

Discovery Vitality Proprietary Limited

(Registration Number: 1999/07736/07)

**Annual Financial Statements
for the year ended 30 June 2020**

Discovery Vitality Proprietary Limited

(Registration number 1999/07736/07)

Annual Financial Statements

for the year ended 30 June 2020

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 Mphane CA (SA) and S Mbatha CA (SA)

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Discovery Vitality Proprietary Limited

Directors' responsibility statement

for the year ended 30 June 2020

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 2021, on the basis of this review, and in the light of the current financial position and available cash resources, the Directors have no reason to believe that 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 and 4.

The Annual Financial Statements of Vitality for the year ended 30 June 2020, which appear on pages 5 to 47 have been approved by the Board of Directors on 11 September 2020 and are signed on its behalf by:



A. Gore
Director



D. Viljoen
Director

Independent auditor's report

To the Shareholders 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 2020, 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 8 to 47 comprise:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "*Discovery Vitality Proprietary Limited Annual Financial Statements for the financial year ended 30 June 2020*", which includes the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express 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.

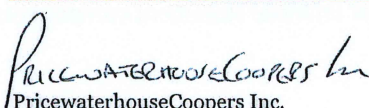
Auditor's responsibilities for the audit of the financial statements

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.
Director: A Taylor
Registered Auditor
Johannesburg
14 September 2020

Discovery Vitality Proprietary Limited

Directors' report

for the year ended 30 June 2020

The Directors present their report, which forms part of the Annual Financial Statements of Discovery Vitality Proprietary Limited, for the year ended 30 June 2020.

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 R69 million for the current financial year (2019: R94 million).

COVID-19 impact

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

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

While the Directors continue to monitor developments closely, their current assessment is that there is no significant impact on the business in the future. This is primarily as a result of the following factors:

- the business model of Vitality is to continue providing wellness and rewards benefits for its members;
- the business' operating model and technology stack lends itself to remote working allowing staff to remain fully operational at full capacity;
- the Directors have considered the budgets and latest forecasts for the foreseeable future, including stress testing for various economic downturn scenarios and believe that the impact on its business is limited.

There are therefore no significant factors arising from COVID-19 which would cause the Directors to reconsider the application of the going concern principle or the value of financial statement components at the reporting date.

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 and prior financial year.

Holding company

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

Discovery Vitality Proprietary Limited

Director's report

for the year ended 30 June 2020

Directorate and secretary

The following were Directors/Prescribed officer of Vitality during the current and prior financial year unless otherwise indicated:

Executive Directors

A Gore
H Kallner
NS Koopowitz
Dr A Ntsaluba
A Pollard
B Swartzberg
DM Viljoen

Non-Executive Directors

HL Bosman
Dr BA Brink
SE de Bruyn Sebotsa
R Farber
FN Khanyile
T Maphai
HP Mayers *
AL Owen **
SV Zilwa

Prescribed officer

D Govender

* Appointed as Non-Executive Director during this financial year. ** Resigned during this financial year.
Refer to Directors emoluments on page 44 for details of appointments and resignations.

Discovery Vitality Proprietary Limited

Director's report

for the year ended 30 June 2020

Company secretary

Mr. MJ Botha continues in office as Company Secretary.

<i>Registered office</i>	<i>Postal address</i>
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 21 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 17 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 2020, to the date of the approval of the Annual Financial Statements, namely, 11 September 2020.

Auditors

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

Discovery Vitality Proprietary Limited

Accounting policies

for the year ended 30 June 2020

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 rewards and Vitality points which will contribute to their status. Their Vitality status will determine the level of engagement and at certain instances, a discount at selected partners.

DiscoveryCard

The DiscoveryCard is a Visa credit card, which was issued under the License of FirstRand Bank Limited. Members can earn Miles from using the DiscoveryCard at selected partners. The Discovery Miles can be redeemed at the VitalityMall or used to obtain discounts with select travel partners.

Bin migration of DiscoveryCard members from FirstRand to Discovery Bank commenced in the prior financial year, and was finalised in July 2020. Bin migrated members continue to receive similar benefits and rewards before migration.

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.

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 millions of Rand (R million), unless otherwise indicated.

Discovery Vitality Proprietary Limited

Accounting policies

for the year ended 30 June 2020

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 2019, 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
Amendment to definition of material - amendments to IAS 1 and IAS 8 Effective date: 1 July 2020	<p>The definition of material has been amended in both IAS 1 and IAS 8. This new definition states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose Financial Statements make on the basis of those Financial Statements".</p> <p>The new elements incorporated in the definition are: obscuring information; expected to influence decisions and that the users are the primary users of general purpose Financial Statements. These amendments are not expected to have a significant impact on the financial statements but could change the way information in the Financial Statements is presented.</p>	<p>This amendment is not expected to have a significant impact on Vitality's results, but would be considered prospectively in making materiality judgements as part of the preparation of the Financial Statements.</p>

