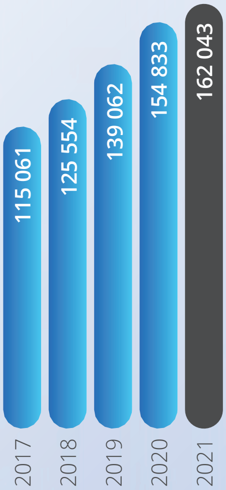
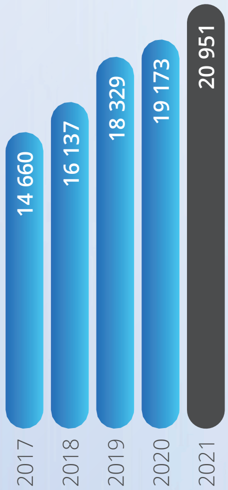
AUDITED RESULTS

for the year ended 30 June 2021

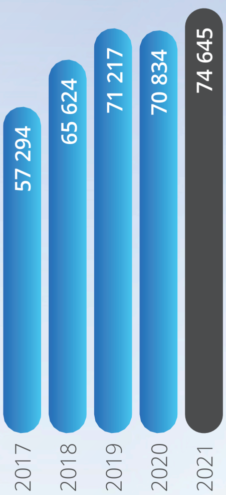
GROSS INFLOWS UNDER MANAGEMENT
(R million)



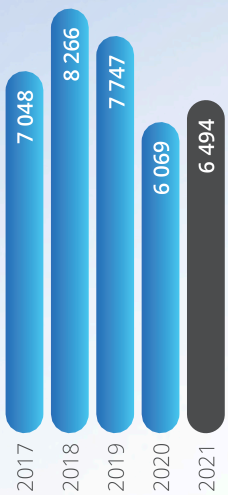
CORE NEW BUSINESS API
(R million)



EMBEDDED VALUE
(R million)



NORMALISED PROFIT FROM OPERATIONS
(R million)



COMMENTARY

Strong operating performance during the pandemic and continued evolution of the Shared-value Insurance model

The year ended 30 June 2021 was characterised by a multifaceted focus on the impact of and response to the COVID-19 pandemic, with a notable material impact on the Group's financial results due to elevated mortality in South Africa (SA). The Group nonetheless delivered a robust operational performance with strong actuarial experience and growth. The growing relevance of its Vitality Shared-value Insurance model, given the increasing importance of health, wellness and resilience, positions the Group for growth in local and global markets.

RESILIENT OPERATING PERFORMANCE DURING COVID-19

Normalised profit from operations increased 7% to R6 494 million, notwithstanding a R2.4 billion COVID-19-related impact for Discovery Life (R1.1 billion in prior year). New business annualised premium income (API) increased 11% to R21 325 million (core API 9%), while retention levels across the Group were strong. Normalised headline earnings (NHE) decreased by 9% to R3 406 million. This growth was impacted by R389 million pre-tax mark-to-market foreign currency losses (R578 million pre-tax gains in prior year) arising from a recovery of the rand during the year under review. NHE before these exchange rate effects increased 12% to R3 711 million. Headline earnings grew more than nine-fold to R2 986 million as the long-term interest rates stabilised in SA and the United Kingdom (UK), which resulted in materially lower economic basis changes than the prior period.

The following table demonstrates the contribution of key businesses to the growth in normalised profit from operations.

Business	Current period in ZAR million	% change (Current period vs prior period)	Strategic observation
Discovery Health	3 423	7%	Continued operational excellence, growth in lives and providing significant support to members and society
Discovery Life	1 341	(55%)	Significant negative COVID-19-related mortality impact but delivering positive actuarial experience and maintaining financial strength
Discovery Invest	1 084	31%	Strong earnings growth, retention and solid investment returns for clients. New business growth impacted by lower guaranteed plan sales
VitalityHealth[1]	953	15%	Robust operating performance driven by continued good retention. Careful management of delay of elective healthcare in the COVID-19 environment
VitalityLife	644	337%	Strong recovery and a strengthening of underlying actuarial basis – a successful execution of the management plan. New business slowed with lockdowns and the focus on quality business
Profit from established businesses[2]	**7 488**	**-1%**	**Robust growth across all established businesses, except for Discovery Life**
Discovery Insure	250	2%	Strong new business growth and robust underwriting performance, with earnings impacted by lower investment yields
Vitality Group	417	35%	Stronger growth due to increasing integration and traction with existing partners and accelerating roll-out to new markets and adjacencies
Ping An Health Insurance (PAH)	411	126%	Focus on profit quality and scale through distribution channels and product diversification. Capital injection to support long-term growth
Emerging businesses	1 078	46%	**Emerging business delivered particularly strong growth**
New initiatives (Excluding Discovery Bank)	(978)	Lower by 7%	Lower spend combined with strong growth in new business API, up 156%
Discovery Bank	(1 094)	Lower by 7%	Strong high-quality client and deposit growth while deliberately pursuing a prudent, quality-focused credit strategy
Normalised profit from operations	6 494	7%	

1 *VitalityHealth accelerated the repayment terms of its existing reinsurance programme reducing the net premiums received in the year under review, with a net in-period impact of £39.7 million, which results in better matching of the underlying claims experience expected from the catch-up in claims in future years.*

2 *Includes SA Vitality, R43 million (prior: R7 million)*

COMMENTARY *continued*

RESPONDING TO COVID-19 AS DISCOVERY LIFE'S EARNINGS IMPACTED BY R2.4 BILLION FOR THE REPORTING YEAR

The impact of COVID-19 has been significantly worse than expected in SA and we estimate that the SA epidemic has turned out to be five times more severe, on a risk-adjusted basis, than in the UK. At the end of the previous year, Discovery Life established a R2 billion provision (R1.1 billion impact net of discretionary margins) for retail claims and lapses which proved adequate for the retail business' in-period claims, as the strong lapse experience mitigated the elevated mortality. Given the expected mortality claims from the run-off of the third COVID-19 wave beyond the reporting year and expected claims from an anticipated fourth wave, an additional provision for the retail business was set up at the end of the year under review.

Due to the accounting treatment applicable to the short-term contract boundary policies of group life business, Discovery Life could not establish a provision for future group life claims at the end of the previous year. As a result, the high in-period group life COVID-19-related claims caused further strain in the reporting year. At the end of the year under review, group life provisions have been made up to the next policy renewal date to the extent that existing contracts are deemed to be onerous.

The combined impact on Discovery Life's overall operating profit from these factors was R2.4 billion for the reporting year.

Given that global and local data strongly support the safety and efficacy of vaccination, Discovery continues to play a leadership role in driving up national vaccination rates, through its own employees, through its products, and working closely with the National Department of Health on the country's vaccination roll out. To this end, Discovery has established nine vaccination sites nationally, requiring approximately 1 000 employees and spent R42 million in the year under review, with an anticipated spend of R200 million in the 2022 financial year. For its employees, Discovery intends to move to a mandatory vaccination policy effective 1 January 2022 given the clear moral and social obligation, as informed by our core purpose to make people healthier and to enhance and protect their lives; and by our values, particularly, acting as a force for social good; and supported by a legal obligation to protect and safeguard all employees from all potential risks.

HEADLINE EARNINGS BOOSTED BY STABILISATION OF INTEREST RATES AND BASIC EARNINGS GAINED FURTHER FROM CMT TRANSACTION

The strong growth in headline earnings, of 909%, was largely due to the materially lower negative pre-tax impact of economic assumption changes (of R519 million) in the reporting year, versus R4 830 million in the prior year, which are excluded from the normalised measures. In SA, the key driver of the improvement in the reporting period was the stabilisation of longer-term interest rates compared with the increase experienced in the prior period. In the UK, the interest rate hedge proved effective in a year with volatile interest rate markets, with increased costs a function of more regular rebalancing of the hedge and higher convexity.

