NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

3. FINANCIAL RISK MANAGEMENT

General

Risk management is a priority issue because it affects every part of the business. It is a pre-emptive process that allows the Group and Company to assess and analyse risk in an integrated fashion, identifying potential areas in advance and then to proactively create processes and measures for compliance.

Fundamentally, the Board's responsibility in managing risk is to protect the Group's employees, stakeholders and the Group in every facet. It fully accepts overall responsibility for risk management and internal control and in so doing the Board has deployed effective control mechanisms to prevent and mitigate the impact of risk.

Primary responsibility for risk management at an operational level rest with the Executive Committee. Management and various specialist committees are tasked with integrating the management of risk into the day-to-day activities of the Group and Company.

The Retail, Healthcare and Administration business activities are exposed to a variety of financial risks:

- Market risk;
- Credit risk; and
- Liquidity risk.

The Group's and Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Refer to Note 8 for categories of financial instruments.

(i) Currency risk

Currency risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The functional currencies of the Group companies are the South African Rand, Mauritian Rupee, USD Dollar and the Botswana Pula.

The Group and Company's transactions are predominantly entered into in the respective functional currency of the individual operations.

The Group has limited transactional currency exposures. These exposures arise from sales or purchases by a division, subsidiary, associate or joint arrangements (operating unit) in currencies other than the unit's functional currency.

Foreign currency risks are managed through financing policies and the selective use of various derivatives. In terms of the Group's risk management strategy, foreign currency risks are assessed on a case-by-case basis to determine whether specific hedging requirements exist. When these hedges are entered, they are designated as the hedge of a highly probable forecast transaction and accounted for as a cash flow hedge.

The table below presents the average and spot rates of the foreign currencies to which the Group has significant exposure:

	Group			
	2024		2023	
	Spot rate	Average rate	Spot rate	Average rate
Euro	**19.467**	**19.838**	20.567	20.338
US Dollar	**18.068**	**18.632**	18.924	17.769

(ii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk from external borrowings.

The Group's and Company's interest income arises from interest-bearing instruments and fixed deposits. The Group's Treasury manages excess funds on a daily basis into call deposit accounts to ensure that the best yield is obtained for the Group.

The Group's interest expense arises from the Nedbank borrowings facilities.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

3. FINANCIAL RISK MANAGEMENT CONTINUED

General *continued*

(ii) Cash flow and fair value interest rate risk *continued*

The financial condition to the Nedbank facility is for the Group to ensure that net debt to EBITDA in respect of any relevant period shall not exceed 2.5:1 times and Interest cover in respect of any relevant period shall not be less than 4:1. This helps management to manage the interest rate risk.

The Group further manages the risk through negotiating low interest rates, meeting debt obligations as they fall due, maintaining a good credit record, opting for fixed interest rate instruments where available and also through opting for sourcing funds within the Group rather than incurring external loans.

The Financial Stability Board initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates (**IBORs**) with alternative risk-free rates (**ARRs**) to improve market efficiency and mitigate systemic risk across financial markets. The South African Reserve Bank (**SARB**) has indicated their intention to move away from JIBAR and to create an alternative reference rate for South Africa.

The SARB has indicated their initial preference for the adoption of the South African Rand Overnight Index Average (**ZARONIA**) as the preferred unsecured candidate to replace JIBAR in cash and derivative instruments. The new ZARONIA rate was published for observation during 2022 and was endorsed as a successor rate in 2023. The formal announcement of the cessation of JIBAR as a reference rate is expected in 2025, allowing ZARONIA market to develop in derivative and cash products during 2023 and 2024. The cessation date of JIBAR as a reference rate is expected to be after 2025.

The Group and Company have used a sensitivity analysis technique that measures the estimated change to the statement of profit or loss and other comprehensive income of an instantaneous increase of 3% (2023: 2%) in the market interest rates for each class of financial instrument with all other variables remaining constant. The sensitivity analysis excludes the impact of market risks on net post-employment benefit obligations.

The interest rate sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect the interest income or expense of variable interest financial instruments;
- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognised at their fair value; and
- The Group has no exposure to the fixed interest rate.

