 155**	22 430
- current	**34 627**	24 760
- non-current	**1 528**	1 113
Deferred tax liability	**(25 975)**	(28 240)
- current	**(20 651)**	(8 422)
- non-current	**(5 324)**	(19 150)
	10 180	(5 810)
Movement summary:		
Balance at beginning of the year	**(5 810)**	(1 700)
Statement of comprehensive income charge	**14 034**	(4 180)
Deferred tax on cash flow hedge and IFRS 9 adjustment	**1 956**	70
Balance at the end of the year	**10 180**	(5 810)

Deferred tax for the year comprises:

R'000	Opening balance	Charge for the year	Closing balance
Year ended 30 June 2019			
Contract liabilities	**4 446**	**9 350**	**13 796**
Prepayments	**(1 536)**	**(36)**	**(1 572)**
Provisions	**11 355**	**4 987**	**16 342**
Software Development	**(4 000)**	**1 520**	**(2 480)**
SBP – Cash Settled	**6 628**	**(614)**	**6 014**
Cash Flow Hedge	**(3 132)**	**2 506**	**(626)**
Acquisition costs – contract assets with customers	**(19 571)**	**(1 726)**	**(21 297)**
Motor vehicles	**-**	**3**	**3**
	(5 810)	**15 990**	**10 180**
Year ended 30 June 2018			
Contract liabilities	3 064	1 382	4 446
Prepayments	(197)	(1 339)	(1 536)
Provisions	13 460	(2 105)	11 355
Software Development	-	(4 000)	(4 000)
SBP – Cash Settled	9 350	(2 722)	6 628
Cash Flow Hedge	(4 393)	1 261	(3 132)
Acquisition costs– contract assets with customers	(22 984)	3 413	(19 571)
	(1 700)	(4 110)	(5 810)

9. Share capital

R	2019	2018
Authorised		
1 000 ordinary share of R1 each	**1 000**	1 000
Issued		
1 ordinary share of R1 each (2018:1 ordinary shares)	**1**	1
Share capital	**1**	1

10. Trade and other payables

R'000	2019	2018
Payables and accrued liabilities	**332 537**	224 076
Fellow subsidiary intercompany account	**33 787**	47 518
Cash-settled share base payment provision	**29 015**	23 672
Other creditors	**81 214**	43 020
Balance at 30 June	**476 553**	338 286
Current	**475 492**	330 179
Non-current	**1 061**	8 107
	476 553	338 286

11. Contract liabilities

R'000	2019	2018
Balance at 1 July	**181 047**	174 171
Income deferred	**88 493**	199 007
Realised through profit or loss	**(59 308)**	(192 131)
Miles *	**(160 960)**	-
Balance at 30 June	**49 272**	181 047
**reclassification of Miles balance from contract liabilities to payables*		
Refer to note 22 for the adoption of new IFRS standards		
Current	**45 719**	177 214
Non-current	**3 553**	3 832
	49 272	181 047

12. Employee benefits

R'000	2019	2018
Provision for leave pay		
Balance at 1 July	**9 214**	10 297
Provision raised	**15 131**	5 680
Used during the year	**(11 214)**	(4 963)
Paid to terminated employees	**(1 933)**	(1 800)
Balance at 30 June	**11 198**	9 214
Current	**9 295**	7 628
Non-current	**1 903**	1 586
	11 198	9 214

13. Provision for Vitality benefits

R'000	2019	2018
Balance at 1 July	**8 333**	14 163
Increase in Provision	**18 207**	-
Amounts utilised during the year	**(11 875)**	(5 830)
Balance at 30 June	**14 665**	8 333
Current	**14 665**	8 333
Non-current	**-**	-
	14 665	8 333

14. Revenue

R'000	2019	2018
Revenue comprises:		
Vitality Fee income	**2 124 545**	1 958 420
Vitality member income/ Benefit sales	**347 481**	375 160
DiscoveryCard income	**218 786**	416 940
Vitality Access fee	**366 044**	325 153
	3 056 856	3 075 673