Discovery Vitality Proprietary Limited

Accounting policies

for the year ended 30 June 2020

Standard	Scope	Potential impact
	<p>This is particularly relevant in the clarity of disclosures to not obscure information. In addition, the clarification of the users to determine what is material, could result in a more focused group being considered in making materiality judgements.</p>	
<p>Definition of a business - amendments to IFRS 3</p> <p>Effective date: 1 July 2020</p>	<p>The amendments to IFRS 3 revise the definition of a business and the related application guidance in determining whether an acquisition is a business.</p> <p>The amendments indicate that outputs are not critical to a business, however inputs and a substantial process are the defining factors. The application of the definitions is also dependent on whether the process acquired includes a workforce, and whether the process can be easily replaced without significant cost or effort, particularly where there are no outputs.</p> <p>The amendments also include a simplified optional "fair value concentration test". For acquisitions where substantially all of the fair value of the assets acquired is concentrated in a single asset or group of similar assets the acquisition is not a business and is accounted for as an asset acquisition. This optional test is applicable on a transaction by transaction basis.</p>	<p>The amendment will apply prospectively to business acquired on or after 1 July 2020 and will therefore not impact completed transactions.</p>

Discovery Vitality Proprietary Limited

Accounting policies

for the year ended 30 June 2020

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.

Discovery Vitality Proprietary Limited

Accounting policies

for the year ended 30 June 2020

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

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

5.1 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.

Discovery Vitality Proprietary Limited

Accounting policies

for the year ended 30 June 2020

5.2 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.

5.3 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, within net fair value gains on financial assets at fair value through profit or loss in the Statement of Comprehensive Income.

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;
- End of 24 months' contractual period.

Discovery Vitality Proprietary Limited

Accounting policies

for the year ended 30 June 2020

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 for use.
- There is an ability to use the software product.
- It can be demonstrated how the software product will generate probable future economic benefits.
- Adequate technical and other resources to complete the development and to use the software products are available.
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of directly attributable overheads.

Other development 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.

De-recognition

An intangible asset shall be de-recognised on disposal, or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the de-recognition of an intangible asset shall be determined as the difference between the net disposal proceeds if any, and the carrying amount of the asset. It shall be recognised in profit or loss when the asset is de-recognised. Gains shall not be classified as revenue.

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.

Discovery Vitality Proprietary Limited

Accounting policies

for the year ended 30 June 2020

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.

Discovery Vitality Proprietary Limited

Accounting policies

for the year ended 30 June 2020

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 entered or 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 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.

Discovery Vitality Proprietary Limited

Accounting policies

for the year ended 30 June 2020

13. Employee benefits

13.1 Post-employment benefits

The Discovery Pension and Provident Funds ("the Funds") were set-up specifically for Discovery Staff. The Funds have invested R27 million (2019: R1.2 billion) into financial assets managed by Discovery Life Collective Investments, and R1.3 billion in unit linked insurance policies with Discovery Life (2019: Rnil). These policies are linked to unit trusts managed by Discovery Life Collective Investments.

In February 2020 the Discovery Limited Board approved the appointment of the Discovery Retirement Funds comprising funds underwritten by Discovery Life and registered as the Discovery Life Pension Umbrella Fund and the Discovery Life Provident Umbrella Fund, as retirement fund provider to the Discovery Staff. In April 2020 the Board of the Funds resolved to transfer the assets of the Funds to the Discovery Retirement Funds with effect from 1 July, this transfer is still subject to the regulated Section 14 transfer process. The Board also resolved to close the Funds after the transfer is completed and there are no assets remaining in the funds.

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.

Discovery Vitality Proprietary Limited

Accounting policies

for the year ended 30 June 2020

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 with a corresponding expense taken to profit or loss.

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 economic resources required to settle the obligation at the reporting date.

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 accounts for financial guarantee contracts (FGCs) in accordance with IFRS 9 Financial Instruments. Vitality issues FGCs to assist in securing funding for subsidiaries, fellow subsidiaries and its parent.

FGCs are initially measured at fair value, and subsequently at the higher of:

- Expected credit losses determined under IFRS 9; and
- The amount initially recognised less, when appropriate, the cumulative amount of income recognised under the principles of IFRS 15 Revenue from Contracts with Customers.

Discovery Vitality Proprietary Limited

Accounting policies

for the year ended 30 June 2020

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 wellness and rewards programme, all contracts contained a single performance obligation.

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

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

For certain contracts with customers, Vitality receives income in advance of discharging the related performance obligation. In these instances, the amount is recognised as a contract liability incurred in the acquisition or fulfilment of a contract.

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

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.