INSTRUMENTS EXPOSED	Increase in 3% on statement of comprehensive income 2024 R'000	Increase in 2% on statement of comprehensive income 2023 R'000	Increase in 3% on statement of comprehensive income 2024 R'000	Increase in 2% on statement of comprehensive income 2023 R'000
Bank balances and short-term investments	**7 442**	3 138	**139**	78
Borrowings	**(14 239)**	(14 437)	**–**	–
TOTAL	**(6 797)**	(11 299)	**139**	78

	Decrease in 3% on statement of comprehensive income 2024 R'000	Decrease in 2% on statement of comprehensive income 2023 R'000	Decrease in 3% on statement of comprehensive income 2024 R'000	Decrease in 2% on statement of comprehensive income 2023 R'000
Bank balances and short-term investments	**(7 442)**	(3 138)	**(139)**	(78)
Borrowings	**14 239**	14 437	**–**	–
TOTAL	**6 797**	11 299	**(139)**	(78)

Under these assumptions, a 3% increase in market interest rates at 30 June 2024 would decrease Group profit before tax by approximately R6 797 000 and company profit before tax would increase by approximately R139 000. The assumptions are different to the prior year as the Group debt structure was restructured during the current year.

Under these assumptions, a 2% increase in market interest rates at 30 June 2023 would decrease Group profit before tax by approximately R11 299 000 and company profit before tax would increase by approximately R78 000.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

3. FINANCIAL RISK MANAGEMENT CONTINUED

General *continued*

(ii) Cash flow and fair value interest rate risk *continued*

A decrease of 3% in market interest rates at 30 June 2024 would increase Group profit before tax by approximately R6 797 000 (June 2023: R11 299 000) and Company profit before tax would decrease by approximately R139 000 (June 2023: R78 000).

(iii) Credit risk

Credit risk arises from borrowings, cash and cash equivalents and other investments, that is, deposits with banks and financial institutions, as well as credit exposures to clients, including outstanding receivables and committed transactions. For banks and financial institutions only independently rated parties are accepted (refer to Note 8.3). If clients do not have an independent rating, risk control assesses the credit quality of the client, taking into account its financial position, past experience and other factors. Credit risk is managed at both the Group and Company level.

No credit limits were exceeded during the reporting period. Individual limits are set for each client based on the factors above as assessed by management. These limits are monitored by management and ensured that they are not exceeded.

Expected credit losses (ECL) assessment for individual customers as at 30 June 2024 and 30 June 2023

The Group uses a simplified approach to measure and recognise ECL on a lifetime basis for trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive stages of delinquency to write off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, age of customer relationship and type of product purchased.

The loss rate incorporates the impact of forward-looking information. The following macro-economic factors were considered:

- Gross Domestic Product annual growth rate;
- Prime lending interest rate;
- Inflation rate; and
- Unemployment rate.

A regression analysis was performed to identify reasonable and supportable forward-looking information using the above macro-economic factors. The conditions for such an adjustment are of statistical and economic significance, and the adjustment will only be made when both conditions are met.

Results from the regression analysis indicated that the relationship between the macro-economic factors considered and historical loss rates was not statistically significant, hence no forward-looking information adjustment was applied to the determination of the ECL making the ECL before a forward-looking adjustment equal to the final ECL.

A debtor is considered to be credit impaired if the following events are present:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments;
- It's becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including:
  - adverse changes in the payment status of issuers or debtors in the Group; or
  - national or local economic conditions that correlate with defaults on the assets in the Group.

Default is defined as any amounts which have been outstanding for a period of at least 90 days past its due date.

Trade receivables are written off after all collection steps have been exhausted, including the issue of letters of demand, and there is no reasonable expectation of recovery.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

3. FINANCIAL RISK MANAGEMENT CONTINUED

General *continued*

(iii) Credit risk *continued*

The following table provides information about the exposure to credit risk and ECL for trade receivables from individual customers as at 30 June 2024. Trade receivables' expected credit loss is calculated by using a combination of the weighted average loss rate and the time value money loss.