15. Investment income

R'000	2019	2018
Interest received from bank	**41 968**	30 477
Other income	**-**	46
	41 968	30 523

16. Marketing and administration expenses

R'000	2019	2018
Marketing and administration expenses comprises:		
Employee costs	**227 783**	277 555
Marketing and distribution costs	**45 942**	47 973
IT systems and consumables	**99 320**	185 112
Building related and office costs	**16 691**	39 956
Other costs	**288 329**	61 130
	678 065	611 726
Marketing and administration expenses include the following:		
Auditors' remuneration		
Audit fees		
current year	**1 256**	787
prior year	**17**	445
	1 273	932
Employee costs		
Salaries, wages and allowances	**169 259**	225 483
Medical aid fund contributions	**17 318**	15 640
Defined contribution provident fund contributions	**14 193**	13 217
Social security levies	**1 091**	1 047
Share-based payment expenses		
- cash-settled	**500**	14 232
- equity-settled	**13 136**	110
- gain on fair value hedge	**427**	(5 844)
Staff training	**711**	1 814
Recruitment fees	**1 696**	1 637
Temporary staff	**602**	1 715
Provision for leave pay	**1 984**	1 763
Other	**6 865**	6 741
	227 783	277 555

Directors and prescribed officers' remuneration is included in employee costs. Refer to pages 43 and 44 for a detailed breakdown.

Professional fees		
Technical and other	**3 961**	2 739
	3 961	2 739
Repairs and maintenance expenditure		
Computer repairs and maintenance	**12**	3
Motor vehicle repairs and maintenance	**1**	*
Software maintenance	**99 303**	54 152
	99 316	54 155

**Amount is less than R500*

17. Share-based payment expenses

17.1. Staff incentive schemes

Discovery Limited operates various share-based payment arrangements in which employees of Vitality participate. The details of these arrangements are described below:

1. BEE staff share trust

5 290 000 Discovery's shares were issued to the BEE staff trust for current and future employees of its subsidiaries. 980 000 additional shares have been purchased accumulatively in prior years, for future allocation to employees. No additional shares were purchased by the BEE staff share trust during the current financial year. The trust consists of two components; the allocation scheme and the option scheme as described below:

Allocation scheme
Shares have been allocated to senior black employees based on level of seniority and length of past service. The shares vest to employees in 25% traches from year two, three, four and five years respectively. On each vesting date, the trustees shall distribute to the employees the allocated shares to which the employee may be entitled.

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

2. The phantom scheme

Participants earn a cash bonus based on allocation of bonus scheme units which in turn are linked to the performance of the Discovery share price. The bonus is earned if the participant is employed on each vesting date. For units issued in September, the vesting of the units is in 25% tranches in year two, three, four and five years after allocation of the bonus units. The bonus may not be carried forward.

The 2013 - 2019 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 schemed

There are various schemes offered to franchise directors, agents and employees where participants are allocated share units which replicate the economics of 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.

Share-based payment expenses continued

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

Date Granted	Option price	Final vesting Date	Shares under option at beginning of year	Options granted during year	Options delivered during year	Options cancelled /adjusted during year	Shares under option at end of year
1. BEE Share Scheme	-	30/09/2018	124	-	(124)	-	-
	-	30/09/2019	1 337	-	(1 181)	(79)	78
	-	28/02/2020	721	-	(360)	(30)	330
	-	30/09/2021	1 672	-	(460)	(276)	936
	122.41	01/03/2021	441	-	-	-	441
	121.50	31/03/2021	1 481	-	(494)	-	988
	-	28/02/2022	10 200	-	(2 562)	48	7 686
	113.00	30/11/2021	4 248	-	-	(4 248)	-
	-	30/09/2023	-	-	-	1 706	1 706

