Discovery

DISCOVERY HEALTH ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2024

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Discovery Health Proprietary Limited
Registration number 1997/013480/07

ANNUAL FINANCIAL STATEMENTS

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These financial statements cover the financial results of Discovery Health Proprietary Limited, incorporated in the Republic of South Africa, and were audited in terms of the Companies Act (No. 71 of 2008) of South Africa.

Auditor: Deloitte and Touche

Prepared by: V Mbuli CA(SA), Financial Manager

Supervised by: R Naidoo CA(SA), Finance Deputy General Manager

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DIRECTORS' RESPONSIBILITY STATEMENT

for the year ended 30 June 2024

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

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

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

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

- Safeguarding of assets against unauthorised use or disposition; 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 they are identified. Even an effective system of internal control, no matter how well designed, has inherent limitations, including the possibility of circumvention and the overriding of controls. An effective system of control therefore aims to provide reasonable assurance with respect to the reliability of financial information and, in particular, the presentation of Annual Financial Statements.

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

Discovery Health's external auditor, Deloitte & Touché, have audited the Annual Financial Statements and their unqualified report appears on pages 4 to 6.

The Annual Financial Statements of Discovery Health for the year ended 30 June 2024, which appear on pages 9 to 53, have been approved by the Board of Directors on 9 October 2024 and are signed on its behalf by:

Dr RM Whelan
Director

F Chothia
Director

REPORT OF THE DISCOVERY HEALTH AUDIT COMMITTEE

for the year ended 30 June 2024

The Audit Committee (the Committee) for the Company was constituted during the year in terms of the Group's Subsidiary Governance Framework. The Committee comprises of the following directors:

Independent Non-Executive Director

SV Zilwa

Faith Khanyile

Non-Executive Director

Richard Farber

The Committee has discharged its oversight responsibility for Discovery Health Proprietary Limited for the year ended 30 June 2024.

The Committee reports that it has adopted appropriate terms of reference approved by the Discovery Health Board (the Board) as its charter and has regulated its affairs in compliance with the Charter and has discharged all the responsibilities set out therein and the supplementary functions assigned by the Board.

The Committee considered the matters set out in Section 94(7) of the Companies Act of South Africa and is satisfied with the independence and objectivity of Deloitte & Touché as the external auditor of the Company and Ms Mpho Penelope Malavi as the designated auditor. The Audit Committee fulfilled its oversight responsibility and all other relevant aspects relating to the independence of the auditors and audit quality.

The Committee discharged the following specific responsibilities during the reporting period:

- Ensured and reported on the integrity, reliability and accuracy of the Company's accounting and financial reporting systems.
- Reviewed the proposed dividends by management and ensured that the Company meets the solvency and liquidity test before recommending any dividend to the Board for approval.
- Considered and recommended the annual financial statements for approval by the Board.
- Considered whether the going concern assertion of the Company is appropriate as well as the solvency and liquidity requirements of the Company.
- Reviewed the scope, independence, objectivity of the external auditor and agreed on appropriate audit fees.
- Reviewed the findings and report of the external auditor.
- Monitored compliance with relevant tax legislation for local and foreign controlled entities.
- Reviewed the skills, capacity and effectiveness of the Finance Function and satisfied itself that the Finance function is adequately staffed and is effective.
- Reviewed any material incidents as a result of weakness in controls and monitored the implementation of internal control improvements that will prevent re occurrence.
- Reviewed the skills, capacity and effectiveness of the Finance Function and satisfied itself that the Finance function is adequately staffed and is effective.

The Committee is satisfied that there were no material breakdowns in internal financial controls in the reporting period that impacted on the reasonability of financial reporting to stakeholders. This is based on information, reports and presentations given by management, internal audit function and external auditors throughout the financial year.

The Committee is also satisfied that the external auditors have considered all significant matters concerning the Discovery Health's Financial Statements and how, in response, these were addressed. Furthermore, the Committee expressed its satisfaction with the independence of the external auditors and confirmed that they were able to conduct their audit functions objectively without any undue influence from the Company.

The Committee has evaluated the annual financial statements of Discovery Health Proprietary Limited for the year ended 30 June 2024 and, based on the information provided to the Committee, considers that the Company complies, in all material aspects, with the requirements of the Companies Act of South Africa and with IFRS Accounting Standards as issued by the International Accounting Standards Board and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council.

The Committee herewith confirms that it carried out its legal, regulatory and other responsibilities in alignment with its charter and as prescribed by the Companies Act of South Africa.

Sindi Zilwa

Chair: Audit committee

Deloitte.

Private Bag X6
Gallo Manor 2052
South Africa

Deloitte & Touche
Registered Auditors
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5 Magwa Crescent
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INDEPENDENT AUDITOR'S REPORT
To the Shareholder of Discovery Health Proprietary Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Discovery Health Proprietary Limited set out on pages 9 to 53, which comprise the statement of financial position as at 30 June 2024, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of material accounting policy information.

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

Basis for Opinion

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

Other Matter

The financial statements of Discovery Health Proprietary Limited for the year ended 30 June 2023 were audited by another auditor who expressed an unmodified opinion on those statements on 27 September 2023.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Discovery Health Proprietary Limited Annual Financial Statements for the year ended 30 June2024" which includes Directors' responsibility for the annual financial statements, the Directors' report as

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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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

Report on Other Legal and Regulatory Requirements

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

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Per: Mpho Penelope Malavi
Partner

10 October 2024

5 Magwa Crescent
Waterfall
2090

DIRECTORS' REPORT

for the year ended 30 June 2024

The directors present their annual report, which forms part of the financial statements of Discovery Health for the year ended 30 June 2024.

Nature of business

Discovery Health provides administration and managed care services to the Discovery Health Medical Scheme and 17 closed schemes. Discovery Health also provides intellectual property, rights and services, as well as administration services to other business segments within the Discovery Limited Group.

Review of Results

Profit attributable to ordinary shareholders is R2 444 million, a decrease in comparison to the R2 570 million reported in the prior financial year. The slight decrease in profits is mainly attributed to the unfavourable movement in the foreign exchange rate over the financial year.

Share Capital

There were no changes in the authorised or issued share capital of the Company during the financial year. Authorised number of ordinary shares was 1 100 (2023: 1 100) at R1 par value each while issued number of shares was 1 032 (2023: 1 032) at R1 par value each.

Significant contract

Discovery Health was appointed as the Administrator and Manage Care provider for Sasolmed Medical Scheme effective 1 January 2024.The Sasolmed Medical Scheme is a restricted scheme for employees of Sasol, currently supporting approximately 80 000 beneficiaries. It is one of the largest restricted medical schemes and represents a significant addition to our In- House Medical Scheme portfolio.

National Health Insurance Act consideration

The National Health Insurance (NHI) is South Africa's strategy to achieve universal health coverage. The NHI is a centralised, national insurance fund from which the government intends to buy healthcare services from healthcare providers in both public and private sectors.

The NHI bill was signed into law on 15 May 2024, however gazetted without effective dates making the implementation unlikely for the foreseeable future. The Company believes that the current levels of inequality in healthcare access in South Africa must be addressed and universal health coverage is crucial from an economic and societal perspective. However, the Act is not workable in its current form and collaboration with the private sector is considered essential. The Company is engaging at multiple levels to facilitate a viable journey to universal healthcare coverage in South Africa.

Holding company

The Company is a wholly owned subsidiary of Discovery Limited, the ultimate holding company, which is listed in the insurance sector of the Johannesburg Stock Exchange Limited (JSE), South Africa.

Dividends

On 31 March 2024, the directors declared an interim ordinary dividend of R1.42 billion for the financial year ended 30 June 2024.

In the prior year, on 7 June 2023, the directors declared a final ordinary dividend of R2.74 billion.

DIRECTORS' REPORT *continued*

for the year ended 30 June 2024

Directorate and secretary

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

Non-executive directors	Executive directors
A Gore	Dr RN Noach (Resigned 31 December 2023)
Dr J Broomberg	Dr RM Whelan (Appointed 17 January 2024)
NS Koopowitz	F Chothia
Dr A Ntsaluba	N Pitje
FN Khanyile	
Dr TV Maphai (Resigned 29 November 2023)	
SV Zilwa	
R Farber	
Dr RN Noach (Appointed 1 February 2024)	

Company Secretary

NN Mbongo resigned as Company Secretary with effect from 31 March 2023. A Manqele was appointed as the Acting Company Secretary with effect from 31 May 2023 until 31 August 2023. A Ceba has been appointed as Company Secretary with effect from 1 September 2023.

Registered office
1 Discovery Place
Sandton
2196
Gauteng

Postal address
PO Box 786722
Sandton
2146
Gauteng

Events after reporting date

Please refer to the Annual Financial Statement note 25 for events after reporting date.

Auditor

Deloitte and Touche is the current external auditor. The appointment of the external auditor will be proposed at the Annual General Meeting of the shareholders in accordance with section 90(1) of the Companies Act.

STATEMENT OF FINANCIAL POSITION

at 30 June 2024

R million	Notes	2024	2023
Assets			
Intangible assets	3	**827**	779
Property and equipment	4	**–**	1
Investment in joint venture	5	*****	*
Investment in subsidiaries	6	**69**	69
Deferred tax asset	8	**42**	58
Financial assets			
– Investment at fair value through OCI	9.1	**108**	99
– Loans and receivables	9.2	**6 424**	5 267
– Contract receivables	9.3	**907**	856
– Derivative financial assets	9.4	**1**	34
Cash and cash equivalents	21.3	**1 248**	1 146
Total assets		**9 626**	8 309
Equity capital and reserves			
Share capital and share premium	10	**271**	271
Other reserves		**(163)**	(176)
Retained earnings		**4 103**	3 081
Total equity		**4 211**	3 176
Liabilities			
Financial liabilities			
– Borrowings at amortised cost	11	**4 169**	3 908
– Trade and other payables	12	**1 001**	938
– Financial guarantee contracts	7	**42**	66
– Derivative financial liabilities	13	*****	36
Employee benefits	14	**135**	126
Current tax liability	21.2	**68**	59
Total liabilities		**5 415**	5 133
Total equity and liabilities		**9 626**	8 309