Basic earnings of R3 157 million (prior period R97 million) benefitted further from a material pre-tax unrealised gain of R537 million from the transaction in which Cambridge Mobile Telematics (CMT) acquired TrueMotion. This acquisition was effected through an issuance of shares, as announced by CMT on 16 June 2021, and Discovery's gain was for an effective dilution of 1.69% of the equity on a fully-diluted basis. Discovery still owns 7.89% (on a fully-diluted basis) of the equity of the combined organisation.

CAPITAL STRENGTH AND LIQUIDITY

A disciplined long-term capital plan remains a key focus as Discovery continues to follow a highly structured approach to navigating the impact of COVID-19 while ensuring that the Group remains resilient and able to continue to fund its growth initiatives. Each of the Group's businesses are strongly capitalised with capital metrics above set targets, and across the Group there is an excess of liquid assets above minimum regulatory capital requirements of R13.4 billion, held predominantly within the businesses, with excess liquidity held at the centre in SA of R2 billion. The Group's Financial Leverage Ratio stabilised at 25.7%[3] and is comfortably within the internally set guidance level of 28% and expected to trend down over time.

During the period under review, the Group became aware that due to the combined effect of the future growth prospects of Ping An Health Insurance (PAH) and its expanding product mix, with the evolving prudential regulatory requirements in

3 Excludes capitalised lease liabilities under IFRS16 and bank borrowings related to normal course lending and borrowing activities

China, PAH requires additional capital of RMB2.6 billion (approximately R6 billion). Discovery's contribution, amounting to approximately R1.5 billion, will be required in the near future. Discovery is committed to its investment in PAH and its intention is to follow its rights in this regard, aligned with previous capital contributions it has made, and is evaluating the optimal funding mechanism in the context of COVID-19 aligned with the discipline of the capital plan. Discovery has previously responded to fund such growth opportunities through equity rather than debt. If it were to raise equity capital, Discovery would expect to follow a similar strategy as it did in the case of the final buy-out of the FNB credit card book in 2018, for which it raised a specific quantum, ring-fenced for those purposes, to ensure that the discipline of capital allocation within the capital plan remains intact. The prospects for private healthcare and private health insurance in China provide an excellent longterm opportunity, supported by recent government policies emphasising the development of healthcare and private health insurance.

DISCOVERY IS DEMONSTRATING GROWTH ACROSS MULTIPLE DIMENSIONS AS RELEVANCE CONTINUES TO GROW

COVID-19 has accelerated the link between health, wellness, resilience and mortality through the underlying behavioural drivers of risk. As these have coalesced with the rising trends of technology adoption and purpose-led models, Discovery has been evolving its model to offer multi-dimensional growth prospects; these being (1) Organic growth, (2) Geographic growth and (3) Platform-led growth through the Vitality global insuretech platform and the Group's institutional businesses that sit on it.

Discovery continues to drive the execution of existing market-specific strategies through its composite model, with the following strategic vision established for each:

i. **South Africa:** To be the perfect composite model, number 1 in every industry, and the Bank pivoting to growth as the composite-maker within SA
ii. **United Kingdom:** To have best-in-breed products across businesses and operating as a fully integrated composite business with a seamless One Vitality client journey and to have a successful entry into motor insurance
iii. **Ping An Health Insurance:** To be the leading health insurer in China with over 50 million clients
iv. **Vitality Group:** To be the world's largest and most sophisticated behavioural platform linked to financial services

4 Post FNB JV loan book migration.

SOUTH AFRICAN COMPOSITE
Discovery Bank

FINANCIAL PERFORMANCE

Discovery Bank's operating loss for the financial year was R1 094 million, 7% lower than the prior period. The Bank continued to gain traction with 362 000 clients (versus 274 000 clients in July 2020[4]) and 649 000 accounts (versus 505 000 accounts in July 2020[4]), expanding its existing Discovery and non-Discovery client base and achieving 500 average daily new-to-Bank sales, in line with the medium-term forecast. There was a steady improvement in product mix over the year with transaction accounts and credit cards making up over 80% of new business. Retail deposits grew by 167% to R8.18 billion. A deliberate decision to pursue a prudent credit strategy resulted in moderate advances growth of 5%[4] to R3.83 billion at 30 June 2021. The quality-focused credit strategy was evidenced by the low credit loss ratio of 4.6%, which includes a COVID-19 overlay, and high average client non-interest revenue (NIR) levels.

The Bank continued to focus on product innovation and building a differentiated and sophisticated digital platform. This included the roll out of payment platforms like Apple Pay and Discovery Pay, an enhanced account origination journey with unique features such as Virtual Cards; a more valuable Discovery Miles currency; enhancements to travel benefits; and more differentiated products in the pipeline.

There was a strong improvement in utilisation over the period. Compared with July 2020, clients depositing their salary, initiating debit orders and making digital payments grew substantially, driving strong NIR levels. The shared-value fundamentals also emerged as expected with clients on Gold and Diamond Vitality Money status exhibiting superior banking dynamics: 94% lower arrears rate compared with clients on Blue Vitality Money status; four times higher spend compared with clients on Blue status; and nine times higher average deposits compared to the average client.

COMMENTARY *continued*

Discovery Health

FINANCIAL PERFORMANCE

Discovery Health's (DH) total revenue increased by 5% to R8 802 million for the financial year, while normalised operating profit increased by 7% to R3 423 million demonstrating continued operational efficiency gains. Total new business API increased by 6% to R6 453 million (core new business API was flat at R6 079 million), despite the challenging economic climate. Non-medical scheme retail products (Discovery Primary Care, Gap Cover and Healthy Company) grew strongly by 29%, and now account for c.193 000 lives under DH's administration. Total non-scheme revenue exceeded R1 billion and now represents 13% of total DH revenue.

Discovery Health Medical Scheme (DHMS) continued to demonstrate excellence: new business levels showed signs of recovery with net growth exceeding 20 000 lives for the second half of the financial year while lapse rates declined by 7% compared with the prior period. DHMS continued to create value for its members and implemented a delayed contribution increase strategy for the 2021 calendar year, resulting in the average contribution differential between DHMS and the next eight largest open schemes increasing to 17.3% while maintaining its strong financial position with an unaudited solvency of 36.9%.

In addition to DH's roll-out of the mass vaccination programme to individuals and more than 50 employer groups, several other product enhancements were launched over the financial year, with a focus on healthcare system digitisation, quality measurement and broadened access to care. The most notable was the launch of the Connected Care platform which aggregates members, providers and case managers, through a patient-centric model, on a single digital engagement platform. DH will be launching new product enhancements at the September 2021 launch of the 2022 products, which are focused on enhancing DHMS's value proposition, creating new revenue opportunities for DH, driving deeper integration between DH and Discovery Bank, and driving growth and retention of employer business through an enhanced employer value proposition.

Discovery Life

FINANCIAL PERFORMANCE

Discovery Life's normalised profit of R1.3 billion declined 55% for the financial year due to the material impact of higher retail and group life mortality. New business decreased by 1% to R2.3 billion, with slightly higher core new business sales and lower Automatic Contribution Increases in line with lower CPI. The embedded value (including Invest) increased by 10% over the period, with positive experience variances due to exceptional retention. Discovery Life's financial position remains robust with solvency coverage of 183% and strong liquidity remaining under all modelled COVID-19 scenarios.

The total claims to be paid by Discovery Life throughout the pandemic is estimated at R6.2 billion (gross of reinsurance), with roughly half of this having been paid during the year under review, providing significant support to clients. Discovery Life recently launched market-first product features recognising the material risk reduction through vaccinations, assisting and rewarding policyholders to get vaccinated.