Discovery Vitality Proprietary Limited

Accounting policies

for the year ended 30 June 2020

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 Active Rewards fitness device, Vitality incurs costs upfront to purchase the device and provides it to the customer. These costs are deferred and recognised over the 24-month 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 and movement of Deferred Tax. 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

at 30 June 2020

R million	Notes	2020	Restated 2019
Assets			
Motor Vehicles	3	*	*
Intangible assets – Software Development assets	4	28	33
Contract assets with customers	5	71	76
Financial guarantee contract	20	8	6
Financial assets			
– Derivative financial instruments	6	1	8
– Loans and receivables	7	204	272
Deferred income tax asset	8	18	10
Current income tax asset		*	-
Cash and cash equivalents	19.3	738	491
Total assets		1,068	896
Equity			
Capital and Reserves			
Share capital	9	*	*
Other reserves		1	*
Retained earnings		373	304
Total equity		374	305
Liabilities			
Financial liabilities			
– Derivative financial instrument	6	10	3
– Trade and other payables	10	279	⁽¹⁾ 258
Financial guarantee contract	20	11	6
Contract liabilities to customers	11	382	⁽¹⁾ 267
Employee benefits	12	12	11
Provision for Vitality benefits	13	-	15
Current income tax liability		-	31
Total liabilities		694	591
Total equity and liabilities		1,068	896

* Amount is less than R500 000

⁽¹⁾ Balances of R218m have been reclassified from Trade and other payables to Contract liabilities to more accurately reflect their nature

Discovery Vitality Proprietary Limited

Statement of comprehensive income

for the year ended 30 June 2020

R million	Notes	2020	2019
Revenue	14	3,091	3,057
Benefit expenses		(2,237)	(2,197)
Acquisition costs		(66)	(93)
Marketing and administration expenses	16	(713)	(678)
Profit from operations		75	89
Net fair value losses and financial assets at fair value through profit or loss		(2)	-
Investment income	15	28	42
Net fair value adjustment to financial guarantees	20	(4)	-
Finance costs		(*)	(*)
Profit before tax		97	131
Income tax expense	18	(28)	(37)
Total profit for the year		69	94
Other comprehensive income:			
Items that may be reclassified subsequently to Statement of Comprehensive Income:			
Cash flow hedges		(2)	(2)
- Unrealised (losses)/gains		(13)	1
- tax on unrealised losses/gains		4	(*)
- gains recycled to profit or loss		7	(4)
- tax on realised gains		-	1
Other comprehensive loss for the year, net of tax		(2)	(2)
Total comprehensive income for the year		67	92

* Amount is less than R500 000

Discovery Vitality Proprietary Limited

Statement of changes in equity

for the year ended 30 June 2020

R million	Share capital	Hedging reserve	Share-based payment reserve	Retained earnings	Total
Year ended June 2019					
At the beginning of the year	*	2	2	210	214
IFRS 9 transitional adjustments	-	-	-	(2)	(2)
Adjusted balance at beginning of the year	*	2	2	208	212
Total comprehensive income for the year	-	(2)	-	94	92
Net profit for the year	-	-	-	94	94
Other comprehensive income	-	(2)	-	-	(2)
Transactions with owners	-	-	(1)	2	1
Employee share option schemes:					
- Value of employee services	-	-	1	-	1
- Transfer of share options	-	-	(2)	2	-
At end of the year	*	*	1	304	305
Year ended 30 June 2020					
At the beginning of the year	*	*	1	304	305
Total comprehensive income for the year	-	(2)	-	69	67
Net profit for the year	-	-	-	69	69
Other comprehensive income	-	(2)	-	-	(2)
Transactions with owners	-	-	2	-	2
Employee share option schemes:					
- Value of employee services	-	-	2	-	2
- Transfer of share options	-	-	-	-	-
At end of the year	*	(2)	3	373	374

* Amount is less than R500 000

Discovery Vitality Proprietary Limited

Statement of cash flows

for the year ended 30 June 2020

R million	Notes	2020	2019
Cash flow from operating activities		266	102
Cash generated by operations	19.1	305	82
Taxation paid	19.2	(66)	(22)
Interest received	15	28	42
Cash flow from investing activities		(19)	(32)
Purchase of Motor vehicles	3	-	(*)
Purchase of intangible assets	4	(19)	(32)
Net increase in cash and cash equivalents		247	70
Cash and cash equivalents at beginning of the year		491	421
Cash and cash equivalents at end of the year	19.3	738	491

* Amount is less than R500 000

Discovery Vitality Proprietary Limited

Notes to the annual financial statements

for the year ended 30 June 2020

1. Critical estimates

Assumptions are based on historical experience and expectations of future outcomes and anticipated changes in the environment. Assumptions are further regularly reviewed in the light of emerging experience and adjusted where required.

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 8.79 cents per Mile for the current financial year (2019: 8.71 cents per mile). This has been included as part of Contract Liabilities in the Statement of Financial Position.

Employee benefits

The provision for leave pay is based on expected future salary increases of 5.0% (2019: 5.5%) and is discounted at a rate of 3.91% (2019: 7.02%).

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 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.