* *Amount less than R500 000.*

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2024

R million	Notes	2024	Restated 2023[1]
Revenue: Fee income[2]		**9 150**	8 505
Other income	15	**1 981**	1 978
Investment income	16	**94**	109
Net income		**11 225**	10 592
Movement in allowance for expected credit losses	7	**3**	26
Administration expenses (including marketing)	19	**(7 429)**	(6 850)
Profit from operations		**3 799**	3 768
Finance costs	17	**(425)**	(363)
Fair value adjustment on Derivatives		**(7)**	2
Foreign exchange gain/(losses)		**(27)**	52
Profit before tax		**3 340**	3 459
Income tax expense	18	**(896)**	(889)
Profit for the year		**2 444**	2 570
Other comprehensive income:			
Items that may not be reclassified subsequently to profit or loss:			
Change in equity investments		**(6)**	10
– unrealised gains/(loss)		**(8)**	12
– capital gains tax on unrealised (gains)/loss		**2**	(2)
Items that are or may be reclassified subsequently to profit or loss:			
Cash flow hedges		*****	1
– realised gains recycled to profit or loss		*****	1
– tax on realised loss/(gains)		**–**	*
Other comprehensive income/(loss) for the year, net of tax		**(6)**	11
Total comprehensive income for the year		**2 438**	2 581

* *Amount is less than R500 000.*

1 *The comparative information has been restated for correction of a prior period error. Refer to Restatement note 24 for details. The restatement had no impact on the Statement of financial position, Statement of cash flow and did not result in a change in the total comprehensive income for the year.*

2 *Fee income comprises of administration and managed care fee income from DHMS and the Inhouse Schemes.*

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STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2024

R million	Share capital and share premium	Hedging Reserve	Share based payment reserve	Investment reserve	Retained earnings	Total
Year ended 30 June 2024						
Opening balance	**271**	**–**	**(243)**	**67**	**3 081**	**3 176**
Total comprehensive income	**–**	**–**	**–**	**(6)**	**2 444**	**2 438**
Profit for the year	**–**	**–**	**–**	**–**	**2 444**	**2 444**
Other comprehensive income/(loss)	**–**	**–**	**–**	**(6)**	**–**	**(6)**
Transactions with owners:	**–**	**–**	**19**	**–**	**(1 422)**	**(1 403)**
Value of employee services	**–**	**–**	**188**	**–**	**–**	**188**
Capital reduction	**–**	**–**	**–**	**–**	**(1)**	**(1)**
Transfer to equity-settled share schemes	**–**	**–**	**1**	**–**	**(1)**	**–**
Contribution to share trust	**–**	**–**	**(150)**	**–**	**–**	**(150)**
Intersegmental funding	**–**	**–**	**(20)**	**–**	**–**	**(20)**
Dividend paid to ordinary shareholder	**–**	**–**	**–**	**–**	**(1 420)**	**(1 420)**
Closing balance	**271**	**–**	**(224)**	**61**	**4 103**	**4 211**
Year ended 30 June 2023						
Opening balance	271	(1)	(290)	57	3 255	3 292
Total comprehensive income	–	1	–	10	2 570	2 581
Profit for the year	–	–	–	–	2 570	2 570
Other comprehensive income	–	1	–	10	–	11
Transactions with owners:	–	–	47	–	(2 744)	(2 697)
Value of employee services	–	–	148	–	–	148
Transfer to equity-settled share schemes	–	–	4	–	(4)	–
Contribution to share trust	–	–	(120)	–	–	(120)
Intersegmental funding	–	–	15	–	–	15
Dividend paid to ordinary shareholder	–	–	–	–	(2 740)	(2 740)
Closing balance	271	–	(243)	67	3 081	3 176

STATEMENT OF CASH FLOWS

for the year ended 30 June 2024

R million	Notes	2024	2023
Cash flow from operating activities		**492**	1 055
Cash generated by operations	21.1	**1 320**	1 820
Taxation paid	21.2	**(876)**	(843)
Dividends received	16	**1**	41
Interest received	16	**61**	51
Interest paid	17	**(14)**	(14)
Cash flow used in investing activities		**(240)**	(250)
Proceeds from sale of property and equipment	4	**–**	*
Loan to subsidiaries	9.2	**(12)**	-
Purchase of intangible assets	3	**(228)**	(235)
Purchase of investment in subsidiaries	6	**–**	(15)
Cash flow used in financing activities		**(150)**	–
Repayment of borrowings	11	**(150)**	–
Net increase in cash and cash equivalents		**102**	805
Cash and cash equivalents at the beginning of the year		**1 146**	341
Cash and cash equivalents at the end of the year	21.3	**1 248**	1 146

* *Amount is less than R500 000.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2024

1. Significant estimates

EXPECTED CREDIT LOSSES

Financial Guarantee Contracts and long-term loans and receivables

An approved methodology was used by management in assessing the expected credit losses that needed to be provided with respect to IFRS 9. The methodology used is consistent with the market practices, and considered the probability of default (PD), loss given default for corporates (LGD) and the exposure at default (EAD). The EAD is determined relative to the value as at the outstanding balance at each payment date. The PD and LGD is determined with the relative credit ratings of the Discovery Group. In addition, the valuation is adjusted to reflect multi-party cross guarantees with right of recourse.

2. Management of financial risk

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

Financial risks are managed by Discovery Health as follows:

- The Actuarial Committee reviews the overall matching of financial assets to the respective liabilities;
- The Capital Currency Investment Committee (CCIC) is a sub-committee of the Group Executive Committee and meets quarterly to focus on the performance of assets. The CCIC also sets exposure limits for exposures to individual counterparties; and
- The Investment Committee is a sub-committee of the CCIC and meets monthly to make operational decisions regarding Discovery Health's liquidity and foreign currency exposure.

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

2.1 MARKET RISK

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

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

Discovery Health's exposure to market risk is discussed in more detail in the pages to follow.

Currency risk

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

Discovery Health has exposure to currency risk arising from various foreign currency transactions, primarily from the US dollar. The Company determined that a 10% change is a reasonable expected strengthening/(weakening) of the US dollar (USD) against the functional currency, South African Rand (ZAR).

Sensitivity to currency risk summarised in table below:

R'000	Strengthening USD/ZAR	Weakening USD/ZAR
At 30 June 2024		
Loans and receivables	**156**	(156)
Cash and Cash equivalents	**32 629**	(32 629)
Trade payables	**(4 749)**	4 749
At 30 June 2023		
Loans and receivables	**424**	(424)
Cash and Cash equivalents	**64 997**	(64 997)
Trade payables	**(9 343)**	9 343

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

2. Management of financial risk *continued*

2.1 MARKET RISK *continued*

Currency risk *continued*

The exchange rates at year-end are detailed in the table below (quoted as Rand per foreign currency at the closing spot rate):

	USD	GBP	RMB
30 June 2024	**18.26**	**23.07**	**2.51**
30 June 2023	18.76	23.69	2.61

Currency risk exposure:

R million	Total	Rand	USD	GBP	RMB
At 30 June 2024					
Derivative financial assets	**1**	**1**	**–**	**–**	**–**
Investment at fair value through OCI	**108**	**108**	**–**	**–**	**–**
Contract receivables	**907**	**901**	**–**	**–**	**6**
Loans and receivables[1]	**6 400**	**6 393**	**2**	**5**	**–**
Cash and cash equivalents	**1 248**	**920**	**326**	**2**	**–**
Total financial assets	**8 664**	**8 323**	**328**	**7**	**6**
Borrowings at amortised cost	**4 169**	**4 169**	**–**	**–**	**–**
Derivative financial liabilities	*****	*****	**–**	**–**	**–**
Financial guarantee contracts	**42**	**42**	**–**	**–**	**–**
Trade and other payables[2]	**918**	**831**	**47**	**6**	**34**
Total financial liabilities	**5 129**	**5 042**	**47**	**6**	**34**
At 30 June 2023					
Derivative financial assets	34	34	–	–	–
Investment at fair value through OCI	99	99	–	–	–
Contract receivables	856	855	–	*	1
Loans and receivables[1]	5 232	5 228	4	–	–
Cash and cash equivalents	1 146	494	650	2	–
Total financial assets	7 367	6 710	654	2	1
Borrowings at amortised cost	3 908	3 908	–	–	–
Derivative financial liabilities	36	36	–	–	–
Financial guarantee contracts	66	66	–	–	–
Trade and other payables[2]	863	762	93	4	4
Total financial liabilities	4 873	4 772	93	4	4

* *Amount is less than R500 000.*

[1] *Loans and receivables exclude prepayments of R24 million (2023: R35 million) as this balance is not a financial instrument.*

[2] *Trade and other payables exclude Vat of R83 million (2023: R75 million) as this balance is not a financial instrument.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

2. Management of financial risk *continued*

2.1 MARKET RISK *continued*

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.

For loans and receivables with a floating interest rate, a 1% change in the interest rate would result in an increase or decrease of R160 thousand (2023: R1.2 million). While for borrowings with floating interest rate, a 1% change in the interest rate would result in an increase or decrease of R14.5 million (2023: R14 million).

This impact would be recognised in profit or loss. The sensitivity is based on the assumption that the interest rate has increased or decreased by 1% with all other variables held constant.

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

R million	Carrying value	Floating	Fixed	Non-interest bearing
At 30 June 2024				
Derivative financial assets	**1**	**–**	**–**	**1**
Investment at fair value through OCI	**108**	**–**	**–**	**108**
Loans and receivables[1]	**6 400**	**16**	**–**	**6 384**
Contract receivables	**907**	**–**	**–**	**907**
Cash and cash equivalents	**1 248**	**1 117**	**131**	**–**
Total financial assets	**8 664**	**1 133**	**131**	**7 400**
Borrowings at amortised cost	**4 169**	**1 451**	**2 718**	**–**
Derivative financial liabilities	*****	**–**	**–**	*****
Financial guarantee contracts	**42**	**–**	**–**	**42**
Trade and other payables[2]	**918**	**–**	**–**	**918**
Total financial liabilities	**5 129**	**1 451**	**2 718**	**960**
At 30 June 2023				
Derivative financial assets	34	–	–	34
Investment at fair value through OCI	99	–	–	99
Loans and receivables[1]	5 232	122	–	5 110
Contract receivables	856	–	–	856
Cash and cash equivalents	1 146	1 144	2	–
Total financial assets	7 367	1 266	2	6 099
Borrowings at a amortised cost	3 908	1 454	2 454	–
Derivative financial liabilities	36	–	–	36
Financial guarantee contracts	66	–	–	66
Trade and other payables[2]	863	35	–	828
Total financial liabilities	4 873	1 489	2 454	930

[1] *Loans and receivables exclude prepayments of R24 million (2023: R35 million) as this balance is not a financial instrument.*
[2] *Trade and other payables exclude Vat of R83 million (2023: R75 million) as this balance is not a financial instrument.*

Equity price risk

INVESTMENTS

Discovery Health holds share in Discovery Limited which is listed on the JSE Limited. For this investment a 10% decrease in the equity markets would result in a loss of R9 million (2023: R10 million). This loss would be recognised directly in equity. A 10% increase in the equity markets would result in a gain of R9 million (2023: R10 million).