Discovery Invest

FINANCIAL PERFORMANCE

Discovery Invest grew operating profit 31% to R1 084 million, with 15% of this increase a result of once-off items, mainly the release of COVID-19 lapse provisions and guaranteed plan matching profits. Total Assets under Administration increased by 18% to R117 billion. Assets under Management increased by 21% to R76 billion, with linked funds placed in Discovery funds increasing to 79.6%, from 78.3% in the prior year.Net inflows amounting to R5.65 billion declined 26%, largely due to higher outflows from anticipated guaranteed plan maturities. New business increased 3% to R2 737 million, dampened by new guaranteed plan sales declining 24%, in line with weaker yields being on offer and the significant reduction of the tax asset utilised over the last decade.

The Vitality Shared-value Insurance model has continued to manifest with better retention than expected over the year under review, with lapses down 13%. Strong investment performance has been generated for clients and Discovery Invest International's partnership with BlackRock and Goldman Sachs has continued to grow, with offshore sales increasing by 81%. The recently launched Discovery Megatrends Fund, in partnership with Goldman Sachs, has seen significant traction since April 2021. Discovery Invest looks to continue growing its footprint through enhanced distribution capabilities, continuing digital innovation and market-leading offerings.

Discovery Insure

FINANCIAL PERFORMANCE

Discovery Insure (DI) continued its growth trajectory, with gross new business API increasing by 18% over the year to R1 287 million. Gross premium income amounted to R4 205 million, equating to 15% growth and an estimated 7% personal lines market share. Operating profit increased to R250 million, 2% growth from the prior year, impacted by lower interest rates as well as Dynamic distance cash back of R58 million, which have been shared with clients given lower than normal driving behaviour.

DI's focus on making roads safer was supplemented with the aunch of Pothole Patrol, an initiative launched to repair damaged roads. More than 10 000 road defects have been repaired since May 2021 and early results show a 34% reduction in pothole-related claims experienced in the affected areas relative to the balance of the country.

DI continues to export its technology and IP capabilities internationally, currently to the UK and Saudi Arabia, with further expansion opportunities being pursued. Early signs are positive in terms of its applicability in these markets.

COMMENTARY *continued*

UNITED KINGDOM

FINANCIAL PERFORMANCE

The UK composite's normalised operating profit increased by £61.6 million year-on-year to £68.5 million (R1 421 million, up 945%). Earned premiums[5] increased by 5% year-on-year to £827.4 million (R17 160 million, up 10%), while total lives covered increased 8% to 1.4 million.

VitalityInvest (VI) had its strongest period since inception, continuing to build traction with wealth advisers and writing new business flows for the financial year of £323 million (new business API of £36 million, R741 million) which is up 68% on the prior year. Total funds under management at 31 June 2020 was £512 million (R10.1 billion), more than double that of 12 months prior. The restructure of VI, which took place successfully over the course of 2020, positions it for future growth off a significantly reduced cost base, with losses down to £7.1 million for the period (prior year loss £18.2 million). VI launched a new range on Environmental, Social and Governance (ESG) focused funds in June 2021, which have been well received.

In expanding its composite strategy, Vitality UK entered the UK car insurance market in June with VitalityCar. VitalityCar is a capital-light joint venture with Covéa Insurance which will provide the regulatory capital and insurance license for the venture. VitalityCar leverages the Shared-value Insurance model, supporting clients to drive safely and to consider the environmental impact of their driving behaviour.

VitalityHealth

FINANCIAL PERFORMANCE

VitalityHealth's (VH) operating profit grew by 9% year-on-year to £46.0 million (up 15% to R953 million). The assumed claims catch-up did not emerge as originally anticipated, having only begun at the end of the financial year. In light of this, the unearned premium reserve (UPR) adjustment recognised at 30 June 2021 was £14.2 million. The expected catch-up in claims has been modelled into future periods and most anticipated claims are expected to transpire over a much longer period providing an opportunity to accelerate the repayment terms of its existing reinsurance programme. This reduced the net premiums received for the period, with a net in-period impact of £39.7 million, which results in better matching of the underlying claims experience expected from the catch-up in claims in future years. New business was resilient despite market pressures, increasing 5% year-on-year to £65.9 million (increased 10% to R1 367 million). Earned premiums grew by 4% to £515.6 million (R10 694 million), excluding the UPR adjustment and the total number of lives grew above 720 000.

In a highly competitive sales environment, sales in the profitable individual segment grew strongly by 11%. Sales in the SME segment were also strong at 8% growth. The direct-to-business strategy has progressed extremely well with notable growth in leads. Retention rates have been strong throughout the year, being more than 13% ahead of plan, despite the economic impact of the pandemic on clients.

Cash generation was robust over the period, with the back-book generating £127.8 million (R2 649 million) in cash. After new business acquisition costs and investment in developing the business, VH generated a £56.2 million (R1 165 million) cash surplus.

5 *Based on VH and VL.*

VitalityLife

FINANCIAL PERFORMANCE

VitalityLife (VL) generated £31.0 million (R64 million) in normalised operating profit, reversing the prior period loss. Following the simplification launch in September 2020, there was an increase in advisers writing a VL policy for the first time, however extended COVID-19 lockdown periods and a strict focus on writing quality new business resulted in new business reducing by 14% to £55.0 million (-9% to R1 141 million). Exceptional retention performance delivered strong earned premiums, up 8% to £311.8 million (up 13% to R6 466 million), while lives covered grew by 10% year-on-year, exceeding 680 000. VL maintained a £5.4m (R107 million) COVID-19 provision at 30 June 2021 considering some remaining uncertainty in the UK.

VL has implemented various initiatives over the past year to put it in a strong position: Firstly, strengthening VL's capital position, lowering its cost of liquidity funding, reducing its need for Discovery Group funding and its interest rate exposure; secondly, right-sizing the cost base to deliver the required profitability and return on capital, with expenses £4.5million (6%) lower than the same period last year; finally, improving retention, through several management actions, which manifested as a marked reduction in lapse rates and significant positive experience variances. The resulting effects on operating profit were partially offset due to a strengthening of the lapse and mortality basis for the Whole of Life book.

PING AN HEALTH INSURANCE (PAH)

FINANCIAL PERFORMANCE

PAH's profit from operations, represented by the Group's share of after-tax operating profit less the costs to support the business, grew by 126% to R411 million, supported by positive investment returns. Total written premium grew by 36% to R40.6 billion (RMB17.5 billion) and new business premium by 10% to R15.8 billion (RMB6.8 billion). New business came off a significant surge in demand for health insurance in the prior period due to COVID-19, and was also affected by the continued consolidation of the Ping An Life (PAL) distribution force; good strides have been made in alternative distribution channels.

The prospects for private healthcare and private health insurance provide an excellent long-term opportunity, and recent policies emphasise developing healthcare and private health insurance. China is also expected to continue to grow healthcare expenditure, due to increasing customer affluence and an ageing population, with increased participation from private health insurance. Recent regulatory changes in education, technology and online pharmacies are aligned with policy goals.

PAH focused on continued growth and increasing profitability. The significant increase in profits was driven by prudent operational expense management and loss ratio controls. Overall, this has put PAH in a strong position with a margin of 5.4%, double that of competitors in the health insurance landscape.

PAH has seen strong momentum in the long-term product, already representing 32% of new business for the 2021 calendar year to June, having only launched in September 2020. This product is more capital intensive but is expected to deliver higher embedded value margins. PAH continues to pursue scale through diversified distribution channels. PAH is reducing its reliance on the PAL channel and has rapidly grown business written through other channels from 24% in the prior period to 37% in the reporting year. PAH also focused on diversifying products and services, increasingly manifesting digitally. The partnership with Good Doctor – the largest online healthcare services platform – is a great opportunity to unlock the online market. PAH has the ability to build integrated digital customer journeys and services, thereby developing a competitive advantage over other market players who mainly partner with online only distribution platforms.

Vitality Group

FINANCIAL PERFORMANCE

Vitality Group's (VG) profit increased by 38% to US$27.1 million (R417 million). Revenue growth remained resilient, with fee income growing 14% to US$82.4 million (R1.3 billion) and insurance partners' Vitality-integrated premiums growing by 26% to US$1.3 billion (R20 billion). The period also saw Vitality expand to 30 markets (including SA and the UK). Vitality membership from insurance partners grew 33% to 2.4 million, bringing total Vitality membership to 4.4 million.