Date Granted	Option price	Final vesting date	Shares under option at beginning of year	Options granted during year	Options delivered during year	Options cancelled / adjusted during year	Shares under option at end of year
2. The phantom scheme	-	30/09/2019	28 042	-	(14 404)	(1 073)	12 565
	97.89	30/09/2019	56 086	-	(28 809)	(2 146)	25 131
	-	30/09/2020	34 284	-	(12 098)	(870)	21 316
	134.94	30/09/2020	68 570	-	(24 197)	(1 740)	67 524
	-	30/09/2021	96 121	-	(26 292)	(2 305)	67 524
	-	30/09/2022	93 116	-	-	(18 211)	74 905
	141.65	30/09/2022	71 585	-	-	(13 555)	58 030
	-	30/09/2023	-	96 604	-	(11 521)	85 083

The fair value of options was calculated at year-end on a Black-Scholes model using the following assumptions:

	Spot price	Exercise price	Option term	Volatility	Dividend yield
Phantom scheme					
- issued between 1 July 2017 and 30 June 2018	R149.11	R114.96 – R97.89	Up to 3.25 years	4.08%- 26.23%	0.00-1.75
- issued between 1 July 2016 and 30 June 2017	R149.11	R115.23- R114.96	Up to 2.25 years	5.84% - 26.24%	0.00-2.10
- issued between 1 July 2015 and 30 June 2016	R149.11	R122.50 - R134.94	Up to 1.85 years	5.95% - 27.21%	0.00-1.81
- issued between 1 July 2014 and 30 September 2015	R149.11	R97.89	Up to 0.25 years	24.08%	-

Share-based payment expenses continued

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 R149.11 adjusted for expected future dividends that will be declared by Discovery during the vesting period.

17.2 Black Economic Empowerment (BEE) transaction and IFRS 2

Discovery concluded a BEE transaction in September 2005 pursuant to which 38 725 909 shares were issued to the BEE parties as follows:

BEE parties	Number of shares issued	Number of shares settled	Number of shares outstanding	Date of settlement	Subscription price per share
Dlamini SPV	200 000	(200 000)	-	15 April 2009	0.00
Zilwa SPV	200 000	(200 000)	-	9 Dec 2010	0.00
WDBIH SPV	17 703 273	(17 703 273)	-	6 Dec 2013	0.11
Maphai SPV	1 106 455	(1 106 455)	-	9 December 2016	1.72
Discovery Foundation	14 226 181	(14 226 181)	-	8 Dec 2015	0.00
BEE staff share trust	5 290 000	(5 164 219)	125 781	-	0.00

Mechanics of the transaction with BEE partners other than BEE staff share trust (BEE parties)

In terms of the original transaction, the difference between the market value of the ordinary shares issued to the BEE parties of R715 million and the subscription consideration of R3.9 million represented an outstanding funded amount provided by Discovery shareholders (the funded amount). The BEE parties were to provide Discovery and its subsidiaries with a right to purchase, at the end of ten years, such number of ordinary shares at 0.1 cent per share (the par value) that will provide Discovery with a notional return on this funded amount (the Discovery repurchase agreement).

In order to allow the BEE parties to retain the full number of Discovery shares originally issued to them, the BEE parties had a right to simultaneously acquire from Discovery, at the then thirty-day volume-weighted average price per Discovery share, the same number of shares repurchased by Discovery in terms of the Discovery repurchase agreement.

Shares acquired by the BEE parties ranked pari passu with existing Discovery shares. The BEE parties undertook to utilise any dividend or capital distributions made by Discovery to acquire additional Discovery shares in the market within three months of the date of any distribution.

All amounts funded in terms of the September 2005 BEE transaction were repaid by the end of the prior financial year.