Discovery Health also holds shares in RMed Online (Proprietary) Limited which is not listed. For this investment a 10% decrease in the equity would result in a loss of R1.6 million. This loss would be recognised directly in equity. A 10% increase in the equity would result in a gain of R1.6 million.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

2. Management of financial risk *continued*

2.2 CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Discovery Health is exposed to credit risk through its financial investments, cash and cash equivalents and loans and receivables.

Credit exposure relating to cash and cash equivalents

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

Due to the short-term nature of these assets and historical experience, cash and cash equivalents are regarded as having a low probability of default and therefore the related expected credit loss is deemed not significant. The fair value of cash and cash equivalents approximates the carrying amount due to the relative short-term nature of the instrument, high credit quality and variable interest rate on the instrument.

The aggregate credit risk exposure for cash and cash equivalents categorised by credit ratings is Baa1 to Baa3 R549 million and Ba1 to Ba3 R699 million (2023: credit rating Ba1 to Ba3 R1 144 million and R2 million was not rated).

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

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

R million	Notes	2024	2023
Closed scheme debtors	9.3	**122**	102
Discovery Health Medical Scheme	9.3	**779**	739
Intercompany balances	9.2	**457**	396
Loans to BEE initiatives	9.2	**114**	90
Loan to holding company	9.2	**5 745**	4 615
Loan to subsidiaries and their subsidiaries	9.2	**26**	5
Security deposits on derivatives	9.2	**3**	49
Payroll debtors[2]	9.2	**–**	4
Vitality Group receivables[2]	9.2	**5**	1
Other debtors[2]	9.2	**111**	140
Wellness debtors	9.3	**1**	15
Less expected credit losses	9.2	**(56)**	(68)
Total		**7 307**	6 088

[1] *Loans and receivables exclude prepayments of R24 million (2023: R35 million) as this balance is not a financial instrument.*

[2] *These balances are consolidated in loans and receivables under "other debtors" in Note 9.2.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

2. Management of financial risk *continued*

2.2 CREDIT RISK *continued*

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

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

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

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

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

R million	Gross 2024	ECL 2024	Gross 2023	ECL 2023
Not past due	**7 309**	**(51)**	6 139	(64)
30 days	**4**	**–**	2	(1)
60 days	**11**	**–**	1	*
90 days	**10**	**–**	2	–
120 days	**1**	**–**	1	–
150 days	**–**	**–**	7	(1)
>150 days	**28**	**(5)**	4	(2)
TOTAL	**7 363**	**(56)**	6 156	(68)

* *Amounts are less than R500 000.*

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

R million	Movement
Opening balance at 1 July 2022	(67)
Increase in ECL	(7)
Amount utilised during the period	6
Closing balance at 30 June 2023	(68)
Opening balance at 1 July 2023	**(68)**
Increase in ECL	**(3)**
Reversals	**9**
Amount utilised during the period	**6**
Closing balance at 30 June 2024	**(56)**

Credit exposure for hedge derivative instruments

Discovery Health is exposed to equity price risk through its cash-settled share incentive schemes, namely the Acquisition share scheme, the details of which is described in note 22. To manage this risk, Discovery Health has purchased various instruments Ba3 rated South African banks to hedge a portion of its exposure to changes in the Discovery Limited share price.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

2. Management of financial risk *continued*

2.3 LIQUIDITY RISK

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

Forecasts are monitored to ensure the Company has sufficient cash to meet operational needs. Cash held by Discovery Health is managed by treasury.

Treasury invests it in interest bearing accounts, time deposits and money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide headroom as determined by the above-mentioned forecasts.

At the reporting date, Discovery Health had cash and cash equivalents of R1 248 million (2023: R1 146 million) and other liquid assets of R7 281 million (2023: R6 087 million).

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

R million	Total	<1 year	1 – 2 years	2 – 5 years
At 30 June 2024				
Borrowings at amortised cost[2]	5 390	–	–	5 390
Derivative financial liabilities	*	*	–	–
Financial guarantee contracts	14 775	14 775	–	–
Trade and other payables[1]	918	907	8	3
Total Liabilities	21 083	15 682	8	5 393
At 30 June 2023 (Restated)[3]				
Borrowings at amortised cost[2]	**5 601**	**17**	**17**	**5 567**
Derivative financial liabilities	**36**	**28**	**7**	**1**
Financial guarantee contracts[3]	**13 317**	**13 317**	**–**	**–**
Trade and other payables[1]	**863**	**779**	**38**	**46**
Total Liabilities	**19 817**	**14 141**	**62**	**5 614**

[1] *Trade and other payables exclude Vat of R83 million (2023: R75 million) as this balance is not a financial instrument.*
[2] *Borrowings at amortised cost include future interest to reflect their maturity on an undiscounted basis of R1 221 million (2023: R1 693 million).*
[3] *Financial guarantee contract liquidity risk for 2023 has been amended to correctly reflect the exposure for the loans of R13 317 million for which Discovery Health is the guarantor. Discovery Health stands as guarantor for the obligations of fellow group companies and Discovery Health is confident that these companies will pay their own obligations. Please refer to note 7 for further details.*
* *Amounts is less than R500 000.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

2. Management of financial risk *continued*

2.4 FAIR VALUE ESTIMATION

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

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

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

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

Level 3 includes financial instruments that are valued using valuation techniques that incorporate information other than observable market data. The valuation method used is the Enterprise Value/EBITDA based of the entity's business case projection and regression analysis based on a metrics of monthly sale, and where at least one input (which could have a significant effect on instruments' valuation) cannot be based on observable market data.

R million	Level 1	Level 2	Level 3	Total
30 June 2024				
Investments at fair value through OCI	**92**	**–**	**16**	**108**
Derivative financial assets	**–**	**1**	**–**	**1**
Total financial assets	**92**	**1**	**16**	**109**
Derivative financial liabilities	**–**	*****	**–**	*****
Total financial liabilities	**–**	*****	**–**	*****
30 June 2023				
Investments at fair value through OCI	99	–	–	99
Derivative financial assets	–	34	–	34
Total financial assets	99	34		133
Derivative financial liabilities	–	36	–	36
Total financial liabilities	–	36	–	36

* *Amount is less than R500 000.*

Specific valuation techniques used to value financial instruments in level 2

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

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

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2. Management of financial risk *continued*

2.5 CAPITAL MANAGEMENT

Discovery Health's objective when managing capital (which includes share capital, working capital and cash and cash equivalents) is to safeguard the Company's ability to continue as a going concern.

The Company monitors capital utilising a number of measures, including debt: assets and the gearing ratio. The gearing ratio is calculated as liabilities divided by shareholders' equity.

R million	2024	2023
All assets excluding intangible assets, property and equipment, intercompany loans and deferred tax	**2 505**	2 420
Financial liabilities less intercompany loans and borrowings	**694**	886
Total equity	**4 211**	3 176
Debt: Assets	**0.27**	0.37
Gearing ratio	**0.16**	0.28

3. Intangible assets

R million	2024	2023
Opening balance	**779**	700
Additions	**228**	235
Derecognition[1]		
– Cost	**(93)**	(59)
– Accumulated amortisation	**93**	53
Amortisation charge	**(180)**	(150)
Closing balance[2]	**827**	779
Cost	**1 281**	1 133
Accumulated amortisation	**(454)**	(354)

[1] *During the year, various intangible assets that were no longer in use were derecognised. These assets had a book value of Rnil the current year (2023: R6 million book value).*

[2] *Intangible assets consist of software and core systems.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

4. Property and equipment

R million	Furniture, fittings and building fit out	Computer equipment	Motor vehicles	Leasehold improvements	Total
Year ended 30 June 2024					
Opening balance	*****	**–**	*****	**1**	**1**
Disposals[1]					
– cost	**(4)**	**(8)**	**(10)**	**(1)**	**(23)**
– accumulated depreciation	**4**	**8**	**10**	**1**	**23**
Depreciation charge	*****	**–**	*****	**(1)**	**(1)**
Closing balance	**–**	**–**	**–**	**–**	**–**
At 30 June 2024					
Cost	**–**	**–**	**–**	**–**	**–**
Accumulated depreciation	**–**	**–**	**–**	**–**	**–**
Closing balance	**–**	**–**	**–**	**–**	**–**
Year ended 30 June 2023					
Opening balance	*	–	*	1	1
Disposals[1]					
– cost	–	–	(2)	–	(2)
– accumulated depreciation	–	–	2	–	2
Depreciation charge	(*)	–	(*)	(*)	(1)
Closing balance	*	–	*	1	1
At 30 June 2023					
Cost	4	8	10	1	23
Accumulated depreciation	(4)	(8)	(9)	(*)	(22)
Closing balance	*	–	*	1	1

* *Amount is less than R500 000.*

[1] *During the current and prior, Rnil value assets no longer in use were derecognised on the Fixed asset register. These assets had a zero resale value.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

5. Investment in joint venture

Rand	Issued ordinary capital 2024	2023	Effective percentage holding 2024	2023	Investment in Joint Venture 2024	2023
Quantium Health SA Proprietary Limited	**1 000**	1 000	**50%**	50%	**5 000**	5 000
Closing balance	**1 000**	1 000	**50%**	50%	**5 000**	5 000

The investment is initially recognised at cost and tested for impairment annually. Refer to the accounting policy for details on accounting treatment.

6. Investment in subsidiaries

Rand	Issued ordinary capital 2024	2023	Effective percentage holding[1] 2024	2023	Investment in subsidiary 2024	2023
– Discovery Third Party Recovery Services Proprietary Limited	**1**	1	**100%**	100%	**1**	1
– Discovery Health Care Services Proprietary Limited	**1**	1	**100%**	100%	**10 100**	10 100
– **Medical Services Organisation International (MSOI)[2]**	**1 010**	1 010	**70%**	70%	**20 337 509**	20 337 509
• MSOI Limited[2]	**10**	10	**70%**	70%	**7 846 928**	7 846 928
• MSOI Proprietary Limited[2]	**1 000**	1 000	**70%**	70%	**12 490 581**	12 490 581
– Discovery Administration Services Proprietary Limited	**320**	320	**100%**	100%	**33 472 840**	33 472 840
– NanoLabs Health Services Proprietary Limited (NanoLabs)	**1 639**	1 639	**52%**	52%	**15 295 500**	15 295 500
Closing balance	**2 971**	2 971			**69 115 950**	69 115 950

1 *Effective percentage holding is the same as the voting power.*
2 *In the prior year the investment in the MSO Group was shown at group level R20 337 509. The above disclosure now allocates the total Investment per entity.*

The investments are initially recognised at cost and tested for impairment annually. Refer to the accounting policy for details on the accounting method used.