INSURANCE PARTNERSHIPS

The year was another illustration of the continued relevance of the Vitality Shared-value Insurance model as it transforms partners through excellent engagement and actuarial economics, with material latent value. Despite the onset of COVID-19, VG launched new partnerships in Brazil, Portugal, Mexico and Saudi Arabia, which included the first international Vitality Drive partnership through its partnership with Tawuniya. Vitality is expected to launch in Israel next year. There were also two market launches from long-standing insurance partners. AIA launched Vitality in Indonesia, and Generali launched in Spain, bringing their total number of markets selling Vitality-integrated insurance to nine and four, respectively.

Sales growth in AIA markets was adversely impacted by COVID-19 but has recovered somewhat. Sumitomo Life Vitality met and exceeded the milestone of 500 000 polices sold and finished the period with more than 700 000 members after launching in 2018. Growth in North America remained strong with increased election rates for Vitality-integrated products resulting in Manulife Vitality (Canada) growing sales by 26% and John Hancock Vitality (US) increasing its sales by 21%.

VITALITY USA

Revenue growth in the corporate wellness business was undermined by COVID-19 restrictions which adversely affected sales and reward redemption. The business nonetheless performed well and continued to invest in innovation which will support its sales recovery and ability to extend beyond corporate wellness. Gateway Flex, a curated marketplace of leading health and wellness services that Vitality members can access through funding from their employer, went live in July 2021 offering a range of headline partners.

GROWTH PROSPECTS AND DIVIDEND

Discovery's business model has proven to be highly relevant during the COVID-19 pandemic and the trends that are consolidating are likely to accentuate this relevance going forward. The Group is confident in its ability to capitalise on these emerging opportunities and Discovery's Shared-value Insurance model positions it well to deliver continued growth and operational resilience despite the challenging macro environment.

Discovery Life has provided for the expected future mortality impacts of COVID-19 given the expected retail claims. Group life provisions have been made up to the next policy renewal date to the extent that existing contracts are deemed to be onerous. The effect of continued interest rate and currency volatility in SA is expected to remain a feature of the reported results.

The Group is considering an additional capital contribution for PAH and Discovery intends to follow its rights in this regard, given the excellent long-term prospects for private healthcare and private health insurance in China.

Despite the Group's robust capital position, due to the continued uncertainty and potentially volatile economic environment caused by the COVID-19 pandemic, the Discovery Board has decided to retain its prior stated position during the pandemic and has decided not to declare an ordinary final dividend for the period ended 30 June 2021. The reintroduction of an ordinary dividend will be considered on an ongoing basis.

NOTES TO ANALYSTS

- Any forecast financial information contained in this announcement has not been reviewed or reported on by the company's external auditors.
- Discovery has published supplemental information on the website. For this and other results information, go to https://www.discovery.co.za/corporate/investor-relations and page to Financial results and reports, Annual results 2021.

On behalf of the Board

A Gore
Group Chief Executive

ME Tucker
Chairperson

Sandton 1 September 2021

STATEMENT OF FINANCIAL POSITION

at 30 June 2021

R million	GROUP JUNE 2021 AUDITED	Group June 2020 Audited
Assets		
Goodwill	**4 879**	5 070
Intangible assets	**6 371**	6 381
Property and equipment	**4 188**	4 643
Assets arising from insurance contracts	**50 483**	48 042
Deferred acquisition costs	**585**	632
Assets arising from contracts with customers	**1 248**	954
Investment in equity-accounted investees	**3 459**	2 713
Deferred income tax asset	**3 948**	3 511
Financial assets		
– Loans and advances to customers at amortised cost	**3 361**	1 848
– Investments at amortised cost	**5 604**	2 523
– Investments at fair value through profit or loss	**130 937**	102 714
– Derivative financial instruments at fair value through profit or loss	**249**	1 370
Insurance receivables, contract receivables and other receivables	**10 533**	11 436
Current income tax asset	**391**	182
Reinsurance contracts	**445**	400
Cash and cash equivalents	**20 013**	17 909
TOTAL ASSETS	**246 694**	210 328
Equity		
Capital and reserves		
Ordinary share capital and share premium	**10 151**	10 148
Perpetual preference share capital	**779**	779
Other reserves	**1 935**	3 269
Retained earnings	**33 550**	30 353
	46 415	44 549
Non-controlling interest	**4**	4
TOTAL EQUITY	**46 419**	44 553
Liabilities		
Liabilities arising from insurance contracts	**100 977**	82 411
Liabilities arising from reinsurance contracts	**12 525**	12 465
Deferred income tax liability	**8 814**	8 514
Contract liabilities to customers	**776**	808
Financial liabilities		
– Borrowings at amortised cost	**19 493**	19 836
– Other payables at amortised cost	**14 904**	14 233
– Deposits from customers	**8 985**	2 427
– Investment contracts at fair value through profit or loss	**32 291**	23 012
– Derivative financial instruments at fair value through profit or loss	**826**	992
Employee benefits	**315**	284
Current income tax liability	**369**	793
TOTAL LIABILITIES	**200 275**	165 775
TOTAL EQUITY AND LIABILITIES	**246 694**	210 328

INCOME STATEMENT

for the year ended 30 June 2021

R million	GROUP JUNE 2021 AUDITED	Group June 2020 Audited	% change
Insurance premium revenue	**55 935**	49 775	
Reinsurance premiums	**(7 729)**	(6 308)	
Accelerated reinsurance premiums	**(823)**	–	
Net insurance premium revenue	**47 383**	43 467	9
Fee income from administration businesses	**11 700**	11 337	
Net banking fee and commission income	**480**	150	
Banking fee and commission income	**633**	182	
Banking fee and commission expense	**(153)**	(32)	
Vitality income	**3 340**	3 875	
Other income	**1 372**	1 100	
Receipts arising from reinsurance contracts	**500**	–	
Investment income using the effective interest rate method	**280**	379	
Net bank interest and similar income	**241**	71	
Bank interest and similar income using the effective interest rate	**627**	162	
Bank interest and similar expense using the effective interest rate	**(386)**	(91)	
Net fair value gains on financial assets at fair value through profit or loss	**11 891**	4 093	
Net income	**77 187**	64 472	20
Net claims and policyholders' benefits	**(28 178)**	(23 246)	
Claims and policyholders' benefits	**(33 972)**	(26 856)	
Insurance claims recovered from reinsurers	**5 794**	3 610	
Acquisition costs	**(5 033)**	(6 547)	
Marketing and administration expenses	**(22 679)**	(22 118)	
Amortisation of intangibles from business combinations	**(66)**	(76)	
Expected credit losses	**(271)**	(181)	
Recovery of expenses from reinsurers	**2 773**	2 876	
Net transfer to/from assets and liabilities under insurance contracts	**(14 795)**	(13 497)	
– change in assets arising from insurance contracts	**545**	2 038	
– change in assets arising from reinsurance contracts	**56**	53	
– change in liabilities arising from insurance contracts	**(17 941)**	(9 418)	
– change in liabilities arising from reinsurance contracts	**1 755**	(462)	
– economic assumption adjustments net of discretionary margins	**790**	(5 708)	
Fair value adjustment to liabilities under investment contracts	**(3 634)**	(151)	
Profit from operations	**5 304**	1 532	246
Finance costs	**(1 648)**	(1 568)	
Foreign exchange (losses)/gains	**(389)**	578	
Impairment of goodwill	**–**	(9)	
Gain on dilution and disposal of equity-accounted investments	**554**	3	
Impairment of equity-accounted investments	**(149)**	–	
Share of net profits from equity-accounted investments	**523**	264	
Profit before tax	**4 195**	800	424
Income tax expense	**(975)**	(624)	(56)
Profit for the year	**3 220**	176	1 730
Profit/(loss) attributable to:			
– ordinary shareholders	**3 157**	97	3 155
– preference shareholders	**63**	81	
– non-controlling interest	*****	(2)	
	3 220	176	1 730
Earnings per share for profit attributable to ordinary shareholders of the company during the year (cents):			
– basic	**480.7**	14.8	3 148
– diluted	**475.4**	14.7	3 134