	Weighted average loss rate %	Gross carrying amount R'000	Loss allowance R'000	Credit impaired
30 JUNE 2024				
Current (not past due)	**0.64**	**328 984**	**2 108**	**No**
30 days past due	**0.61**	**153 270**	**939**	**No**
60 days past due	**4.02**	**39 754**	**1 598**	**No**
90+ days past due	**34.36**	**114 952**	**39 494**	**No**
TOTAL		**636 960**	**44 139**	
30 JUNE 2023				
Current (not past due)	0.38	334 690	1 268	No
30 days past due	1.22	144 479	1 763	No
60 days past due	1.29	93 181	1 203	No
90+ days past due	67.23	53 728	36 123	No
TOTAL		626 078	40 357	

The Group used a sensitivity analysis technique that measures the estimated change to the statement of profit or loss and other comprehensive income of an instantaneous change of 1% in the loss rates with all other variables remaining constant. Under these assumptions a 1% increase in loss rate will result in a decrease in Group profit before tax of R6 370 000 and a 1% decrease will result in Group profit before tax of R9 244 000.

Expected credit losses assessment for other financial assets measured at amortised costs

Other financial assets measured at amortised cost are assessed annually for expected credit losses based on an evaluation of the probability of default.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

3. FINANCIAL RISK MANAGEMENT CONTINUED

General *continued*

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities to meet debt repayment and operating requirements. Management monitors the cash position on a daily basis from a Group and Company level. Due to the dynamic nature of the underlying businesses, management ensures flexibility in funding by keeping committed credit facilities available.

Management monitors rolling forecasts of the liquidity reserve on the basis of expected cash flow.

The table below analyses all cash flows from the financial liabilities into the time buckets in which they are contractually due to be paid:

	Less than 3 months or on demand R'000	More than 3 months but not exceeding 6 months R'000	More than 6 months but not exceeding 9 months R'000	More than 9 months but not exceeding 1 year R'000	More than 1 year but not exceeding 2 years R'000	More than 2 years but not exceeding 5 years R'000	Total R'000
YEAR ENDED 30 JUNE 2024 – GROUP							
Trade and other payables (excluding provisions and payroll creditors) (Note 8.4)	**(582 928)**	**(37 154)**	**(2 523)**	**(17 513)**	**(19 790)**	**–**	**(659 908)**
Lease liabilities capital payments (Note 8.6)	**(16 585)**	**(15 847)**	**(16 492)**	**(16 263)**	**(63 894)**	**(48 005)**	**(177 086)**
– Payments	**(20 312)**	**(19 228)**	**(19 518)**	**(18 930)**	**(70 965)**	**(51 253)**	
– Interest	**3 727**	**3 381**	**3 026**	**2 667**	**7 071**	**3 248**	
Borrowings capital payments (Note 8.5)	**16 091**	**16 102**	**5 333**	**14 178**	**68 085**	**(768 195)**	**(628 406)**
– Payments	**–**	**–**	**(9 245)**	**–**	**(19 978)**	**(825 764)**	
– Interest	**16 091**	**16 102**	**14 578**	**14 178**	**88 063**	**57 569**	
YEAR ENDED 30 JUNE 2023 – GROUP							
Trade and other payables (excluding provisions and payroll creditors) (Note 8.4)	(346 704)	(142 152)	(12 869)	(46 450)	(172)	–	(548 347)
Lease liabilities capital payments (Note 8.6)	(15 086)	(15 267)	(16 377)	(20 914)	(176 683)	–	(244 327)
– Payments	(19 221)	(19 147)	(19 994)	(24 307)	(215 886)	–	
– Interest	4 135	3 880	3 617	3 393	39 203	–	
Borrowings capital payments (Note 8.5)	(30 000)	(30 000)	(30 000)	(30 000)	(528 005)	–	(648 005)
– Payments	(49 189)	(43 719)	(45 835)	(43 572)	(570 136)	–	
– Interest	19 189	13 719	15 835	13 572	42 131	–	
Contingent consideration (Note 33)	–	(80 123)	–	–	–	–	(80 123)
– Capital payments	–	(85 000)	–	–	–	–	
– Interest	–	4 877	–	–	–	–	