Investments are held in companies incorporated in South Africa except for Medical Services Organisation International Limited, which was incorporated in Isle of Man, United Kingdom.

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7. Financial guarantee contracts (FGC)

Investments in group contracts consist of Financial guaranteed contracts (FGC). Discovery Health issued financial guarantee contracts, to the value of R10 million (2023: R18 million), for Discovery Limited's syndicate and Domestic Term Note programme loans totalling R11 368 million (2023: R9 877 million).

Discovery Health issued other financial guarantee contracts to the value of R32 million (2023: R48 million) for Discovery Central Services' Investec loans amounting to R3 407 million (2023: R3 440 million).

R million	2024	2023
Financial guarantee issued are as follows:		
– Discovery Limited	**10**	18
– Discovery Central Services Proprietary Limited	**32**	48
Closing balance	**42**	66

All Financial guarantee contracts are classified as current.

During the year, the FGC was amortised by R26 million (2023: R108 million). The FGC valuation subsequently increased by R1.3 million (2023: decreased by R37 million).

R million	2024	2023
Opening balance	**66**	211
Financial guarantee contract issued	**1**	–
Fee income	**(26)**	(108)
Expected credit losses (valuation)	**1**	(37)
Financial guarantee contract	**42**	66

R million	2024	2023
Loans and receivables:		
– Provision for bad debts	**4**	(11)
Financial guarantee contracts:	**(1)**	37
– Discovery Limited	*****	1
– Discovery Central Services Proprietary Limited	**(1)**	36
Movement in allowance for expected credit losses	**3**	26

** Amount is less than R500 000.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

8. Deferred tax

R million	2024	2023
Deferred tax asset	**109**	136
Deferred tax liability	**(67)**	(78)
Total Deferred tax	**42**	58
Movement summary:		
Balance at the beginning of the year	**58**	62
Statement of profit or loss charge	**(12)**	(8)
Statement of comprehensive income charge	**2**	6
Deferred tax on cash flow hedge charged to other comprehensive income	**(6)**	(2)
Balance at the end of the year	**42**	58

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

Deferred tax comprises:

R million	Opening balance	Recognised in profit/loss	Recognised in OCI	Recognised in equity	Closing Balance	Deferred Tax Asset	Deferred Tax Liabilities
Year ended 30 June 2024							
Cash flow hedges	**1**	**(1)**	**–**	**–**	**–**	**–**	**–**
Difference between wear and tear and depreciation	**(36)**	**6**	**–**	**–**	**(30)**	**–**	**(30)**
Prepayments	**(3)**	*****	**–**	**–**	**(3)**	**–**	**(3)**
Provision	**135**	**(26)**	**–**	**–**	**109**	**109**	**–**
DSY LTIP equity settled	**(19)**	**9**	**–**	**(6)**	**(16)**	**–**	**(16)**
Unrealised gain on financial instruments	**(18)**	**–**	**2**	**–**	**(16)**	**–**	**(16)**
Other	**(2)**	**–**	**–**	**–**	**(2)**	**–**	**(2)**
Total movement analysis	**58**	**(12)**	**2**	**(6)**	**42**	**109**	**(67)**

Deferred tax comprises:

R million	Opening balance	Recognised in profit/loss	Recognised in OCI	Recognised in equity	Closing Balance	Deferred Tax Asset	Deferred Tax Liabilities
Year ended 30 June 2023							
Cash flow hedges	6	(5)	*	–	1	1	–
Difference between wear and tear and depreciation	(42)	6	–	–	(36)	–	(36)
Prepayments	(1)	(2)	–	–	(3)	–	(3)
Provision	140	(5)	–	–	135	135	–
DSY LTIP equity settled	(25)	*	–	6	(19)	–	(19)
Unrealised gain on financial instruments	(16)	–	(2)	–	(18)	–	(18)
Other	–	(2)	–	–	(2)	–	(2)
Total movement analysis	62	(8)	(2)	6	58	136	(78)

** Amount is less than R500 000.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

9. Financial assets

9.1 INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (OCI)

Discovery Health holds the following investments at fair value through other comprehensive income:

1. Discovery Health has a shareholding of 680 268 shares in its holding company Discovery Limited, Discovery Limited is listed on the JSE. The investment value is R92 million (2023: R99 million).
2. During the year, Discovery Health purchased 10% interest in RMed Online (Pty) Ltd (trading as RecoMed). RecoMed is an online healthcare booking platform. It connects clients with quality healthcare providers and facilitates online bookings from any device. The Investment was purchased for R43 on 30 August 2023 and revalued to R16 million at year end.

R million	2024	2023
Opening balance	99	87
Investment in RecoMed	16	–
Unrealised gains at fair value through OCI	(7)	12
Closing balance – Non-current	**108**	99

9.2 LOANS AND RECEIVABLES

R million	2024	2023
Intercompany balances[2]	457	396
Loan to holding company[2]	5 745	4 615
Loans to BEE initiatives	114	90
Loan to subsidiaries [1, 2]	26	5
Prepayments	24	35
Security deposits	3	49
Other debtors	111	145
Total before ECL	6 480	5 335
Expected credit losses	(56)	(68)
Closing Balance	6 424	5 267
Current	6 371	5 231
Non-current	53	36

[1] *Loans to subsidiaries of R26 million includes Long-term loans to MSO R6 million and NanoLabs R6 million. The remaining R14 million (2023: R5 million) relates to short term operational loans.*

[2] *Please refer to the Related Party note 23 for the details on the loan agreements.*

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

9.3 CONTRACT RECEIVABLES

R million	2024	2023
Opening balance	856	836
Income recognised in the year	9 321	8 591
Payments received	(9 270)	(8 571)
Foreign exchange valuation	*	*
Closing balance	**907**	856

* *Amount is less than R500 000.*

Discovery Health's contract receivables comprise:

R million	2024	2023
Closed scheme debtors	122	102
Discovery Health Medical Scheme	779	739
Wellness debtors	1	14
Vitality Group receivables	5	1
Closing balance	**907**	856
Current	907	856
Non-current	–	–

The carrying value approximates the fair value of Contract receivables.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

9. Financial assets *continued*

9.4 DERIVATIVE FINANCIAL ASSETS

R million	2024	2023
Derivatives not designated as hedging instruments:		
Equity price risk derivatives	**1**	34
Closing balance	**1**	34
Current	**1**	24
Non-current	**–**	10

Refer to note 2.2 "Credit exposure for hedge derivative instruments" for a detailed description of the derivative financial instruments listed above.

10. Share capital and share premium

R	2024	2023
Authorised		
1 100 ordinary shares of R1 each	**1 100**	1 100
Issued		
1 032 ordinary shares of R1 each	**1 032**	1 032
Share premium	**270 999 968**	270 999 968
Share capital and share premium	**271 001 000**	271 001 000

11. Borrowings

R million	2024	2023
Interest bearing loans		
– Discovery Limited	**4 169**	3 758
– Discovery Insure Limited	**–**	150
Closing balance	**4 169**	3 908
Current	**–**	–
Non-current	**4 169**	3 908

Movement analysis of interest-bearing loans:

R million	2024	2023
Opening balance	**3 908**	3 559
Repaid Loan	**(150)**	–
Interest accrued (note 17)	**423**	363
Interest paid (note 17)	**(12)**	(14)
Closing balance	**4 169**	3 908

Interest bearing borrowings

DISCOVERY LIMITED

Discovery Health borrowed R2 010 million from Discovery Limited. These loans were advanced to Discovery Health in 2016 and 2017. The loan for R727 million is repayable on 30 June 2026. The loan for R1 283 million was taken out in tranches and repayable dates per tranche ranges between 30 September 2026 and 3 July 2027. Interest for the R727 million loan is calculated on a floating rate based on the three-month JIBAR plus 240 basis points per annum. The interest on the R 1 1283 million loan is calculated on a fixed rate of 10.24% per annum.

Interest accrued for the year is R411 million (2023: R348 million).

DISCOVERY INSURE

Discovery Health entered into a long-term loan agreement with Discovery Insure Limited. The loan was advanced to Discovery Health in 2016. The loan bears interest at the three-month JIBAR plus 240 basis points per annum. The loan maturity date is 30 June 2026 and interest is payable quarterly.

Discovery Health decided to settle the loan before maturity and repaid the principle amount during the year. Interest paid during the year was R12 million (2023: R14 million).

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for the year ended 30 June 2024

12. Trade and other payables

R million	2024	2023
Payables and accrued liabilities	**126**	221
Intercompany balances	**266**	79
Payroll creditors	**466**	359
Share based payments	**28**	116
Security deposits on derivatives	**–**	35
Other non-financial creditors	**32**	53
– Value-added tax	**83**	75
Closing balance	**1 001**	938
Current	**994**	856
Non-current	**7**	82

13. Derivative financial liability

R million	2024	2023
Derivates not designated as hedging instruments:		
Equity price risk derivatives	*****	36
Closing balance	*****	36
Current	*****	28
Non-current	**–**	8

Refer to note 2.2 "Credit exposure for hedge derivative instruments" for a detailed description of the derivative financial instruments listed above.

14. Employee benefits

R million	2024	2023
Opening balance	**126**	122
Additional provision raised	**159**	139
Used during the year	**(139)**	(123)
Paid to terminated employees	**(11)**	(12)
Closing balance	**135**	126
Current	**115**	104
Non-current	**20**	22

Employee benefits above only relate to leave pay provision.