* *Amount is less than R500 000.*

STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2021

R million	GROUP JUNE 2021 AUDITED	Group June 2020 Audited	% change
Profit for the year	**3 220**	176	1 730
Items that are or may be reclassified subsequently to profit or loss:			
Currency translation differences	**(1 576)**	2 800	
Cash flow hedges	**260**	(430)	
– unrealised gains/(losses)	**360**	(762)	
– tax on unrealised gains/losses	**(25)**	59	
– (gains)/losses recycled to profit or loss	**(90)**	319	
– tax on recycled gains/losses	**15**	(46)	
Share of other comprehensive income from equity-accounted investments	**(312)**	293	
– change in fair value of debt instruments at fair value through other comprehensive income	**15**	3	
– currency translation differences	**(327)**	290	
Other comprehensive (losses)/income for the year, net of tax	**(1 628)**	2 663	(161)
Total comprehensive income for the year	**1 592**	2 839	(44)
Attributable to:			
– ordinary shareholders	**1 529**	2 760	(45)
– preference shareholders	**63**	81	
– non-controlling interest	*****	(2)	
Total comprehensive income for the year	**1 592**	2 839	(44)

* *Amount is less than R500 000.*

STATEMENT OF CHANGES IN EQUITY

at 30 June 2021

	Attributable to equity holders of the Company				Attributable to equity holders of the Company					
R million	SHARE CAPITAL AND SHARE PREMIUM	PREFERENCE SHARE CAPITAL	SHARE-BASED PAYMENT RESERVE	INVESTMENT RESERVE[1]	FOREIGN CURRENCY TRANSLATION RESERVE	HEDGING RESERVE	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTEREST	TOTAL
Year ended 30 June 2021										
At beginning of the year	**10 148**	**779**	**195**	**3**	**3 675**	**(604)**	**30 353**	**44 549**	**4**	**44 553**
Total comprehensive income for the year	**–**	**63**	**–**	**15**	**(1 903)**	**260**	**3 157**	**1 592**	*****	**1 592**
Profit for the year	**–**	**63**	**–**	**–**	**–**	**–**	**3 157**	**3 220**	*****	**3 220**
Other comprehensive income	**–**	**–**	**–**	**15**	**(1 903)**	**260**	**–**	**(1 628)**	**–**	**(1 628)**
Transactions with owners	**3**	**(63)**	**294**	**–**	**–**	**–**	**40**	**274**	**–**	**274**
Issue of shares	**907**	**–**	**–**	**–**	**–**	**–**	**–**	**907**	**–**	**907**
Delivery of treasury shares	**3**	**–**	**(36)**	**–**	**–**	**–**	**40**	**7**	**–**	**7**
Increase in treasury shares	**(907)**	**–**	**–**	**–**	**–**	**–**	**–**	**(907)**	**–**	**(907)**
Employee share option schemes:										
– Value of employee services	**–**	**–**	**330**	**–**	**–**	**–**	**–**	**330**	**–**	**330**
Dividends paid to preference shareholders	**–**	**(63)**	**–**	**–**	**–**	**–**	**–**	**(63)**	**–**	**(63)**
At end of the year	**10 151**	**779**	**489**	**18**	**1 772**	**(344)**	**33 550**	**46 415**	**4**	**46 419**
Year ended 30 June 2020										
At beginning of the year	10 142	779	41	–	585	(174)	31 669	43 042	*	43 042
Total comprehensive income for the year	–	81	–	3	3 090	(430)	97	2 841	(2)	2 839
Profit for the year	–	81	–	–	–	–	97	178	(2)	176
Other comprehensive income	–	–	–	3	3 090	(430)	–	2 663	–	2 663
Transactions with owners	6	(81)	154	–	–	–	(1 413)	(1 334)	6	(1 328)
Delivery of treasury shares	10	–	(10)	–	–	–	–	–	–	–
Increase in treasury shares	(4)	–	–	–	–	–	–	(4)	–	(4)
Acquisition of subsidiaries with non-controlling interest	–	–	–	–	–	–	–	–	6	6
Employee share option schemes:										
– Value of employee services	–	–	164	–	–	–	–	164	–	164
Dividends paid to preference shareholders	–	(81)	–	–	–	–	–	(81)	–	(81)
Dividends paid to ordinary shareholders	–	–	–	–	–	–	(1 413)	(1 413)	–	(1 413)
At end of the year	10 148	779	195	3	3 675	(604)	30 353	44 549	4	44 553

1 *This relates to fair value adjustments on those equity instruments designated at fair value through other comprehensive income and those debt instruments measured at fair value through other comprehensive income.*

* *Amount is less than R500 000.*

STATEMENT OF CASH FLOWS

for the year ended 30 June 2021

R million	GROUP JUNE 2021 AUDITED	Group June 2020 Audited
Cash flow from operating activities	**10 407**	8 065
Cash generated by operations	**19 485**	17 372
Purchase of investments held to back policyholder liabilities	**(54 661)**	(37 316)
Proceeds from disposal of investments held to back policyholder liabilities	**38 709**	26 218
Working capital changes	**6 972**	1 628
	10 505	7 902
Dividends received	**303**	342
Interest received	**2 513**	2 516
Interest paid	**(1 197)**	(1 406)
Taxation paid	**(1 717)**	(1 289)
Cash flow from investing activities	**(6 740)**	(3 030)
Purchase of financial assets	**(32 569)**	(26 497)
Proceeds from disposal of financial assets	**27 828**	25 532
Purchase of property and equipment	**(277)**	(290)
Proceeds from disposal of property and equipment	**21**	4
Purchase of software and other intangible assets	**(1 587)**	(1 726)
Acquisition of business net of cash	**(25)**	16
Additional investment in equity-accounted investments	**(240)**	(69)
Dividends from equity-accounted investments	**109**	–
Cash flow from financing activities	**(590)**	2 202
Purchase of treasury shares	**–**	(4)
Dividends paid to ordinary shareholders	**–**	(1 413)
Dividends paid to preference shareholders	**(63)**	(81)
Proceeds from borrowings	**1 839**	10 339
Repayment of borrowings	**(2 366)**	(6 639)
Net increase in cash and cash equivalents	**3 077**	7 237
Cash and cash equivalents at beginning of the year	**17 909**	9 403
Exchange (losses)/gains on cash and cash equivalents	**(973)**	1 269
Cash and cash equivalents at end of the year	**20 013**	17 909

ADDITIONAL DISCLOSURE

at 30 June 2021

FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group'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:

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

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

	30 JUNE 2021			
R million (audited)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets				
Financial instruments mandatorily at fair value through profit or loss:				
– Equity portfolios	40 530	2 832	–	43 362
– Debt portfolios	34 845	1 640	–	36 485
– Money market portfolios	6 451	10 802	–	17 253
– Multi-asset portfolio	33 837	–	–	33 837
Derivative financial instruments at fair value:				
– used as cash flow hedges	–	28	–	28
– not designated as hedging instruments	–	221	–	221
Total financial assets	115 663	15 523	–	131 186
Financial liabilities				
Investment contracts at fair value through profit and loss	–	32 291	–	32 291
Derivative financial instruments at fair value				
– used as cash flow hedges	–	461	–	461
– not designated as hedging instruments	–	365	–	365
Total financial liabilities	–	33 117	–	33 117

There were no transfers between level 1 and 2 during the current financial period.

During the current financial period Discovery has simplified the financial risk analysis by revising the unit of account or level at which the financial risk has been analysed. Historically Discovery performed the analysis at a very granular level using the look–through principle to investments in mutual funds. The updated disclosure provides information that is reliable and more relevant to users of the financial statements and the comparative numbers have been restated accordingly.

FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *continued*

Specific valuation techniques used to value financial instruments in level 2

- Discovery has invested in equity linked notes offered by international banks in order to back certain unit-linked contract liabilities. The calculation of the daily value of the equity linked investments is made by the provider of the note. Discovery has procedures in place to ensure that these prices are correct. Aside from the daily reasonableness checks versus similar funds and movement since the prior day's price, the fund values are calculated with reference to a specific formula or index, disclosed to the policyholders, which is recalculated by Discovery in order to check if the price provided by the provider is correct.
- If a quoted market price is not available on a recognised stock exchange or from a broker for non-exchange traded financial instruments, the fair value of the instrument is estimated by the asset managers, using valuation techniques including the use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or other valuation techniques that provide a reliable estimate of prices obtained in actual market transactions.
- The fair value of derivatives used for hedging purposes are calculated as follows:
  (a) The fair value of call options is calculated on a Black-Scholes model.
  (b) The fair value of the return swaps is calculated by discounting the future cash flows of the instruments.
  (c) The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

R million (audited)	30 June 2020			
Restated	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments mandatorily at fair value through profit or loss:				
– Equity portfolios	31 185	1 563	–	32 748
– Debt portfolios	28 724	1 856	–	30 580
– Money market portfolios	3 835	9 765	–	13 600
– Multi-asset portfolios	25 786	–	–	25 786
Derivative financial instruments at fair value:				
– used as cashflow hedges	–	14	–	14
– not designated as hedging instruments	–	1 356	–	1 356
Total financial assets	89 530	14 554	–	104 084
Financial liabilities				
Investment contracts at fair value through profit and loss	–	23 012	–	23 012
Derivative financial instruments at fair value:				
– used as cash flow hedges	–	854	–	854
– not designated as hedging instruments	–	138	–	138
Total financial liabilities	–	24 004	–	24 004

ADDITIONAL DISCLOSURE *continued*

at 30 June 2021

EXCHANGE RATES USED IN THE PREPARATION OF THESE RESULTS

	USD	GBP	RMB
30 June 2021			
– Average	**15.42**	**20.74**	**2.32**
– Closing	**14.28**	**19.74**	**2.21**
30 June 2020			
– Average	15.70	19.75	2.21
– Closing	17.41	21.44	2.46

SEGMENTAL INFORMATION

for the year ended 30 June 2021

R million	SA HEALTH	SA LIFE	SA INVEST	SA INSURE[2]	SA VITALITY	SA BANK	UK HEALTH	UK LIFE	ALL OTHER SEGMENTS	SEGMENT TOTAL	IFRS REPORTING ADJUSTMENTS[3]	IFRS TOTAL
Income statement												
Insurance premium revenue	294	13 711	14 824	4 091	–	–	11 075	6 466	6 351	56 812	(877)	55 935
Reinsurance premiums	1	(3 262)	–	(66)	–	–	(1 839)	(3 354)	(86)	(8 606)	877	(7 729)
Accelerated reinsurance premiums	–	–	–	–	–	–	(823)	–	–	(823)	–	(823)
Net insurance premium revenue	295	10 449	14 824	4 025	–	–	8 413	3 112	6 265	47 383	–	47 383
Fee income from administration businesses	7 540	–	2 401	16	–	2	28	–	1 724	11 711	(11)	11 700
Net banking fee and commission income	–	–	–	–	–	464	–	–	16	480	–	480
Banking fee and commission income	–	–	–	–	–	633	–	–	–	633	–	633
Banking fee and commission expense	–	–	–	–	–	(169)	–	–	16	(153)	–	(153)
Vitality income	–	–	–	–	2 295	21	240	230	554	3 340	–	3 340
Other income	968	3	–	–	–	312	60	–	10	1 353	19	1 372
Receipts arising from reinsurance contracts	–	500	–	–	–	–	–	–	–	500	–	500
Investment income earned on assets backing policyholder liabilities	–	10	–	111	–	–	–	9	9	139	(139)	–
Net bank interest and similar income	–	–	–	–	–	214	–	–	–	214	27	241
Bank interest and similar income using the effective interest rate	–	–	–	–	–	627	–	–	–	627	–	627
Bank interest and similar expense using the effective interest rate	–	–	–	–	–	(413)	–	–	–	(413)	27	(386)
Finance charge on negative reserve funding	–	–	–	–	–	–	–	769	–	769	(769)	–
Inter-segment funding[1]	–	(714)	714	–	–	–	–	–	–	–	–	–
Net fair value gains/(losses) on financial assets at fair value through profit or loss	6	637	9 172	14	–	83	29	(792)	1 358	10 507	1 384	11 891
Net income	8 809	10 885	27 111	4 166	2 295	1 096	8 770	3 328	9 936	76 396	511	76 907
Net claims and policyholders' benefits	(129)	(8 113)	(12 252)	(2 270)	–	–	(3 894)	(837)	(683)	(28 178)	–	(28 178)
Claims and policyholders' benefits	(129)	(11 949)	(12 252)	(2 269)	–	–	(5 219)	(1 962)	(761)	(34 541)	569	(33 972)
Insurance claims recovered from reinsurers	–	3 836	–	(1)	–	–	1 325	1 125	78	6 363	(569)	5 794
Acquisition costs	(40)	(1 540)	(1 056)	(599)	(61)	–	(942)	(1 719)	174	(5 783)	750	(5 033)
Expected credit losses	–	–	–	–	–	(271)	–	–	–	(271)	–	(271)
Marketing and administration expenses												
– depreciation and amortisation	(118)	(7)	(11)	(70)	(13)	(246)	(447)	(57)	(669)	(1 638)	(210)	(1 848)
– derecognition of intangible assets and property and equipment	(26)	–	–	(6)	–	–	–	–	(18)	(50)	–	(50)
– impairment of intangible assets and property and equipment	(15)	–	–	–	(1)	–	(5)	–	(40)	(61)	–	(61)
– other expenses	(5 058)	(2 027)	(1 031)	(937)	(2 177)	(1 673)	(3 297)	(1 831)	(2 598)	(20 629)	(91)	(20 720)
Recovery of expenses from reinsurers	–	–	–	–	–	–	912	1 861	–	2 773	–	2 773
Net transfer to/from assets and liabilities under insurance contracts												
– change in assets arising from insurance contracts	–	3 433	–	–	–	–	–	(6 143)	76	(2 634)	3 179	545
– change in assets arising from reinsurance contracts	–	33	–	–	–	–	13	10	–	56	–	56
– change in liabilities arising from insurance contracts	–	(206)	(11 054)	(47)	–	–	(155)	(17)	(6 436)	(17 915)	(26)	(17 941)
– change in liabilities arising from reinsurance contracts	–	(1 115)	–	–	–	–	–	6 049	–	4 934	(3 179)	1 755
Fair value adjustment to liabilities under investment contracts	–	(2)	(623)	–	–	–	–	–	(255)	(880)	(2 754)	(3 634)
Share of net profits from equity-accounted investments	–	–	–	13	–	–	(2)	–	512	523	–	523
Impairment of equity-accounted investment	–	–	–	–	–	–	–	–	(149)	(149)	–	(149)
Normalised profit/(loss) from operations	3 423	1 341	1 084	250	43	(1 094)	953	644	(150)	6 494	(1 820)	4 674
Economic assumption adjustments net of discretionary margins and interest rate derivative	–	(411)	–	–	–	–	–	(108)	–	(519)	1 309	790
Economic assumption adjustments net of discretionary margins	–	(411)	–	–	–	–	–	1 201	–	790	–	790
Fair value losses on VitalityLife interest rate derivative	–	–	–	–	–	–	–	(1 309)	–	(1 309)	1 309	–
Investment income earned on shareholder investments and cash	39	14	40	–	39	–	–	10	823	965	(685)	280
Net fair value gains/(losses) on financial assets at fair value through profit or loss	–	138	(28)	–	–	–	–	139	(471)	(222)	222	–
Restructuring costs	–	–	–	–	–	–	–	(33)	–	(33)	33	–
Gain on dilution of equity-accounted investments	–	–	–	537	–	–	–	–	17	554	–	554
Expenses related to Prudential Book transfer	–	–	–	–	–	–	–	(187)	–	(187)	187	–
Transaction costs related to VitalityLife interest rate derivatives	–	–	–	–	–	–	–	(4)	–	(4)	4	–
Covid-19 vaccination programme	–	–	–	–	–	–	–	–	(42)	(42)	42	–
Amortisation of intangibles from business combinations	–	–	–	–	–	–	–	–	(66)	(66)	–	(66)
Market rentals related to Head Office building adjusted for finance costs and depreciation	–	–	–	–	–	–	–	–	(228)	(228)	228	–
Finance costs	(1)	(26)	–	–	–	–	(7)	(65)	(1 192)	(1 291)	(357)	(1 648)
Intercompany finance costs	(268)	–	–	–	–	–	(6)	(236)	(315)	(825)	825	–
Foreign exchange (losses)/gains	(6)	3	(25)	–	–	–	–	–	(361)	(389)	–	(389)
Profit before tax	3 187	1 059	1 071	787	82	(1 094)	940	160	(1 985)	4 207	(12)	4 195
Income tax expense	(894)	(364)	(331)	(207)	(24)	334	(149)	363	285	(987)	12	(975)
Profit for the year	2 293	695	740	580	58	(760)	791	523	(1 700)	3 220	–	3 220