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

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

R million	30 June 2020			30 June 2019		
	Total	Financial assets and liabilities	Non-financial assets and liabilities	Total	Financial assets and liabilities	Non-financial assets and liabilities
Intangible assets	28	-	28	33	-	33
Contract assets with customers	71	-	71	76	-	76
Investment in fellow subsidiary	8	-	8	6	-	6
Motor vehicles	*	-	*	*	-	*
Derivatives used as cash flow hedges	1	1	-	8	8	-
Loans and receivables ¹	204	190	14	272	272	-
Deferred income tax	18	-	18	10	-	10
Cash and cash equivalents	738	738	-	491	491	-
Total assets	1,068	929	139	896	771	125
Derivatives used as cash flow hedges	8	8	-	3	3	-
Derivatives not designated as hedging instruments	2	2	-	-	-	-
Trade and other payables ²	279	279	-	258	252	6
Financial guarantee contract	11	11	-	6	6	-
Contract liabilities	382	-	382	267	-	267
Other liabilities	12	-	12	57	-	57
Total liabilities	694	300	394	591	261	330

* Amount is less than R500 000

1 Prepayments, stock and value-added tax assets are non-financial assets.

2 Value-added tax liabilities are non-financial liabilities.

Discovery Vitality Proprietary Limited

Notes to the Annual Financial Statements

for the year ended 30 June 2020

2. Management of financial risk continued

2.1 Market risk

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

- **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.

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 2020, 1.05% (2019: 1%) 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
2020		
30 September 2020	134.94 - 141.65	35,158
30 September 2021	141.65	15,423
30 September 2022	141.65	14,993
2019		
30 September 2019	97.89 - 141.65	66,494
30 September 2020	134.94 - 141.65	38,485
30 September 2021	141.65	15,326
30 September 2022	141.65	14,898

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.

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

2. Management of financial risk continued

The return swaps held by Vitality at 30 June were:

Maturity Date	Strike Price	Number of return swaps
2020		
30 September 2020	114.96 - 173.59	70,121
30 September 2021	114.96 - 173.59	58,790
30 September 2022	141.65 - 173.59	37,591
30 September 2023	173.59	18,294
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	21,991

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

Interest rate risk

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

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

R million	Carrying value	Floating	Fixed	Non-interest bearing
2020				
Derivatives used as cash flow hedges	1	-	1	-
Loans and receivables	190	-	-	189
Cash and cash equivalents	738	738	-	-
Total financial assets	929	738	1	190
Derivatives used as cash flow hedges	8	-	8	-
Derivatives not designated as hedging instruments	2	-	-	-
Trade and other payables	279	-	-	279
Financial guarantee contract	11	-	-	11
Total financial liabilities	300	-	10	290
2019				
Derivatives used as cash flow hedges	8	-	8	-
Loans and receivables	262	-	-	262
Cash and cash equivalents	491	491	-	-

Discovery Vitality Proprietary Limited
Notes to the Annual Financial Statements

for the year ended 30 June 2020

Total financial assets	761	491	8	262
Derivatives used as cash flow hedges	3	-	3	-
Trade and other payables	258	-	-	258
Financial guarantee Contract	6	-	-	6
Total financial liabilities	479	-	3	476

2. Management of financial risk continued

Interest rate sensitivity analysis

For cash and cash equivalents, a 1% increase in the local interest rate would result in an increase of R 7 million before tax (2019: R4 million). A 1% decrease in the local interest rate would result in a decrease of R7 million before tax (2019: R4 million). The sensitivity is based on the assumption that the interest rate had increased/decreased by 1% with all other variables held constant.

Currency Risk

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

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

2.2 Credit Risk

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

Credit Risk relating to loans and receivables

Vitality's loans and receivables comprise:

R million	Notes	2020	2019
Contract receivables:			
- Discovery Health Medical Scheme members	1	34	93
- Closed scheme members	1	6	6
- Less provision for impairment of contract receivables		(1)	-
Other receivables:			
- Fellow subsidiary intercompany accounts	2	48	37
- DiscoveryCard fees due	3	10	29
- Agents and brokers	4	9	3
- Vitality partners	5	80	64
- Other debtors		50	56
Less allowance for expected credit losses		(46)	(26)
Total		190	262

Discovery Vitality Proprietary Limited

Notes to the Annual Financial Statements

for the year ended 30 June 2020

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 Baa3- 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 in the ordinary course of business. 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 million	2020		2019	
	Gross	Impairment	Gross	Impairment
Not past due	190	(16)	262	-
30 days	12	-	8	-
60 days	5	-	5	(*)
90 days	2	(3)	9	(*)
120 days	25	(25)	11	(18)
150 days	-	-	*	(2)
>150 days	3	(3)	3	(6)
Total	237	(47)	298	(26)

* Amount is less than R500 000

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.