18. Taxation

R'000	2019	2018
South African normal taxation		
Current tax	**51 022**	39 552
Deferred tax	**(14 034)**	4 180
	36 988	43 732

Tax rate reconciliation	%	%
Effective tax rate	**28.15**	6.76
Exempt Income	-	21.26
Non-deductible expenditure	**(0.15)**	(0.02)
Standard rate of taxation	**28.00**	28.00

19. Cash flow information

R'000	2019	2018
19.1 Cash generated by operations		
Profit before taxation	**131 394**	646 910
Adjusted for:		
Investment Income	**(41 968)**	(30 523)
Non-cash items:		
Deferred acquisition costs	**69 342**	12 188
Amortisation and impairment of Intangible Assets	**12 734**	3 561
Contract liabilities profit or loss movement	**(59 308)**	6 876
Provision for employee benefits	**3 917**	717
Provision for bad debts	**10 384**	2 095
Provision for Vitality benefits	**6 332**	(5 829)
Equity and Cash settled share-based payment expense	**502**	110
Gain on fair value hedge	**7 880**	(5 198)
Profit on sale of joint interest in DiscoveryCard	**-**	(491 000)
IFRS 9 Provision – Retained earnings adjustment	**(3 514)**	-
Depreciation – Motor Vehicles	**49**	-
Additions to Acquisition costs	**(75 505)**	*
Working capital changes:		
Loans and receivables	**(44 316)**	(77 329)
Employee benefit	**(1 933)**	*
Contract liabilities	**(72 468)**	**
Trade and other payables	**138 266**	72 253
	81 788	134 831
19.2 Taxation paid		
Amounts owing to SARS at beginning of the year	**(1 838)**	(9 103)
Amounts charged to profit or loss	**(36 988)**	(43 732)
Adjustment for movement in deferred taxation	**(14 034)**	4 180
Amounts owing to from SARS end of the year	**30 765**	1 838
Taxation paid	**(22 094)**	(46 817)
19.3 Cash and cash equivalents		
Cash at bank and on hand	**75 698**	51 394
Short term deposits	**415 169**	369 667
	490 867	421 061

**disclosed as part of working capital in the comparatives*
***disclosed as part of non-cash items in the comparatives*

20. Contingencies and financial guarantees

Vitality has provided the following guarantee:

- In respect of the borrowing facilities of Discovery Limited. As at 30 June 2019, Discovery Limited owed R6.8 billion in respect of these facilities (2018: R6.1 billion).
- In respect of borrowing facilities of Discovery Central Services. As at 30 June 2019, Discovery Central Services owed R548.4 million (2018: R567.6 million) in respect of these facilities.

The financial guarantee disclosed in the Statement of Financial Position of R6.2 million (2018: immaterial) has been calculated based on the fair value.

No material claims had been instituted against Vitality.

21. Related parties

Vitality undertakes certain transactions with related parties, details of which are set out below:

Vitality entered into various related party transactions across Discovery, below are the transactions (excluding VAT) for this financial year per entity.

Related Party Transactions

R'000	2019	2018
Discovery Health		
Vitality fee income	**389 805**	325 152
Systems recharges and consultant fees	**(51 753)**	(29 370)
Wellness events recharges	**(34)**	-
Benefit sales	-	136
Discovery Insure		
Benefit sales	**13 324**	7 957
Systems recharges	**414**	-
Discovery Invest		
Benefit sales	-	15
System recoveries	-	10
Discovery Life		
Systems recharges	**(1 501)**	(4 010)
Benefit sales	**66**	29
Discovery Bank		
Systems recharges	**(401)**	(137)
Operations charges – Bank Rewards	**3 729**	-
Discovery Bank Holdings Company		
Profit on sale of joint interest in DiscoveryCard	-	491 000
Discovery Connect		
Acquisition costs	**(13 937)**	(27 561)
Discovery Limited		
Dividends in Specie	-	(491 000)
Distribution of investment	-	(800 000)

Related parties continued

R'000	2019	2018
Discovery Partner Markets		
Benefit Sales	**33**	-
Systems Recharges – Vitality International	**(10 620)**	-
Discovery Central Services		
Building and Office costs	**(37 572)**	(39 956)
Other Corporate Recharges	**(174 527)**	(131 216)

Fellow subsidiaries

Intercompany receivables/(payables) at 30 June:

	Accounts receivables/(payables)	
R million	**June 2019**	June 2018
Discovery Health	**4.9**	(15)
Discovery Life	**28.7**	28
Discovery Insure	**1.4**	0.61
Discovery Invest	**-**	*
Discovery Central Services	**(31.4)**	(29)
New Disc	**-**	(2)
Discovery Connect	**(0.3)**	(2)
Discovery Bank	**0.7**	-
Discover Partner Markets	**(0.9)**	-

The Discovery Foundation

The Discovery Foundation was launched in 2006 and is an independent shareholder of Discovery Limited, with its own trustees. It forms one arm of Discovery Limited's black economic empowerment transaction. The principal aim of the Discovery Foundation is to invest in the education and training of medical specialists and the development of academic and research centres, with particular focus on those areas with greatest need.