15. Other income

R million	2024	Restated 2023[1]
Financial guarantee contracts fee income	**26**	108
Group administration income[1]	**1 372**	1 348
Other income	**583**	522
Other income	**1 981**	1 978

[1] *The comparative information has been restated for correction of a prior period error. Refer to Restatement note 24 for details. In addition, as a result of the correction, individual items in this note has also been corrected and restated.*

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16. Investment income

R million	2024	2023
Interest income on cash and cash equivalents at amortised cost[2]	**67**	51
Dividend income[1]	**1**	41
Interest income on third-party loans at amortised cost[2]	**26**	17
Investment income	**94**	109
Investment income received	**62**	92
Investment income accrued	**32**	17

[1] *Dividend income received from Discovery Limited R1 million. (2023: Discovery Administration Services (Pty) Ltd R41 Million).*
[2] *Interest income using the effective interest rate method.*

17. Finance costs

R million	2024	2023
Interest expense on:		
– Interest on borrowings using the effective interest rate method	**423**	363
– Other interest paid	**2**	*
– Credit support	*****	*
Finance costs	**425**	363
Finance costs paid	**14**	14
Finance cost accrued	**411**	349

* *Amount is less than R500 000.*

18. Income tax expense

R million	2024	2023
Current tax	**885**	881
– Current year	**885**	881
– Prior year adjustment	**–**	*
Deferred tax	**11**	8
– Current year	**11**	5
– Prior year adjustment	**–**	3
South African normal taxation	**896**	889

* *Amount is less than R500 000.*

Reconciliation of rate of taxation %	2024	2023
South African normal tax rate	**27**	27
Exempt dividend	**–**	(0.3)
Non-deductible expenditure	**(0.2)**	(1.1)
(Under)/over provision in prior years	**–**	0.1
Effective tax rate	**26.8**	25.7

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

19. Administration expenses (including Marketing)

R million	2024	Restated 2023[1]
Current year fee	**5**	6
Prior year fee	**1**	1
Other services	**2**	–
Auditors' remuneration	**8**	7
Property	**250**	225
Computer and office equipment	**54**	62
Operating lease charges	**304**	287
Salaries and allowances	**2 600**	2 472
Medical aid fund contributions	**205**	185
Provident and retirement fund contributions	**174**	157
Social security levies	**11**	10
Share based payment expenses	**209**	158
– cash-settled	**16**	53
– equity-settled	**193**	148
(Gain)/Loss on fair value hedge	**(16)**	1
Staff training	**14**	11
Recruitment fees	**2**	2
Temporary staff	**8**	15
Leave pay expense	**20**	16
Other	**90**	85
Staff costs including executive directors (note 23)	**3 317**	3 155
Administration expenses	**407**	355
Amortisation of intangible assets (note 3)	**180**	150
Building related and office costs	**56**	51
Depreciation of property and equipment (note 4)	**1**	1
Derecognition of intangible asset (note 3)	**–**	6
Group shared services	**693**	627
IT systems and consumables	**1 446**	1 311
Loss/(Gain) on disposal of property and equipment (note 4)	**–**	*
Marketing and distribution costs	**266**	211
Professional fees	**159**	122
Travel costs	**51**	56
Vitality service fees	**375**	353
Wellness expenses	**14**	19
Other operating expenses	**152**	139
Other operating costs	**3 800**	3 401
Administration expenses (including marketing)[1]	**7 429**	6 850

[1] *The comparative information has been restated for correction of a prior period error. Refer to Restatement note 24 for details. In addition, as a result of the correction, individual items in this note has also been corrected and restated.*

* *Amount is less than R500 000.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

20. Contingencies

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

- Discovery Limited; and
- Discovery Central Services Proprietary Limited.

Please refer to note 7 for more details on these financial guarantee contracts. There are no material claims that have been instituted against Discovery Health.

21. Cash flow information

R million	Note	2024	2023
21.1 PROFIT BEFORE TAXATION		**3 340**	3 459
Adjusted for:			
Finance costs	17	**425**	363
Investment income	16	**(94)**	(109)
Non-cash items:			
Depreciation	4	**1**	1
Amortisation	3	**180**	150
Derecognition of intangible asset	3	**–**	6
Loss/(Gain) on disposal of property and equipment	4	**–**	*
Accrual of financial guarantee fee income	7	**(26)**	(108)
Valuation of financial guarantee contracts	7	**1**	(37)
Provision for bad debts	2.2	**(6)**	7
Provision for employee benefits		**148**	16
Fair value adjustments on derivatives		**7**	(2)
Foreign exchange (gains)/losses		**29**	(52)
Share-based payment expenses	19	**209**	201
(Gain)/Loss on fair value hedge	19	**(16)**	1
Working capital changes:			
Increase in Loans and receivables including contract assets		**(2 616)**	(2 086)
(Decrease)/Increase in Trade and other payables		**(262)**	10
Cash generated by operations		**1 320**	1 820
21.2 TAXATION PAID			
Amounts unpaid at beginning of year		**(59)**	(21)
Amounts charged to statement of comprehensive income	18	**(896)**	(889)
Adjustment for movement in deferred taxation	18	**11**	8
Balance at the end of the year		**68**	59
Taxation paid		**(876)**	(843)
21.3 CASH MOVEMENT			
Cash at bank and on hand		**614**	928
Short term deposits with bank		**634**	218
Cash and cash equivalents at the end of the year		**1 248**	1 146

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

22. Share based payment expenses

STAFF INCENTIVE SCHEMES

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

22.1 BEE staff trust

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

ALLOCATION SCHEME

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

22.2 Phantom share scheme

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

22.3 Acquisition schemes

There are various schemes offered to franchise directors, agents and employees. Prior to financial year ended 30 June 2024, participants were allocated share units which replicate the economics of a Discovery Limited share. The share units are settled as a cash bonus on vesting.

Awards granted during the financial year ended 30 June 2024, are equity-settled awards.

The vesting periods on the schemes vary from two to five years. The participants will earn the cash bonus (for cash-settled awards) or receive Discovery Limited shares (for equity-settled awards) if the participant is employed by Discovery or Discovery's contracted affiliates on the vesting date.

22.4 Discovery's long-term incentive plan (Equity Settled)

DISCOVERY'S LONG-TERM INCENTIVE PLAN (LTIP)

The LTIP was introduced in the financial year ended 30 June 2020 and replaced (with limited exceptions) the cash settled Discovery Phantom scheme (refer to point 22.2 above) with an equity-settled LTIP.

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

SINGLE INCENTIVE PLAN (SIP)

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

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

The schemes mentioned in point 22.2 and 22.3 have been classified as cash-settled and a liability is raised in terms of *IFRS 2 Share-based payments*. The other long-term incentives schemes have been accounted for in terms of *IAS 19 Employee Benefits*.

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22. Share based payment expenses *continued*

SUMMARY OF UNITS GRANTED

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

Date granted	Share/ option price	Final vesting date	Shares under options at beginning of year	Share/ options granted during year	Share/ options vested during year	Share/ options cancelled or adjusted during year	Closing balance
1. BEE staff trust							
FY 2017	R122.50	30/09/2021	1 722	–	–	–	1 722
FY 2017	–	30/09/2021	287	–	–	–	287
FY 2019	–	30/09/2023	589	–	(578)	(11)	–
FY 2020	–	30/09/2025	9 504	–	(5 217)	(1 902)	2 385
FY 2021	–	31/03/2026	11 933	–	(3 828)	(1 425)	6 680
FY 2022	–	30/09/2026	39 705	–	(12 920)	(2 267)	24 518
FY 2023	–	30/04/2028	13 008	–	–	–	13 008
FY 2023	–	30/04/2029	–	9 175	–	–	9 175
2. The Phantom share scheme							
FY 2018	–	30/09/2022	782	–	(782)	–	–
FY 2019	–	31/03/2024	143 565	–	(141 017)	(2 548)	–
FY 2023	–	30/09/2027	164 415	–	(46 185)	(46 532)	71 698
FY 2024	–	30/09/2026	–	84 597	–	–	84 597
3. Acquisition share scheme							
FY 2019	–	30/06/2024	6 768	–	(6 388)	(380)	–
FY 2020	–	30/06/2025	24 600	–	(7 788)	(5 356)	11 456
FY 2021	–	30/06/2026	21 701	–	(4 968)	(2 742)	13 991
FY 2022	–	30/06/2027	56 008	–	(7 499)	(5 095)	43 414
FY 2024	–	30/09/2028	–	99 556	–	(11 046)	88 510
4. Discovery LTIP and SIP							
FY 2020	–	30/09/2024	445 516	–	(219 026)	(21 785)	204 705
FY 2021	–	30/09/2025	1 061 714	–	(415 830)	(57 240)	588 644
FY 2022	–	30/09/2026	978 550	–	–	(106 572)	871 978
FY 2023	–	30/09/2027	1 426 993	–	(444 120)	(115 520)	867 353
FY 2024	–	30/09/2028	–	1 260 260	–	(52 042)	1 208 218

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

Incentive scheme	Spot price	Risk free interest rate	Vesting period	Dividend yield
BEE Staff Trust				
01/07/2018 – 30/06/2019	147.50 – 170.16	7.81% – 7.98%	5 years	1.46% – 1.59%
01/07/2019 – 30/06/2020	86.00 – 114.95	4.85% – 7.54%	3 – 5 years	2.40% – 3.54%
01/07/2020 – 30/06/2021	127.60 – 132.00	3.85% – 5.96%	3 – 5 years	2.53% – 2.78%
01/07/2021 – 30/06/2022	136.00	4.91% – 6.30%	2 – 5 years	2.63% – 2.70%
01/07/2022 – 30/06/2023	127.58 – 143.77	7.63% – 8.41%	2 – 5 years	0.85% – 1.46%
01/07/2023 – 30/06/2024	120.24 – 145.85	7.66% – 8.65%	2 – 5 years	1.23% – 1.80%
Discovery LTIP and SIP				
01/07/2019 – 30/06/2020	R113.81	6.83% – 7.01%	4 – 5 years	2.40% – 2.52%
01/07/2020 – 30/06/2021	R125.52	3.90% – 5.02%	3 – 5 years	2.32% – 2.57%
01/07/2021 – 30/06/2022	R135.94	5.76% – 6.57%	3 – 5 years	2.29% – 2.46%
01/07/2022 – 30/06/2023	127.58 – 149.05	7.30% – 8.01%	1 – 5 years	0.00% – 1.28%
01/07/2023 – 30/06/2024	117.16 – 133.04	7.66% – 8.25%	1 – 5 years	0.00% – 1.48%
Acquisition Share Scheme				
01/07/2023 – 30/06/2024	146.46	8.06% – 8.38%	2 – 5years	1.49% – 1.57%

The Phantom schemes and Acquisition schemes are cash-settled, and a liability is raised in terms of *IFRS 2 Share-based payments*. The liability is repriced at each reporting date. The closing share price at 30 June 2024 was R134.69.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

23. Related parties

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

DISCOVERY LIMITED

Discovery Health entered into a long-term loan agreement with Discovery Limited. The loans were advanced to Discovery Health in 2016 and 2017. The principal amount is R2 010 million. The loan for R727 million is repayable on 30 June 2026. The loan amounting to R1 283 million was taken out in tranches and repayable dates per tranche ranges between 30 September 2026 and 3 July 2027. Interest will accrue at the relevant interest rate on a day-to-day basis. The balance at year-end was R4 169 million (2023: R3 758 million). Interest for the year was R411 million (2023: R349 million).

Discovery Health holds 680 268 shares in Discovery Limited valued at R92 million (2023: R99 million).