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

2. Management of financial risk continued

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

R million	2020		2019	
	12 month credit losses	Lifetime credit losses	12 month credit losses	Lifetime credit losses
Balance at beginning of the year	(26)	-	(16)	
Increase in provision	(82)	-	(43)	
Amounts utilised during the year	61	-	33	
Balance at end of the year	(47)	-	(26)	

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 million	Total	AA1 AA2 AA3	A1 A2 A3	BA1 BA2 BA3	Govt	Not rated
2020						
Cash and cash equivalents	738	-	-	581	-	157
2019						
Cash and cash equivalents	491	76	-	-	331	84

2.3 Liquidity Risk

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

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 company held cash and cash equivalents of R738 million (2019: R491 million) and other liquid assets of R157 million (2019: R279 million).

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

2. Management of financial risk continued

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

R million	< 1 year	1-2 years	3-5 years	5-10 years	Total
2020					
Trade and other payables	277	2	-	-	279
Derivative financial instrument	3	6	1	-	10
2019					
Trade and other payables	257	1	-	-	258
Derivative financial instrument	-	1	2	-	3

3. Motor vehicles

R million	2020	2019
Year ended 30 June		
Opening carrying amount	*	-
Additions	-	*
Depreciation charge	*	*
Closing carrying amount	*	*
At 30 June		
Cost	*	*
Accumulated depreciation	*	*
Carrying amount	*	*

* Amount is less than R500 000

Motor Vehicles are classified as non-current

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

4. Intangible assets – software development assets

R million	2020	2019
Year ended 30 June		
Opening carrying amount	33	14
Additions	19	32
Amortisation charge	(15)	(8)
Impairment		
- cost	-	(10)
- accumulated amortisation	-	5
Derecognition		
- cost	(18)	-
- accumulated amortisation	9	-
Closing carrying amount	28	33
At 30 June		
Cost	40	39
Accumulated amortisation and impairment	(12)	(6)
Carrying amount	28	33

Intangible assets are classified as non-current

5. Contract assets with customers

R million	Assets arising from contracts with customers*	Costs of obtaining contracts	Total
2020			
Opening carrying amount	8	76	84
Accrued income recognised during the year	2	-	2
Costs of obtaining new contracts	-	55	55
Amortised during the year	-	(70)	(70)
Closing carrying amount	10	61	71
Current	10	48	58
Non-Current	-	13	13
	10	61	71
2019			
IFRS 15 transition	-	70	70
Costs of obtaining new contracts	-	75	75
Amortised during the year	-	(69)	(69)
Closing carrying amount	-	76	76
Current	-	57	57
Non-Current	-	19	19
	-	76	76

Discovery Vitality Proprietary Limited

Notes to the Annual Financial Statements

for the year ended 30 June 2020

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.

* Disclosed as part of Trade and other receivables in the comparative period.

6. Derivative financial instruments

R million	2020		2019	
	Asset	Liability	Asset	Liability
Derivatives used as cash flow hedges:				
Equity price risk derivatives ¹	1	8	8	3
Derivatives not designated as hedging instruments:				
De-designated derivatives ²	-	2	-	-
	1	10	8	3
Current portion	*	(3)	4	(*)
Non-current portion	1	(7)	4	(3)
	1	(10)	8	(3)

* Amount is less than R500 000

¹ Total return swaps and call options are entered into to hedge exposure to equity price risk related to share schemes.

² Due to certain employees resigning during the current period, certain share-based payment awards (hedged item) that had been designated as part of a hedging relationship, were forfeited. This resulted in the related derivatives (hedging instrument) being de-designated and presented separately. This amount has been included under "Net fair value gains on financial assets at fair value through profit or loss", in the Income statement. (Refer to note 29).

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

7. Loans and receivables

R million	2020	2019
Contract receivables:	39	99
- Discovery Health Medical Scheme members	34	93
- Closed scheme members	6	6
- Less provision for impairment of contract receivables	(1)	-
Other receivables:	165	173
- Agents and brokers	9	3
- Fellow subsidiary intercompany account	48	37
- DiscoveryCard fees due	10	29
- Prepayments	12	8
- Stock	2	2
- Vitality partners debtors	80	64
- Other debtors	50	56
- Less allowance for expected credit losses	(46)	(26)
	204	272
Current	202	270
Non-current	2	2
	204	272

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

8. Deferred income tax

R million	2020	2019
Deferred tax asset	43	36
Deferred tax liability	(25)	(26)
	18	10
Movement summary:		
Balance at 1 July	10	(6)
Statement of comprehensive income charge	8	14
Deferred tax on cash flow hedge and IFRS 9 adjustment	-	2
Balance at 30 June	18	10

Deferred tax for the year comprises:

R million	Opening balance	Charge for the year	Closing balance
Year ended 30 June 2020			
Contract liabilities	14	(4)	10
Prepayments	(2)	(1)	(3)
Provisions	16	10	26
Share-based payments – Cash Settled	6	(2)	4
Cash Flow Hedge	(1)	4	3
Contract assets with customers	(21)	4	(17)
Software Development	(2)	(3)	(5)
Difference between wear and tear and depreciation	*	*	*
	10	8	18
Year ended 30 June 2019			
Contract liabilities	4	10	14
Prepayments	(2)	(*)	(2)
Provisions	11	5	16
Software Development	(4)	2	(2)
Share based payments – Cash Settled	7	(1)	6
Cash Flow Hedge	(3)	2	(1)
Contract assets with customers	(19)	(2)	(21)
Difference between wear and tear and depreciation	-	*	*
	(6)	16	10