The Discovery Fund

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.

Related parties continued

Key management personnel

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

Vitality loyalty programme

R'000	Premiums received		Amounts paid	
	2019	2018	**2019**	2018
Vitality benefits	**61**	44	**2 159**	1 306

DiscoveryCard

R'000	Card fees received		Discounts paid	
	2019	2018	**2019**	2018
DiscoveryCard	**191**	149	**19**	32

Key management personnel, their families (as defined per IAS 24) and entities significantly influenced or controlled by key management accrued 376 578 Discovery Miles as part of the DiscoveryCard loyalty programme for the year ended June 2019 (2018: 221 629).

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Related parties continued

Directors and prescribed officers

Payments to directors and prescribed officers for the year ended 30 June 2019 for services rendered are as follows:

R'000	Services as directors	Basic salary	Performance bonus	Phantom scheme bonus	Provident fund contributions	Other benefits(1)	Total
Executive							
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(5)	-	660	640	4 881	135	17	6 333
B Swartzberg	-	5 165	5 090	5 122	266	160	15 803
DM Viljoen	-	4 510	4 440	2 748	688	77	12 463
Subtotal	-	65 359	67 175	50 766	4 675	2 118	190 204
Non-Executive							
MI Hilkowitz (6)	4 213	-	-	-	-	-	4 213
DR BA Brink	1 306	-	-	-	-	-	1 306
R Farber (7)	3 074	-	-	-	-	3 072	6 146
HL Bosman (8)	1 448	-	-	-	-	-	1 448
SE de Bruyn Sebotsa	1 247	-	-	-	-	-	1 247
Dr TV Maphai	1 011	-	-	-	-	-	1 011
TT Mboweni (9)	317	-	-	-	-	-	317
AL Owen (10)	2 755	-	-	-	-	194	2 949
SV Zilwa	1 741	-	-	-	-	-	1 741
FN Khanyile (11)	631	-	-	-	-	-	631
Subtotal	17 743	-	-	-	-	3 266	21 009
Total	17 743	68 655	70 376	50 766	5 353	5 475	218 369
Less: paid by fellow subsidiaries	(17 743)	(68 655)	(70 376)	(50 766)	(5 353)	(5 475)	(218 369)
Paid by Vitality	-	-	-	-	-	-	-

(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) JM Robertson resigned as executive director on 31 August 2018

(6) MI Hilkowitz resigned as non-executive director on 28 February 2019

(7) Director's fees were paid in AUD and Rand components

(8) Director's fees for services rendered by HL Bosman were paid to Rand Merchant Insurance Holdings Limited

(9) TT Mboweni resigned as non-executive director on 21 October 2018

(10) Director's fees are paid in GBP.

(11) Director's fees for services rendered by F Khanyile were paid to WDB Investment Holdings Proprietary Limited

Discovery Vitality Proprietary Limited
Notes to the Annual Financial Statements
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Related parties continued

Payments to directors and prescribed officers for the year ended 30 June 2018 for services rendered are as follows:

R'000	Services as directors	Basic salary	Performance bonus	Phantom scheme bonus	Provident fund contributions	Other benefits[1]	Total
Executive							
A Gore	-	6 600	5 412	6 406	990	313	19 721
HD Kallner	-	4 913	5 070	9 526	246	141	19 896
NS Koopowitz (2)	-	15 304	15 215	13 115	173	419	44 226
HP Mayers (3)	-	15 358	12 787	6 901	1 651	377	37 074
Dr A Ntsaluba	-	4 127	3 719	6 399	309	223	14 777
A Pollard (4)	-	5 679	5 100	6 943	228	270	18 220
JM Robertson	-	3 760	3 100	6 112	770	93	13 835
B Swartzberg	-	4 906	4 355	5 874	252	142	15 509
DM Viljoen (5)	-	4 277	750	-	652	71	5 750
Subtotal	-	64 924	55 477	61 276	5 271	2 049	189 028
Non-Executive							
MI Hilkowitz	4 200	-	-	-	-	-	4 200
Dr BA Brink	1 286	-	-	-	-	-	1 286
R Farber (6)	-	4 351	5 320	5 011	-	413	15 095
HL Bosman (7)	1 278	-	-	-	-	-	1 278
LM Chiume	378	-	-	-	-	-	378
SE de Bruyn Sebotsa	1 371	-	-	-	-	-	1 371
F Nkosi	-	-	-	-	-	-	-
Dr TV Maphai	859	-	-	-	-	-	859
TT Mboweni	1 317	-	-	-	-	-	1 317
AL Owen (8)	2 621	-	-	-	-	-	2 621
SV Zilwa	1 577	-	-	-	-	-	1 577
Subtotal	14 887	4 351	5 320	5 011	-	413	29 982
Total Less: paid by fellow subsidiaries	14 887	69 275	60 797	66 287	5 271	2 462	219 010
Paid by Vitality	-	-	-	-	-	-	-

(1) "Other benefits" comprise medical aid contributions, travel and other allowances.
(2) Director's fees for services rendered by P Cooper were paid to Rand Merchant Insurance Holdings Limited.
(3) Director's fees for services rendered by JJ Durand were paid to Remgro Limited
(4) Included in director's fees for SB Epstein is US$ 100 000 for services rendered as director of TVG Inc.
(5) Director's fees for services rendered by T Slabbert were paid to WDB Investment Holdings Proprietary Limited.

22. Adoption of new IFRS standards

22.1 IFRS 9: Financial Instruments

Clasiffication
IFRS 9 introduces new requirements for the classification of financial assets based on the company's business model. Vitality classifies Financial Assets at amortised cost where they are held in a business model whose objectives are achieved through the collection of cash flows and whose cash flow characteristics are sole payments of principle and interest.

Impairment
IFRS 9 introduces a new impairment model which will result in earlier recognition of losses based on the expected credit loss method. The impairment requirements relate to financial assets at amortised cost, contract assets. For Vitality, this relates to items disclosed on the statement of financial position as Financial assets – Loans and receivables. Vitality has assessed these balances for impairment and raised R3.5 million (with related deferred income tax of R984k) for expected credit losses on balances outstanding at 1 July 2018.

22.2 IFRS 15: Revenue from contracts with customers

IFRS 15 establishes a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or services transfer to a customer.

Vitality has performed detailed assessments on underlying contractual agreements with customers. This included detailed assessments in respect of Vitality fee income, Vitality member income and Vitality Access fee income. There is no impact on the timing or amount of revenue recognition, therefore no IFRS 15 adoption adjustments were applicable.

Effect of changes in IFRS 9 and 15 on date of initial application

R'000	30 June 2018 Previously reported Audited	IFRS 9 Adjustments	IFRS 9/15 Reclassification	1 July 2018 Restated
Assets				
Deferred acquisition costs	69 898	-	(69 898)	-
Acquisition costs - Contract assets	-	-	69 898	69 898
Financial Assets - Loans and receivables	238 033	(3 514)	-	234 519
Equity				
Retained earnings	210 477	(2 530)	-	207 947
Liabilities				
Deferred income tax	5 810	984	-	6 794
Deferred revenue	181 047	-	(181 047)	-
Contract liabilities	-	-	49 271	49 271

23. Events after reporting date

No significant events occurred after the reporting date, being 30 June 2019, to the date of approval of the Annual Financial Statements, namely 2 September 2019.