Discovery Health declared a dividend of R1.42 billion (2023: R2.74 billion) to the holding company, Discovery Limited, in the current year.

DISCOVERY INSURE LIMITED

Discovery Health entered into a long-term loan agreement with Discovery Insure Limited. The loan was advanced to Discovery Health in 2016. The principal amount is R150 million. The loan bears interest at the 3-month JIBAR plus 240 basis points per annum. The loan was settled in full in the current year. The balance at 30 June 2023 was R150 million. Interest paid for the year amounted to R12 million (2023: R14 million).

DISCOVERY VITALITY PROPRIETARY LIMITED

The Vitality Wellness programme is integrated with products offered by the Company. Vitality charges a service fee for this integration, which is determined on an annual basis and agreed upon contractually. Service fees paid amounted to R375 million (2023: R353 million).

DISCOVERY CONSULTING SERVICES

The Company has established a network of 28 franchises (2023: 29 Franchises) to sell its products. The Company has paid R56 million (2023: R59 million) in fees to the franchises. Discovery Consulting Services participate in the Acquisition Scheme. During the year R3.6 million (2023: R5 million) was accrued for in terms of this scheme. Refer to note 22 for further details.

DISCOVERY ADMINISTRATION SERVICES PROPRIETARY LIMITED

The Company provides operational services to Discovery Administration Services for which it charges an administration fee. The fees received during the year amounted to R15.3 million (2023: R3.2 million).

THE DISCOVERY FUND AND TRUST

The fund supports sustainable non-governmental healthcare projects, especially in primary healthcare. These projects complement the delivery of primary and preventative care in the public sector and help to relieve the burden on state facilities. The Company also paid The Discovery Fund a management fee of R0.5 million (2023: R0.5 million).

The Discovery Trust received contributions from the Company of R23 million during the year (2023: R23 million).

THE DISCOVERY FOUNDATION

The Discovery Foundation, which is an independent shareholder of Discovery Limited, aims 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 Foundation received contributions from the Company of R12 million in the prior year. The Company also paid the Discovery Foundation a management fee of R0.6 million (2023: R1.3 million).

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23. Related parties *continued*

DISCOVERY RETIREMENT FUNDS

The Discovery Life Pension Umbrella Fund and the Discovery Life Provident Umbrella Fund ("the Funds") are underwritten and administered by Discovery Life and are the retirement funds used by all the Discovery Staff employed by the Group in South Africa.

Contributions to the Funds by the Company's staff during the year amounted to R174 million (2023: R157 million). The Funds have R5 751 million (2023: R5 167 million) of assets under administration on behalf of Discovery Staff, R5 510 million is invested in unit linked insurance policies issued by Discovery Life (2023: R4 974 million). R4 882 million (2023: R4 417 million) of the unit linked insurance policies are in turn linked to unit trusts managed by Discovery Life Collective Investments.

FELLOW GROUP COMPANIES AND SUBSIDIARIES:

Intercompany derivatives

The Discovery Group is exposed to equity price risk through its cash-settled share incentive schemes. To manage its risk, the Discovery Group has purchased total return swap (TRS) derivative instruments to hedge a portion of its exposure to changes in Discovery Limited's share price. Discovery Health is the principal counterparty to all TRS derivatives for the Discovery Group. Separately, Discovery Health has back-to-back arrangements with fellow group companies for their position of the TRS derivatives purchased to mitigate the risk in each respective entity.

R'000	Derivative asset	Derivative liability	Expired hedge receivable	Expired hedge payable	Security deposit liability
Discovery Life	1 905	(1 021)	1 748	(4 043)	(6 973)
Discovery Insure	541	(780)	374	(1 138)	(565)
Discovery Life Investment Services	779	(1 090)	693	(1 520)	–
Total	**3 225**	**(2 891)**	**2 815**	**(6 701)**	**(7 538)**

Other Intercompany services

Discovery Health provides administrative services and system development to its fellow group companies. Certain group companies also incur costs on behalf of the Company. The transactions are recorded in intercompany loans which are unsecured, interest free and are repayable on demand.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

23. Related parties *continued*

FELLOW GROUP COMPANIES AND SUBSIDIARIES *CONTINUED*:

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

	Receivable/(Payable)		Fees received/(paid)	
R million	**2024**	2023	**2024**	2023
Cogence	*****	*	**–**	–
Discovery Administration Services	**2**	3	**15**	3
Discovery Bank	**1**	(24)	*****	(1)
Discovery Central Services	**(176)**	(*)	**(1 953)**	(1 736)
Discovery Connect	**16**	14	**14**	15
Discovery Group Europe Limited	**1**	4	**–**	–
Discovery Health Care Services	**9**	*	**(1)**	–
Discovery Insure	**22**	29	**35**	19
Discovery Life	**43**	(18)	**26**	29
Discovery Life Collective Investment	*****	*	**–**	–
Discovery Life Investment Services	**17**	30	**8**	8
Discovery Limited	**5 744**	4 617	**–**	–
Discovery Medical Suppliers	**39**	49	**(1)**	(4)
Discovery Partner Markets Services (Pte) Ltd	**(28)**	4	**(46)**	(38)
Discovery Telematics Services	**9**	6	**3**	–
Discovery Third Party Recovery Services	**2**	2	*****	*
Discovery Green	*****	–	**–**	–
Discovery Vitality	**(17)**	(17)	**(366)**	(325)
Grove Nursing Services	**53**	51	**5**	*
Medical Services Organisation International	**(1)**	(1)	**(10)**	(10)
Medical Services Organisation Isle of Man	**(4)**	(4)	**(9)**	(6)
Ping An Health Insurance	**5**	*	**6**	11
Quantium Health Australia	**–**	*	**–**	*
Quantium Health South Africa	*****	*	**1**	–
Southern RX Distributors	**132**	149	**9**	9
The Vitality Group LLC	**–**	–	*****	–
Vitality Corporate Services	**5**	(1)	**57**	15
Vitality Group International Inc.	**80**	45	**1 001**	1 167
Vitality International Health Insurance Company	**2**	*	**11**	6

* *Amounts are less than R500 000.*

KEY MANAGEMENT PERSONNEL OF DISCOVERY HEALTH, FAMILIES OF KEY MANAGEMENT (AS DEFINED IN IAS 24) AND ENTITIES SIGNIFICANTLY INFLUENCED OR CONTROLLED BY KEY MANAGEMENT.

During the current financial year, the following transactions occurred between Discovery Limited, and entities significantly influenced or controlled by key management:

Corporate Social Investment (CSI) donations and management fees of R23.5 million (2023: R24.9 million) were paid to the Discovery Fund and Trust and R12 million was paid to the Discovery Foundation in the prior year. Certain executive directors of Discovery Limited have significant influence in these entities.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

23. Related parties *continued*

DISCOVERY HEALTH MEDICAL SCHEME (DHMS)

The Company administers DHMS and provides managed care services for which it charges an administration fee and a managed care fee respectively. These fees are determined on an annual basis and approved by the trustees of DHMS. The fees amounted to R7 909 million (2023: R7 390 million). Discovery Health also provides wellness services to DHMS.

The Company provides a Diabetes care program to DHMS and received fees for this service the value of the R20 million (2023: R24 million). In the prior year the Company also provided wellness related services to the value of R9.6 million.

DHMS owes the Company R779 million (2023: R739 million) at year-end.

MANAGED MEDICAL SCHEMES

During the year, the Company administered the following 17 restricted membership medical schemes:

- Anglo Medical Scheme
- Anglovaal Group Medical Scheme
- Bankmed Medical Scheme
- BMW Employees Medical Aid Scheme
- Engen Medical Aid Scheme
- Glencore Medical Scheme
- LA Health Medical Scheme
- Lonmin Medical Scheme
- Malcor Medical Aid Scheme
- MultiChoice Medical Aid Scheme
- Netcare Medical Scheme
- Remedi Medical Scheme
- Retail Medical Scheme
- TFG Medical Aid Scheme
- Tsogo Sun Group Medical Scheme
- University of KwaZulu-Natal Medical Scheme
- Sasolmed Medical Scheme (effective 1 January 2024)

Discovery Health charges these schemes administration and manage care fees which are determined on an annual basis and approved by the trustees of the respective closed schemes. The fees totalled R1 232 million (2023: R1 118 million). R122 million (2023: R102 million) is due to the Company from the Schemes at year end.

The Company provides a Diabetes Care program and other primary services to some of the In-House Schemes. The fees received for these services in the current year amounted to R195 million (2023: R167 million).

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' REMUNERATION

Remuneration packages for executive directors consist of the following components:

- *Guaranteed component:* cost to company element which comprises a fixed cash portion and compulsory benefits.
- *Short-term incentives:* consists of an annual personal incentive linked to individual goals for each director and a "profit pool" element, which allows senior management to share in the profit of the Discovery Limited Group's performance if above certain profit hurdles are met.
- *Long-term incentives:* Executive directors take part in the Discovery Limited share-based incentive scheme. This scheme is described in detail in note 22 to the Annual Financial Statements.

Non-executive directors receive a fixed fee for their participation on the Board and Board committees. Black non-executive directors also participated in the Discovery Limited BEE transactions in 2005 and 2015. 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 Discovery Limited Board, is responsible for approving the remuneration packages for executive directors and recommending the non-executive directors' fees to the Board for approval.