* Amount is less than R500 000

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

9. Share capital

R	2020	2019
<i>Authorised</i>		
1 000 ordinary share of R1 each	1 000	1 000
<i>Issued</i>		
1 ordinary share of R1 each (2019: 1 ordinary share)	1	1
Share capital	1	1

10. Trade and other payables

R million	2020	Restated 2019
Payables and accrued liabilities	85	⁽¹⁾ 114
Fellow subsidiary intercompany account	104	34
Cash-settled share-based payment provision	20	29
Value-added tax liability	-	6
Other creditors	70	75
	279	258
Current	277	257
Non-current	2	1
	278	258

⁽¹⁾ Balances of R218m have been reclassified from Trade and other payables to Contract liabilities to more accurately reflect their nature

11. Contract liabilities to customers

R million	2020	Restated 2019
Opening carrying amount	267	181
IFRS 15 transition	-	⁽¹⁾ 57
Contract liabilities recognised in the current year	195	88
Revenue recognised in the year	(80)	(59)
Balance at 30 June	382	267
Current	379	263
Non-current	3	4
	382	267

⁽¹⁾ Balances of R218m (R161m) have been reclassified from Trade and other payables to Contract liabilities to more accurately reflect their nature - in addition (R161m) related to the 2018 Miles liability, which was reclassified in terms of IFRS 15

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

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

12. Employee benefits

R million	2020	2019
Provision for leave pay		
Balance at 1 July	11	9
Provision raised	14	15
Used during the year	(12)	(11)
Paid to terminated employees	(1)	(2)
Balance at 30 June	12	11
Current	10	9
Non-current	2	2
	12	11

13. Provision for Vitality benefits

R million	2020	2019
Balance at 1 July	15	8
Increase in Provision	-	18
Amounts utilised during the year	(15)	(11)
Balance at 30 June	-	15
Current	-	15
Non-current	-	-
	-	15

Prior year balance comprises of Provision for earned but not redeemed Active Rewards coins and Points to Miles, the programs ended during this financial year.

14. Revenue

R million	2020	2019
Revenue comprises:		
Vitality Fee income	2,260	2,125
Vitality member income/ Benefit sales	289	347
DiscoveryCard income	137	219
Vitality Access fee	405	366
	3,091	3,057

15. Investment income

R million	2020	2019
Interest received on cash and cash equivalents	28	42

Discovery Vitality Proprietary Limited
Notes to the Annual Financial Statements
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16. Marketing and administration expenses

R million	2020	2019
Auditors' remuneration		
Audit fees		
- current year	2	1
- prior year	-	*
Fees for other services	*	-
	2	1
Staff costs including Directors and prescribed offices		
Salaries, wages and allowances	200	169
Medical aid fund contributions	17	17
Defined contribution provident fund contributions	15	14
Social security levies	1	1
Share-based payment expenses		
- cash-settled	(2)	13
- equity-settled	2	1
- gain on cashflow hedge	13	*
Staff training	1	1
Recruitment fees	2	2
Temporary staff	-	1
Provision for leave pay	2	2
Other	4	7
	255	228
Other operating costs		
Amortisation of software	15	8
Building related and office costs	7	15
Depreciation of property and equipment	-	*
Impairment of intangible assets	-	5
Impairment of loans and receivables	21	10
IT systems and consumables	88	99
Marketing and distribution costs	27	46
Professional fees	9	4
Loss on derecognition of intangible assets	9	-
Group recharges/recoveries	280	262
	456	449
Total marketing and administration expenses	713	678

* Amount is less than R500 000

Discovery Vitality Proprietary Limited

Notes to the Annual Financial Statements

for the year ended 30 June 2020

17. Share-based payment expenses

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

BEE staff share scheme

In 2005, 5 290 000 Discovery Limited's shares were issued to the BEE staff trust for current and future employees of its subsidiaries. These shares had all been allocated during prior years. 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% tranches 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.

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.