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

3. FINANCIAL RISK MANAGEMENT CONTINUED

General *continued*

(iv) Liquidity risk *continued*

	Less than 3 months or on demand R'000	More than 3 months but not exceeding 6 months R'000	More than 6 months but not exceeding 9 months R'000	More than 9 months but not exceeding 1 year R'000	More than 1 year but not exceeding 2 years R'000	More than 2 years but not exceeding 5 years R'000	Exceeding 5 years R'000	Total R'000
YEAR ENDED 30 JUNE 2024 – COMPANY								
Trade and other payables (excluding provisions and payroll creditors) (Note 8.4)	**(6 709)**	**–**	**–**	**–**	**–**	**–**	**–**	**(6 709)**
Loan from Group Company (Note 8.7)	**–**	**–**	**–**	**–**	**–**	**–**	**(78 700)**	**(78 700)**
YEAR ENDED 30 JUNE 2023 – COMPANY								
Trade and other payables (excluding provisions and payroll creditors) (Note 8.4)	(10 880)	–	–	–	–	–	–	(10 880)
Loan from Group Company (Note 8.7)	–	–	–	–	–	–	(38 474)	(38 474)

(v) Capital risk management

The objective of the Group and Company when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group and Company monitor cash flow on the basis of the gearing ratio. This ratio is calculated as long-term debt divided by total capital employed. Total capital employed is calculated as equity as shown in the statement of financial position plus long-term debt.

During 2024, the Group's and Company's strategy, which was unchanged from 2023, was to ensure that the Group can absorb a 30% debt to equity ratio, which is currently management's maximum borrowing level.

The financial condition to the Nedbank facility is for the Group to ensure that net debt to EBITDA in respect of any relevant period shall not exceed 2.5:1 times and interest cover in respect of any relevant period shall not be less than 4:1.

	2024 R'000	Restated* 2023 R'000
Net debt	**298 147**	562 249
Non-current borrowings	**569 853**	528 005
Current borrowings	**58 553**	120 000
Bank overdraft	**–**	104 007
Less cash and cash equivalents	**(330 259)**	(189 763)
Total equity	**3 401 185**	3 499 252
EBITDA	**816 311**	820 944
Interest expense	**96 235**	94 193
NET DEBT TO EQUITY RATIO	**8.77%**	16.06%
NET DEBT TO EBITDA	**0.37:1**	0.68:1
INTEREST COVER	**8.48:1**	8.75:1

* *Refer to Note 34 for details on the restatements and Note 35 for transitioning to IFRS 17.*

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS continued

for the year ended 30 June 2024

3. FINANCIAL RISK MANAGEMENT CONTINUED

General *continued*

(vi) Insurance risk management

Insurance risk	Description	How Company manages the risk
Modelling and data risk	Contracts that are short term have simplified models reducing modelling risk.	Data and modelling is handled by Guardrisk and Centriq. These are reputable insurance companies that have modern administration systems and the systems managed by highly qualified staff such as actuaries, IT experts, qualified finance staff etc.
Capital adequacy requirements and protection against adverse experiences	The Group has a contractual obligation to maintain the solvency of the cell captives and ensure that sufficient capital exists to meet their obligations.	The licensed cell captive insurers both have robust corporate governance and regulatory frameworks in place to manage insurance risk. The licensed cell captive insurers perform various functions, including (but not limited to) premium rating, capital and reserving requirements and risk mitigating strategies. Senior management of the Group actively monitor and review the work performed by the licensed cell captive insurers. Items such as monthly results, premium turnover, claims experience, solvency, and provision calculations are discussed and debated in detail to ensure that they are reasonable and align with the Group's risk appetite.
Policy wording/ legal	There is a risk that the Group could be financially exposed to obligations that differ from expectations and are not adequately provided for. The risk could also arise from legal proceedings.	Guardrisk and Centriq are reputable insurance companies with highly qualified legal, administration and management staff.
Regulatory change/ risk	The risk of new regulations or regulatory changes that have a negative impact on the Group's ability to provide a sustainable benefit offering to members, including the implementation of a National Health Insurance (**NHI**) system that is not sustainable.	Ongoing interaction with the regulator and collaborative engagement with the legislator. Participation in the industry representative body, the Board of Health Funders Association.