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23. Related parties *continued*

PAYMENTS TO DIRECTORS FOR THE YEAR ENDED 30 JUNE 2024 FOR SERVICES RENDERED:

R'000	Services as directors	Basic salary	Performance bonus	LTIP[2]	Provident fund contri-butions	Other benefits[1]	Total
Dr RN Noach	–	3 082	2 987	8 967	154	54	15 244
Dr RM Whelan[3]	–	2 620	1 105	1 726	201	60	5 712
F Chothia	–	3 910	2 255	2 811	314	276	9 566
N Pitje	–	4 569	2 052	3 640	290	93	10 644
Executive subtotal	**–**	**14 181**	**8 399**	**17 144**	**959**	**483**	**41 166**
A Gore	–	8 436	9 151	11 363	1 264	489	30 703
NS Koopowitz[4]	–	24 202	47 989	5 633	236	620	78 680
Dr A Ntsaluba	–	5 270	7 888	9 136	395	365	23 054
J Broomberg	–	13 500	2 954	7 653	236	65	24 408
R Farber[5]	3 791	–	–	–	–	4 268	8 059
FN Khanyile*	2 131	–	–	–	–	–	2 131
DR TV Maphai*	635	–	–	–	–	–	635
SV Zilwa*	1 821	–	–	–	–	–	1 821
Non-executive subtotal	**8 378**	**51 408**	**67 982**	**33 785**	**2 131**	**5 807**	**169 491**
Total	**8 378**	**65 589**	**76 381**	**50 929**	**3 090**	**6 290**	**210 657**
Less: paid by the Company	–	(5 702)	(4 092)	(11 185)	(355)	(114)	(21 448)
Paid by Group	**8 378**	**59 887**	**72 289**	**39 744**	**2 735**	**6 176**	**189 209**

[1] *"Other benefits" comprise medical aid contributions, travel, other allowances and fees from group subsidiaries.*
[2] *"LTIP" comprises cash-settled and equity-settled incentives.*
[3] *Appointed 17 January 2024.*
[4] *Salary and Incentives are paid in GBP.*
[5] *Director's fees for services and fees for other consulting services rendered by R Farber were paid in AUD. Director's fees for consulting services are included as part of other benefits.*
* *Black non-executive directors also participated in the Discovery Limited BEE transactions in 2005 and 2015.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

23. Related parties *continued*

PAYMENTS TO DIRECTORS FOR THE YEAR ENDED 30 JUNE 2023 FOR SERVICES RENDERED:

R'000	Services as directors	Basic salary	Performance bonus	LTIP[2]	Provident fund contributions	Other benefits[1]	Total
Dr RN Noach	–	5 819	5 772	6 869	291	101	18 852
F Chothia[5]	–	888	–	–	71	56	1 015
N Pitje[5]	–	838	–	–	42	23	903
Executive subtotal	–	7 545	5 772	6 869	404	180	20 770
A Gore	–	7 987	9 603	8 692	1 198	422	27 902
NS Koopowitz[4]	–	21 255	22 734	10 816	118	563	55 486
Dr A Ntsaluba	–	4 999	5 811	4 961	375	316	16 462
A Pollard[6]	–	5 231	9 368	6 677	75	216	21 567
B Swartzberg[3]	–	3 267	13 032	2 522	342	149	19 312
DM Viljoen[3]	–	3 301	6 358	4 417	521	170	14 767
J Broomberg[4]	–	11 935	6 076	–	86	2 383	20 480
HL Bosman[7]	1 033	–	–	–	–	–	1 033
R Farber[8]	3 713	–	–	–	–	4 010	7 723
FN Khanyile*	1 964	–	–	–	–	–	1 964
DR TV Maphai*	1 651	–	–	–	–	–	1 651
SV Zilwa*	2 687	–	–	–	–	–	2 687
Non-Executive subtotal	11 048	57 975	72 982	38 085	2 715	8 229	191 034
Total	11 048	65 520	78 754	44 954	3 119	8 409	211 804
Less: paid by the Company	–	(9 924)	(18 804)	(9 391)	(675)	(273)	(39 067)
Paid by Group	11 048	55 596	59 950	35 563	2 444	8 136	172 737

1 *"Other benefits" comprise medical aid contributions, travel, other allowances and fees from group subsidiaries.*
2 *"LTIP" comprises cash-settled and equity-settled incentives.*
3 *Resigned 31 January 2023.*
4 *Salary and incentive are paid in GBP.*
5 *Appointed 6 April 2023.*
6 *Salary and incentive are paid in USD.*
7 *Director's fees for services rendered by HL Bosman were paid to Rand Merchant Insurance Holdings Limited.*
8 *Director's fees for services and fees for other consulting services rendered by R Farber were paid in AUD. Director's fees for consulting services are included as part of other benefits.*
* *Black non-executive directors also participated in the Discovery Limited BEE transactions in 2005 and 2015.*

24. Restatement of prior year Other Income and Administration expenses

Discovery Health provides central services functions to fellow Discovery Group companies such as system support, development and maintenance, consulting services and data science services. These expenses are recovered via an intercompany recharge.

Discovery Health identified during the year, that these transactions were incorrectly reflected on a net basis in the Statement of profit or loss and other comprehensive income.

A quality review was completed on these intercompany recharges, and it was noted that these transactions should instead be presented on a gross basis. As a result, the line items, Other income and Administration expenses, have been increased by R1 348 million in the prior year.

The table below summaries the impact on the specific line items in the Statement of profit or loss and other comprehensive income in for the year ended 30 June 2023.

Statement of Profit or Loss and Other Comprehensive Income R million	Previously reported	Adjustment	2023 Restated
Other Income	630	1 348	1 978
Administration expenses including marketing	(5 502)	(1 348)	(6 850)
Total Other Income and Administration expenses	**(4 872)**	**–**	**(4 872)**

25. Subsequent events

On 4 September 2024 the directors approved a final ordinary dividend of R1.024 billion for the financial year end 30 June 2024.

There were no other events after reporting date.

DISCOVERY HEALTH ANNEXURE A

ANNEXURE A – DISCOVERY HEALTH ACCOUNTING POLICIES

for the year ended 30 June 2024

Summary of material accounting policies

The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented. Other interpretations, amendments, and annual improvements effective for the first time in the current year have been considered and have no impact on the current reporting period.

1. BASIS OF PRESENTATION

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

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

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

Discovery Health applied the IFRS 10 exemption from presenting the consolidated financial statements due to the Company being a wholly owned subsidiary of Discovery Limited. Discovery Limited, incorporated in the Republic of South Africa, produces the group consolidated financial statements which are available for public use.

The group consolidated financial statements can be accessed on the Discovery website or at the head office, 1 Discovery Place, Sandhurst, Gauteng.

1.1 New standards and amendments which became effective during the financial year

- The Company has not early adopted any IFRS Accounting standards as issued by the International Accounting Standards Board, amendments, or interpretations that have been issued but have yet to be effective.
- International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12 Income Taxes became effective for accounting periods beginning on or after 1 January 2023. This amendment is effective for the financial year ended 30 June 2024. The Company has applied the amendments retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The Company does not expect other new IFRS Accounting standards as issued by the International Accounting Standards Board, amendments, or interpretations not listed above and became effective during the financial year to have a material impact on recognised or disclosed amounts.

1.2 New standards and amendments to published standards not yet effective

The Company does not expect the IFRS Accounting standards as issued by the International Accounting Standards Board, amendments, or annual improvements it has not listed below to have a material impact on recognised or disclosed amounts.

The Company expects the following IFRS Accounting standards as issued by the International Accounting Standards Board, amendments, and annual improvements that were issued during the financial year but are not yet effective to have a material impact on recognised and disclosed amounts.

IFRS 18 Presentation and Disclosure in Financial Statement	IFRS 18 supersedes IAS 1 *Presentation of Financial Statements* and provides additional requirements for the presentation and disclosure of information in the primary financial statements and the notes to improve transparency and comparability of information. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027. IFRS 18 will impact the Company's Income statement and related note disclosures. The Company will assess additional disclosure requirements.
IFRS 19 Subsidiaries without Public Accountability: Disclosures	IFRS 19 permits disclosure elections for subsidiaries, as defined in IFRS 10 *Consolidated Financial Statements,* which do not trade debt or equity instruments in a public market or hold assets in a fiduciary capacity. Subsidiaries may elect to apply IFRS 19 for reporting periods beginning on or after 1 January 2027. The Company is assessing the operational impacts of this IFRS Accounting Standard and the implementation requirements.

ANNEXURE A – DISCOVERY HEALTH ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

2. INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Company is directly and indirectly the holding company of subsidiaries, equity accounted associates and joint venture investments as set out in the Annual Financial Statement Note 5 and 6. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment. Cost includes the fair value of any asset or liability resulting from a contingent consideration arrangement or initial recognition.

The Company assesses whether there is objective evidence that the investment in subsidiaries, joint ventures and equity accounted associates are impaired at each reporting date. If such evidence of impairment exists, the Company calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value.

3. FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The Company measures items included in the financial statements using the currency of the primary economic environment in which it operates (the functional currency). The financial statements are presented in Rand, which is the presentation currency of Discovery Health.

Transactions and balances

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

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

4. PROPERTY AND EQUIPMENT

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

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

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

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

■ Computer equipment	3 – 7 years
■ Furniture, fittings and building fit out	5 – 15 years
■ Motor vehicles	4 years
■ Leasehold improvements	Shorter of estimated life or period of lease

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

Property and equipment shall be derecognised:

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

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

ANNEXURE A – DISCOVERY HEALTH ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

5. INTANGIBLE ASSETS

5.1 Computer software development costs

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

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

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

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

The Company expenses the following items as incurred:

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

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

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

Software	3 – 7 years	(2023: 3 – 10 years)
Core Systems	10 – 16 years	(2023: 16 years)

5.2 Other intangible assets

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

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

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

The Company derecognises intangible assets

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

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

ANNEXURE A – DISCOVERY HEALTH ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

6. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

7. FINANCIAL INSTRUMENTS

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

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

7.1 Financial assets

7.1.1 RECOGNITION, CLASSIFICATION, MEASUREMENT AND DERECOGNITION

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

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

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

- Amortised cost, if the financial asset meets the SPPI criterion and is held for the purpose to collect the contractual cash flows. Examples of this include loans and advances to customers (e.g. credit card advances and home loans) and fixed-term deposits.
- Fair value with changes in other comprehensive income (debt instruments) if the financial asset meets the SPPI criterion and is held either to collect contractual cash flows or for sale. The Company currently does not hold financial assets in this category. However, specified equity-accounted associates have certain debt instruments in the category.
- Fair value through profit or loss for all other financial assets that do not meet the criteria above are mandatory classified as financial instruments at fair value through profit and loss. In addition, The Company can irrevocably designate financial assets into this category if this will reduce measurement inconsistencies (i.e. 'accounting mismatch') and these financial instruments are designated at fair value through profit or loss.

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

ANNEXURE A – DISCOVERY HEALTH ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

7. FINANCIAL INSTRUMENTS *continued*

7.1 Financial assets *continued*

7.1.1 RECOGNITION, CLASSIFICATION, MEASUREMENT AND DERECOGNITION *continued*

Subsequent measurement	
Amortised cost (AC)	The Company measures these instruments at amortised cost using the effective interest method. Movements in the balance of the instrument relate to expected credit losses, interest income and foreign exchange gains and losses which are recognised on profit or loss. The Company measures interest revenue using the effective interest rate on the gross carrying amount for those financial assets categorised in stage 1, refer to accounting policy 7.1.2.
Fair value through profit or loss (FVTPL)	The Company measures these instruments at fair value with gains and losses recognised in profit or loss. Movements in this balance are due to fair value gains or losses, interest or dividends, and foreign exchange gains or losses. Dividends are recognised in profit or loss.
Fair value through other comprehensive income (FVOCI) – equity	The Company measures these instruments at fair value with gains and losses recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.
Fair value through other comprehensive income (FVOCI) – debt	The Company measures these instruments at fair value with changes in fair value recognised in other comprehensive income. Discovery Health recognises interest using effective interest method, movements in the balance related to expected credit losses, interest income and translation differences in profit or loss. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss. The Company measures interest revenue using the effective interest rate on the gross carrying amount for those financial assets categorised in stage 1, refer to accounting policy 7.1.2. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

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

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

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

ANNEXURE A – DISCOVERY HEALTH ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

7. FINANCIAL INSTRUMENTS *continued*

7.1.2 EXPECTED CREDIT LOSSES

The Company measures expected credit losses on the following items:

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

The Company has different debtors and loans included in other receivables which are financial assets, which do not represent a homogeneous group of assets. The approach to determining expected credit losses varies according to the asset type, past bad debt experience and the potential to incorporate forward looking information.