Discovery Vitality Proprietary Limited
Notes to the Annual Financial Statements
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17. 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 (R)	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
BEE staff share scheme							
FY2014	-	30/09/2019	78	-	(25)	(53)	-
FY 2015	-	28/02/2020	330	-	(330)	-	-
FY 2016	-	30/09/2021	936	-	(434)	(68)	434
FY2016	-	01/03/2021	441	-	-	-	441
FY2016	122.41	30/03/2021	988	-	-	-	988
FY2017	121.50	28/02/2022	7,686	-	(673)	(2,019)	4,994
FY2018	-	01/11/2021	1,706	-	(853)	-	853
FY2019	-	31/03/2024	-	-	-	3,655	3,655
The phantom scheme							
FY2015	-	30/09/2019	12,565	-	(10,573)	(1,992)	-
FY2015	97.89	30/09/2019	25,131	-	(21,147)	(3,984)	-
FY2016	-	30/09/2020	21,316	-	(8,720)	(3,875)	8,720
FY2016	134.94	30/09/2020	42,632	-	(17,441)	(7,750)	17,441
FY2017	-	30/09/2021	67,524	-	(19,007)	(10,503)	38,014
FY2018	-	30/09/2022	74,905	-	(15,885)	(11,367)	47,654
FY2018	141.65	30/09/2022	58,030	-	(14,508)	-	43,523
FY2019	-	30/09/2023	85,083	-	-	(16,821)	68,262

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

	Spot price	Exercise price	Option term	Volatility	Dividend yield (%)
FY2016	R104.55	R122.50 - R134.94	Up to 0.83 years	51.14% - 73.14%	0.00-3.23
FY2017	R104.55	R114.96 - R115.23	Up to 1.25 years	54.49% - 73.14%	0.00-3.64
FY2018	R104.55	R97.89 - R141.65	Up to 2.25 years	44.14%- 73.14%	0.00-2.64

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

Discovery Vitality Proprietary Limited
Notes to the Annual Financial Statements

for the year ended 30 June 2020

18. Taxation

R million	2020	2019
South African normal taxation		
Current tax	36	51
Deferred tax	(8)	(14)
	28	37
Tax rate reconciliation		
%	2020	2019
Effective tax rate	29.14	28.2
Non-deductible expenditure	(0.91)	(0.2)
Impact of prior year adjustments	(0.23)	-
Standard rate of taxation	28.0	28.0

19. Cash flow information

R million	2020	2019
19.1 Cash generated by operations		
Profit before taxation	97	131
Adjusted for:		
Investment Income	(28)	(42)
Non-cash items:		
Allowance for expected credit losses	21	10
Amortisation of intangible assets	15	8
Contract assets movement	5	(6)
Contract liabilities movement	116	(131)
Depreciation – Motor Vehicles	*	*
Gain from derivatives	14	8
Impairment/de-recognition of intangible assets	9	5
Provision for employee benefits	*	2
Fair value gain/loss - Financial Guarantee	3	
Provision for Vitality benefits	(15)	6
Share-based payment expense - cash settled	2	1
IFRS 9 Provision - Retained earnings adjustment	-	(4)
Hedge ineffectiveness	(1)	-
Working capital changes:		
Loans and receivables	47	(44)
Trade and other payables	19	138
	305	82

Discovery Vitality Proprietary Limited
Notes to the Annual Financial Statements
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19. Cashflow information

R million	2020	2019
19.2 Taxation paid		
Amounts at beginning of the year	(31)	(2)
Amounts charged to profit or loss	(28)	(37)
Adjustment for movement in deferred taxation	(8)	(14)
Amounts at end of the year	*	31
Taxation paid	(66)	(22)
19.3 Cash and cash equivalents		
Cash at bank and on hand	581	76
Short term deposits	157	415
	738	491

* Amount is less than R500 000

20. Financial guarantee contracts (FGC)

Vitality has provided the following guarantees:

- In respect of the borrowing facilities of Discovery Limited. As at 30 June 2020, Discovery Limited owed R8.3 billion in respect of these facilities (2019: R 6.8 billion).
- In respect of borrowing facilities of Discovery Central Services. As at 30 June 2020, Discovery Central Services owed R1.9 billion (2019: R548.4 million) in respect of these facilities.
- In respect of borrowing facilities of Discovery Bank. As at 30 June 2020, Discovery Bank owed R500 million (2019: Rnil) in respect of these facilities.

R million	2020		2019	
	Asset	Liability	Asset	Liability
Opening balance	6	(6)	-	-
FGC recognised	2	(2)	6	(6)
Net fair value gains/losses on FGC	-	(4)	-	-
Credit losses on FGC	-	1	-	-
Closing balance	8	(11)	6	(6)

Discovery Vitality Proprietary Limited
Notes to the Annual Financial Statements

for the year ended 30 June 2020

21. Related parties

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

Vitality undertakes certain transactions with related parties. The related parties are Directors and fellow subsidiaries of Discovery Vitality in the Discovery Limited Group, and certain other related parties. Details of the transactions are set out below. All amounts are excluding VAT.