1 The inter-segment funding of R714 million reflects a notional allocation of interest earned on the negative reserve backing policyholders' funds of guaranteed investment products and hence is transferred to Discovery Invest.

2 This segment relates to SA Insure – Personal lines.

3 The segment information is presented on the same basis as reported to the Chief Executive Officers of the reportable segments. The segment total is then adjusted for accounting reclassifications and entries required to produce IFRS compliant results. These adjustments include the following:

- *The VitalityLife results, for business written on the Prudential Assurance Company license, are reclassified to account for the contractual arrangement as a reinsurance contract under IFRS 4.*
- *Unit trusts which the Group controls, in terms of IFRS 10 are consolidated into Discovery's results for IFRS purposes. The IFRS reporting adjustments include the effects of consolidating the unit trusts into Discovery's results, effectively being the income and expenses relating to units held by third parties.*
- *The effects of eliminating intercompany transactions on consolidation and normalised operating profit adjustments.*
- *The effects of reclassifying items to align to IFRS results.*

SEGMENTAL INFORMATION *continued*

for the year ended 30 June 2020

R million	SA Health	SA Life	SA Invest	SA Insure[2]	SA Vitality	SA Bank	UK Health	UK Life	All other segments	Segment total	IFRS reporting adjustments[3]	IFRS total
Income statement												
Insurance premium revenue	252	12 984	15 602	3 544	–	–	9 100	5 705	3 330	50 517	(742)	49 775
Reinsurance premiums	(1)	(2 564)	–	(66)	–	–	(1 589)	(2 789)	(41)	(7 050)	742	(6 308)
Net insurance premium revenue	251	10 420	15 602	3 478	–	–	7 511	2 916	3 289	43 467	–	43 467
Fee income from administration businesses	7 238	–	2 246	12	–	137	30	–	1 687	11 350	(13)	11 337
Net banking fee and commission income	–	–	–	–	–	150	–	–	–	150	–	150
Banking fee and commission income	–	–	–	–	–	182	–	–	–	182	–	182
Banking fee and commission expense	–	–	–	–	–	(32)	–	–	–	(32)	–	(32)
Vitality income	–	–	–	–	2 401	121	452	212	689	3 875	–	3 875
Other income	883	39	–	–	–	120	69	–	18	1 129	(29)	1 100
Investment income earned on assets backing policyholder liabilities	–	13	–	119	–	1	9	37	1	180	(180)	–
Net bank interest and similar income	–	–	–	–	–	63	–	–	–	63	8	71
Bank interest and similar income using the effective interest rate	–	–	–	–	–	162	–	–	–	162	–	162
Bank interest and similar expense using the effective interest rate	–	–	–	–	–	(99)	–	–	–	(99)	8	(91)
Finance charge on negative reserve funding	–	–	–	–	–	–	–	(838)	–	(838)	838	–
Inter-segment funding[1]	–	(762)	762	–	–	–	–	–	–	–	–	–
Net fair value (losses)/gains on financial assets at fair value through profit or loss	(20)	867	834	32	(2)	92	29	768	59	2 659	1 434	4 093
Net income	8 352	10 577	19 444	3 641	2 399	684	8 100	3 095	5 743	62 035	2 058	64 093
Net claims and policyholders' benefits	(100)	(6 079)	(10 542)	(1 915)	–	–	(3 623)	(798)	(189)	(23 246)	–	(23 246)
Claims and policyholders' benefits	(100)	(7 926)	(10 542)	(1 939)	–	–	(4 796)	(1 964)	(229)	(27 496)	640	(26 856)
Insurance claims recovered from reinsurers	–	1 847	–	24	–	–	1 173	1 166	40	4 250	(640)	3 610
Acquisition costs	(30)	(1 566)	(1 080)	(479)	(66)	–	(797)	(1 814)	123	(5 709)	(838)	(6 547)
Expected credit losses	–	–	–	–	–	(181)	–	–	–	(181)	–	(181)
Marketing and administration expenses												
– depreciation and amortisation	(176)	(7)	(9)	(84)	(15)	(236)	(359)	(46)	(612)	(1 544)	(210)	(1 754)
– derecognition of intangible assets and property and equipment	(29)	–	–	(74)	(9)	–	–	–	(84)	(196)	–	(196)
– impairment of intangible assets	–	–	–	–	–	–	–	–	(63)	(63)	–	(63)
– other expenses	(4 844)	(1 976)	(984)	(824)	(2 302)	(1 438)	(3 297)	(2 063)	(2 625)	(20 353)	260	(20 093)
Recovery of expenses from reinsurers	–	–	–	–	–	–	826	2 050	–	2 876	–	2 876
Net transfer to/from assets and liabilities under insurance contracts												
– change in assets arising from insurance contracts	–	1 557	–	–	–	–	–	(2 788)	29	(1 202)	3 240	2 038
– change in assets arising from reinsurance contracts	–	27	–	7	–	–	8	11	–	53	–	53
– change in liabilities arising from insurance contracts	–	(238)	(5 809)	(39)	–	–	(28)	(18)	(3 110)	(9 242)	(176)	(9 418)
– change in liabilities arising from reinsurance contracts	–	678	–	–	–	–	–	2 099	–	2 777	(3 239)	(462)
Fair value adjustment to liabilities under investment contracts	–	(2)	(190)	–	–	–	–	–	4	(188)	37	(151)
Share of net profits from equity-accounted investments	17	–	–	13	–	–	–	–	222	252	–	252
Normalised profit/(loss) from operations	3 190	2 971	830	246	7	(1 171)	830	(272)	(562)	6 069	1 132	7 201
Investment income earned on shareholder investments and cash	65	21	45	10	27	–	1	12	746	927	(548)	379
Economic assumption adjustments net of discretionary margins and interest rate derivative	–	(3 635)	–	–	–	–	–	(1 195)	–	(4 830)	(878)	(5 708)
Economic assumption adjustments net of discretionary margins	–	(3 635)	–	–	–	–	–	(2 073)	–	(5 708)	–	(5 708)
Fair value gains on VitalityLife interest rate derivative	–	–	–	–	–	–	–	878	–	878	(878)	–
Net fair value gains/(losses) on financial assets at fair value through profit or loss	–	128	4	–	–	–	–	(120)	263	275	(275)	–
Restructuring costs	–	–	–	–	–	–	–	(100)	–	(100)	100	–
Gain on dilution of equity accounted investments	–	–	–	3	–	–	–	–	–	3	–	3
Impairment of goodwill	–	–	–	–	–	–	–	–	(9)	(9)	–	(9)
Initial expenses related to Prudential Book transfer	–	–	–	–	–	–	–	(71)	–	(71)	71	–
Transaction costs related to VitalityLife interest rate derivatives	–	–	–	–	–	–	–	(45)	–	(45)	45	–
Amortisation of intangibles from business combinations	–	–	–	–	–	–	–	–	(76)	(76)	–	(76)
Market rentals related to Head Office building adjusted for finance costs and depreciation	–	–	–	–	–	–	–	–	(259)	(259)	259	–
Finance costs	(11)	–	–	–	–	–	(7)	(21)	(1 180)	(1 219)	(349)	(1 568)
Intercompany finance costs	(275)	–	–	–	–	–	–	(236)	(209)	(720)	720	–
Foreign exchange gains	15	–	36	–	–	–	–	–	527	578	–	578
Profit before tax	2 984	(515)	915	259	34	(1 171)	824	(2 048)	(759)	523	277	800
Income tax expense	(826)	147	(256)	(64)	(10)	270	(129)	239	282	(347)	(277)	(624)
Profit for the year	2 158	(368)	659	195	24	(901)	695	(1 809)	(477)	176	–	176