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

The Company measures the loss allowance using the following approach:

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

The Company measures expected credit losses on:

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

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

SIGNIFICANT INCREASE IN CREDIT RISK

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

SECURED

The Company considers the following factors

Qualitative	Quantitative
■ Loans are more than 1 month in arrears ■ Loans in debt counselling ■ Deceased estate unsecured ■ Rescheduled loans above their committed balance	■ The loan had deteriorated below a predetermined risk rating.

ANNEXURE A – DISCOVERY HEALTH ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

7. FINANCIAL INSTRUMENTS *continued*

7.1.2 EXPECTED CREDIT LOSSES

CREDIT IMPAIRED AND DEFAULT

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

'Default' is defined on a facility level and considers both quantitative and qualitative factors, as provided in the Basel capital framework.

The Company considers the following factors to what constitutes a default from a qualitative and quantitative perspective, which is in line with the South African Reserve Bank definition.

Qualitative	Quantitative
▪ The borrower is placed in debt counselling/debt review ▪ The borrower is deceased ▪ The facility has undergone a distressed restructure/special arrangement ▪ The facility has been transferred to charge-off/legal status ▪ The client is under debt review ▪ The client is insolvent ▪ The facility is written off	▪ A material amount on the facility is 90 days or more in arrears.

WRITE OFF

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

7.2 Financial liabilities

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

Financial liabilities are measured at FVTPL if:

- They are held for trading; or
- The financial liabilities are part of a group of financial assets and financial liabilities which are managed, and performance evaluated on a fair value basis.

All other financial liabilities in Discovery Heath, which are in the scope of IFRS 9, are measured at amortised cost.

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

The Company derecognises financial liabilities when the obligation is extinguished.

7.3 Offset

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

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the reporting entity or the counterparty.

7.4 Modifications

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

The Company consequently considers the date of recognition of a new asset to be the date of initial recognition for impairment calculation purposes.

ANNEXURE A – DISCOVERY HEALTH ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

7. FINANCIAL INSTRUMENTS *continued*

7.4 Modifications *continued*

If the terms are not substantially different for financial assets or financial liabilities, the Company recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate.

The difference between the new gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or in other gains and losses on financial instruments (for all other modifications).

In assessing whether a financial asset was substantially modified, the Company performs a qualitative assessment to determine if the terms were substantially modified.

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

7.5 Interbond offered rates (IBOR) reforms

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

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

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

- For financial assets and liabilities measured at amortised cost, the Company will update the effective interest rate only if:
  - The change is necessary as a direct consequence of reform, and
  - The new basis for determining the contractual cash flows is economically equivalent to the previous basis.

8. FINANCIAL GUARANTEE CONTRACTS (FGCS) ISSUED OVER THE DEBT OF SUBSIDIARIES

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

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

The Company measures the FGC:

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

Where the Company issues FGCs for the debt of a related entity in the Group, the Company determines the fair value. These FGCs are seen as transactions in a capacity as the shareholders and are treated as capital contributions.

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

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

The Company subsequently recognises financial guarantee fee income as follows:

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

The Company calculates the 12 months expected credit losses for purposes of calculation 1.

Where the outcome is that calculation 1 is more than calculation 2, differences are recognised and presented as part of expected credit losses.

ANNEXURE A – DISCOVERY HEALTH ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

8. FINANCIAL GUARANTEE CONTRACTS (FGCS) ISSUED OVER THE DEBT OF SUBSIDIARIES *continued*

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

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

At the date of derecognition:

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

9. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

The Company presents all derivatives as assets when the fair value is positive and as liabilities when the fair value is negative.

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

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

The Company documents at inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedging relationships. The Company also documents its assessment, both at the inception of the hedge and on an ongoing basis, 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.

9.1 Cash flow hedge

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

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

Where the forecast transaction subsequently results in the recognition of a financial asset or liability, the Company transfers gains or losses deferred in equity from the Statement of other comprehensive income when the financial asset or liability is sold or impaired.

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

9.2 Derivatives that do not qualify for hedge accounting

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

9.3 Hedging reserve

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

Amounts are subsequently reclassified to profit, or loss as follows:

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

For the purpose of cash flow hedges (see accounting policy 9.1), in determining whether a forecast transaction is highly probable, the Company will assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of IBOR reforms. The Company anticipates that ZARONIA reform will impact some of its Jibar risk management and hedge accounting relationships in the longer term.

ANNEXURE A – DISCOVERY HEALTH ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises of the following:

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

Cash and cash equivalents only include items held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. Cash and cash equivalents have a maturity of less than three months from the date of acquisition.

Cash and cash equivalents are carried at amortised cost (or in specified instances at fair value through profit or loss) which due to their short-term nature approximates fair value. Due to Discovery Health's sweeping arrangements with various financial institutions, positive and negative cash balances are presented on a net basis for the purpose of presenting cash and cash equivalents in the Statement of cash flows.

11. BORROWINGS

The Company recognises borrowings initially at fair value, net of transaction costs incurred. Subsequently, the Company borrowings are measured at amortised cost. Any difference between the proceeds and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs against the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

12. SHARE CAPITAL

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

13. TRADE AND OTHER PAYABLES AND PROVISIONS

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less from the reporting date. 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.

13.1 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less from the reporting date. 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.

13.2 Other payables

Other payables consist of VAT payables. These are not financial liabilities and are, accordingly, not measured at amortised cost. The Company measures as management's best estimate of the amount required to settle VAT obligations.

13.3 Provisions

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

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

ANNEXURE A – DISCOVERY HEALTH ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

14. EMPLOYEE BENEFITS

14.1 Short-term employee benefits

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

14.2 Post-employment benefits

The Company pays contributions to defined contribution schemes on a mandatory basis. These funds are registered in terms of the Pension Funds Act, 1956, and membership is compulsory for all Discovery Health employees.

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

14.3 Share-based compensation

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

14.3.1 EQUITY-SETTLED SHARE-BASED COMPENSATION PLANS

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

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

14.3.2 CASH-SETTLED SHARE-BASED COMPENSATION PLANS

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

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

14.4 Profit share and bonus plan

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

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

15. INCOME TAXES, DIRECT AND INDIRECT TAXES

15.1 Current tax

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

15.2 Deferred tax

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

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

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

- Property and equipment;
- The revaluation of financial assets and liabilities at fair value through profit or loss;
- Provisions for leave pay; and

ANNEXURE A – DISCOVERY HEALTH ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

15. INCOME TAXES, DIRECT AND INDIRECT TAXES

15.2 Deferred tax *continued*

- Liabilities for share-based payments.

Deferred tax related to cash flow hedges, which are charged or credited directly to the Statement of other comprehensive income, is also credited or charged directly to the Statement of other comprehensive income and is subsequently recognised in profit or loss when the gain or loss is realised.

The Company offsets deferred tax assets and liabilities when:

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

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

The Company reviews the carrying amount of the deferred tax asset at each reporting date and it is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. The Company reassesses unrecognised deferred tax assets at each reporting date and recognises them to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

15.3 Direct and indirect tax

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

Indirect taxes include various other taxes paid to central and local governments, including value-added tax and skills development levies. The Company includes those indirect taxes which it cannot claim directly as part of marketing and administration expenses in profit or loss.

Alternatively, if the indirect taxes qualify to be capitalised, they are included as part of the cost of property, equipment, or intangible assets.

16. REVENUE RECOGNITION

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

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

For most revenue types, the Company provides stand ready services to customers, where customers benefits as the entity's services are consumed. In limited instances where revenue is not recognised over time, the Company recognises revenue at a point in time when control transfers. For revenue the Company recognises over time, the stand ready services is recognised in a straight line over the term of contract.

In determining the amount of revenue to recognise, the Company considers any uncertainty created through variable consideration contained in the contract and constrains the recognition of revenue in order to recognise revenue only to the extent that it is highly probably that a significant reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty is resolved.

The Company also considers the impact of the timing of receiving payments for revenue transactions and determines whether a significant financing component should be taken into account in the measurement of the transaction price. As the Company contracts routinely include single performance obligations, there is limited complexity in allocating transaction prices to performance obligations.

Payment terms vary across the different revenue types earned by the Company.

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

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

The Company considers whether there are costs incurred for the acquisition or fulfilment of a contract. The Company recognises the costs as an asset and amortises the costs over the expected period over which performance obligations under the contract are satisfied. The Company expenses contract costs it incurs which are considered to be of a general and administrative nature and that are not explicitly recovered from the customer, as it incurs the cost.

ANNEXURE A – DISCOVERY HEALTH ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

16. REVENUE RECOGNITION *continued*

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

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

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

COSTS OF OBTAINING CONTRACTS

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

17. OTHER NON-REVENUE INCOME

17.1 Investment income

Investment income comprises dividends as well as the interest the Company receives from financial assets held at amortised cost and cash and cash equivalents. The Company recognises dividends when its right to receive payment is established. This is on the "last day to trade" for listed shares and on the "date of declaration" for unlisted shares. Dividend income includes scrip dividends, irrespective of whether there is an option to receive cash instead of shares. Interest is accounted for on an accrual basis using the effective interest method.

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

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

17.3 Other income

Other income includes the administration of various product offerings and services. Group administration services include system support, development and maintenance, consulting services and data science services. Products offerings and services include wellness screenings, FlexiCare, Healthy Company and Discovery Gap cover. Other income is recognised as and when it is earned.

18. INTEREST EXPENSE ON BORROWINGS

Interest expenses (net of investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets) directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Company recognises all other interest as an expense in profit or loss on an accrual basis using the effective interest method.

ANNEXURE A – DISCOVERY HEALTH ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

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

19. 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.

20. CONTINGENT LIABILITIES

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

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

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

21. DIVIDEND DISTRIBUTION

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

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