Balances and transactions with fellow subsidiaries and associates in the Discovery Group

R million	2020	2019
Discovery Health		
Vitality fee income	376	390
Systems recharges and consultant fees	(44)	(52)
Wellness events recharges	(1)	*
Benefit sales	-	-
Discovery Insure		
Benefit sales	13	13
Systems recharges	*	*
Discovery Invest		
Benefit sales	-	-
System recoveries	-	-
Discovery Life		
Systems recharges	(1)	(2)
Benefit sales	-	*
Discovery Bank		
Systems recharges	-	(*)
Operations charges – Bank Rewards	5	4
Bank Access Fee	55	-
Discovery Connect		
Acquisition costs	(11)	(14)
Discovery Partner Markets		
Benefit Sales	-	*
Systems Recharges – Vitality International	(12)	(11)
Discovery Central Services		
Building and Office costs	(39)	(38)
Other Corporate Recharges	(199)	(175)

* Amount is less than R500 000

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

Intercompany receivables/(payables) at 30 June:

R million	2020	2019
Discovery Health	(49)	5
Discovery Life	40	29
Discovery Insure	1	1
Discovery Invest	-	-
Discovery Central Services	(54)	(31)
Discovery Connect	*	(*)
Discovery Bank	6	1
Discover Partner Markets	(1)	(1)

* Amount is less than R500 000

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.

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	
	2020	2019	2020	2019
Vitality benefits	78	61	1,397	2,159

DiscoveryCard

R 000	Card fees received		Discounts paid	
	2020	2019	2020	2019
DiscoveryCard	21	191	39	19

Key management personnel, their families (as defined per IAS 24) and entities significantly influenced or controlled by key management accrued 23,668 Discovery Miles as part of the DiscoveryCard loyalty programme for the year ended June 2020 (2019: 376,578).

Discovery Vitality Proprietary Limited
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21. Related parties continued

Payments to Directors and prescribed officers for the year ended 30 June 2020 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	-	6 767	4 375	3 636	1 088	413	16 279
HD Kallner	-	5 105	7 258	11 036	271	168	23 838
NS Koopowitz ⁽²⁾	-	19 858	18 798	44 887	214	541	84 298
Dr A Ntsaluba	-	4 281	3 417	2 400	342	273	10 713
A Pollard ⁽³⁾	-	7 857	4 323	5 191	197	298	17 866
B Swartzberg	-	4 902	3 682	3 166	470	173	12 393
DM Viljoen	-	4 419	3 350	2 331	722	89	10 911
Subtotal	-	53 189	45 203	72 647	3 304	1 955	176 298
Non-Executive							
DR BA Brink	1 062	-	-	-	-	-	1 062
R Farber ⁽⁴⁾	2 689	-	-	-	-	3 764	6 453
HL Bosman ⁽⁵⁾	1 663	-	-	-	-	-	1 663
SE de Bruyn Sebotsa	1 364	-	-	-	-	-	1 364
Dr TV Maphai*	1 390	-	-	-	-	-	1 390
AL Owen ⁽⁶⁾	2 224	-	-	-	-	185	2 409
SV Zilwa*	1 832	-	-	-	-	-	1 832
FN Khanyile ⁽⁷⁾	844	-	-	-	-	-	844
HP Mayers	420	-	-	-	-	-	420
Subtotal	13 488	-	-	-	-	3 949	17 437
Prescribed officer							
D Govender	-	4 210	3 680	1 382	313	186	9 771
Subtotal	-	4 210	3 680	1 382	313	186	9 771
Total	13 488	57 399	48 883	74 029	3 617	6 090	203 506
Less: paid by fellow subsidiaries	(13 488)	(53 189)	(45 203)	(72 647)	(3 304)	(5 904)	(193 735)
Paid by Vitality	-	4 210	3 680	1 382	313	186	9 771

(1) "Other benefits" comprise medical aid contributions, travel and other allowances.

(2) Salary and incentive are paid in GBP.

(3) Salary and incentive are paid in USD.

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

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

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

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

*Black Non-Executive Directors also participate in the Discovery Limited BEE-transaction

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

21. Related parties continued

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	67,174	50,766	4,675	2,117	190,091
Non-Executive							
MI Hilkwitz ⁽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	1,247	-	-	-	-	-	1,247
Sebotsa							
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	65,359	67,174	50,766	4,675	5,383	211,100
Less: paid by fellow subsidiaries	(17,743)	(65,359)	(67,174)	(50,766)	(4,675)	(5,383)	(211,100)
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 Hilkwitz 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

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22. Contingencies

No material claims have been instituted against Vitality at the reporting date.

23. Events after reporting date

COVID-19 impact

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

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

While the Directors continue to monitor developments closely, their current assessment is that there is no significant impact on the business in the future. This is primarily as a result of the following factors:

- the business model of Vitality is to continue providing wellness and rewards benefits for its members;
- the business' operating model and technology stack lends itself to remote working allowing staff to remain fully operational at full capacity;
- the Directors have considered the budgets and latest forecasts for the foreseeable future, including stress testing for various economic downturn scenarios and believe that the impact on its business is limited.

There are therefore no significant factors arising from COVID-19 which would cause the Directors to reconsider the application of the going concern principle or the value of financial statement components at the reporting date.

Other significant events

No significant events occurred after the reporting date, being 30 June 2020, to the date of approval of the Annual Financial Statements, namely 11 September 2020.