1 *The inter-segment funding of R762 million reflects a notional allocation of interest earned on the negative reserve backing policyholders' funds of guaranteed investment products and hence is transferred to Discovery Invest.*

2 *This segment relates to SA Insure – Personal lines.*

3 *The segment information is presented on the same basis as reported to the Chief Executive Officers of the reportable segments. The segment total is then adjusted for accounting reclassifications and entries required to produce IFRS compliant results. These adjustments include the following:*
- *The VitalityLife results, for business written on the Prudential Assurance Company license, are reclassified to account for the contractual arrangement as a reinsurance contract under IFRS 4.*
- *Unit trusts which the Group controls, in terms of IFRS 10 are consolidated into Discovery's results for IFRS purposes. The IFRS reporting adjustments include the effects of consolidating the unit trusts into Discovery's results, effectively being the income and expenses relating to units held by third parties.*
- *The effects of eliminating intercompany transactions on consolidation and normalised operating profit adjustments.*
- *The effects of reclassifying items to align to IFRS results.*

REVIEW OF GROUP RESULTS

for the year ended 30 June 2021

ADDITIONAL INFORMATION

NORMALISED PROFIT FROM OPERATIONS

The following table shows the main components of the normalised profit from operations for the year ended 30 June 2021:

R million	JUNE 2021	June 2020	% change
Discovery Health	**3 423**	3 190	7
Discovery Life	**1 341**	2 971	(55)
Discovery Invest	**1 084**	830	31
Discovery Vitality	**43**	7	514
VitalityHealth	**953**	830	15
VitalityLife	**644**	(272)	337
Normalised profit from established businesses	**7 488**	7 556	(1)
Emerging businesses	**1 078**	736	46
– Discovery Insure (Personal lines)	**250**	246	2
– Vitality Group including Ping An Health	**828**	490	69
Development and other segments	**(2 072)**	(2 223)	7
– Discovery Bank	**(1 094)**	(1 171)	7
– Other new initiatives	**(978)**	(1 052)	7
Normalised profit from operations[1]	**6 494**	6 069	7

1 *This amount can be further analysed by referring to the Normalised profit/(loss) from operations as per the Segment Total in the Segmental information.*

Emerging businesses are those businesses that have achieved sufficient scale to be profitable or profitable in the near future, although not yet significant in cash generation for the Group and likely to require funds to support new business growth.

Development and other segments include costs of start-up businesses and expenses incurred to investigate, research and develop new products and markets. Start-up costs include costs in relation to, amongst others, Discovery Bank, the UK investment business VitalityInvest, a commercial offering in Discovery Insure, an Umbrella Fund offering in Discovery Invest and the Vitality1 platform being a leading behavioural change platform enabling shared-value insurance and financial services products across the Discovery Group. Certain unallocated head office costs are also included in this segment.

ADDITIONAL INFORMATION *continued*

NORMALISED HEADLINE EARNINGS

Discovery's policy on the calculation of Normalised headline earnings is set out in Accounting Policies at the end of this results announcement.

R million	GROUP JUNE 2021 AUDITED	Group June 2020 Audited	% change
Earnings per share (cents):			
– basic	**480.7**	14.8	3 148
– diluted	**475.4**	14.7	3 134
Headline earnings per share (cents):			
– basic	**454.7**	45.0	910
– diluted	**449.7**	44.7	906
Normalised headline earnings per share (cents):			
– basic	**518.7**	570.7	(9)
– diluted	**512.9**	566.7	(9)
The reconciliation between earnings and headline earnings is shown below:			
Net profit attributable to ordinary shareholders	**3 157**	97	3 155
Adjusted for:			
– derecognition of intangible assets and property and equipment, net of tax	**40**	149	
– gain on dilution and disposal of equity-accounted investments, net of tax	**(414)**	(3)	
– gain on disposal of property and equipment net of capital gains tax	**(2)**	(2)	
– impairment of equity-accounted investment, net of tax	**149**	–	
– impairment of goodwill	**–**	9	
– impairment of intangible assets net of tax	**56**	44	
– Discovery Limited's share of headline earnings adustments made by equity-accounted investees:			
– derecognition of intangible assets and property and equipment net of tax	**–**	2	
Headline earnings	**2 986**	296	909
Adjusted for:			
– economic assumption adustments net of discretionary margins and interest rate derivative, net of tax	**383**	3 584	
– economic assumption adustments net of discretionary margin, net of tax	**(677)**	4 295	
– fair value losses/(gains) on VitalityLife interest rate derivative, net of tax	**1 060**	(711)	
– other:	**37**	(133)	
– amortisation of intangibles from business combinations, net of tax	**53**	60	
– deferred tax asset raised on assessed losses	**(152)**	(275)	
– fair value losses/(gains) on foreign exchange contracts not designated as hedges, net of tax	**219**	(189)	
– fair value (gains)/ losses on swaption contract in VitalityLife, net of tax	**(113)**	97	
– initial expenses related to Prudential Book transfer, net of tax	**–**	57	
– restructuring costs, net of tax	**27**	80	
– transaction costs related to VitalityLife interest rate derivative, net of tax	**3**	37	
Normalised headline earnings	**3 406**	3 747	(9)
Weighted number of shares in issue (000's)	**656 710**	656 648	
Diluted weighted number of shares (000's)	**664 073**	661 242	

SIGNIFICANT TRANSACTIONS AFFECTING THE CURRENT RESULTS

PROVISION AND RESERVES FOR EXPECTED COVID-19 IMPACT

At 30 June 2020, Discovery had reserved R3.4 billion (R2.3 billion net of discretionary margin offset), for both future claims and lapses as a result of the COVID-19 pandemic. This estimation reflected management's best estimate of the impact as at 30 June 2020 and comprised of provisions in Discovery Life and VitalityLife and unearned premium reserves in VitalityHealth. Due to the utilisation of the available discretionary margin, some of these provisions are accounted for against the discretionary margins in accordance with IFRS and Discovery's accounting policy.

Although the allowance for the COVID-19 impact is an abnormal provision for future impacts, it is not excluded in the presentation of normalised headline earnings because it is seen as part of the core operations and will impact future cashflows.

The movement in the COVID-19 provision and reserves for the year ended 30 June 2021 is as follows:

R million	JUNE 2021
At beginning of the period	**3 442**
– Provisions	**2 729**
– Unearned premium reserve	**713**
Movements:	
– Unwinding, utilisation and release of provisions	**(1 886)**
– Provisions made during the period, including in respect of new business	**2 177**
– Net movement in unearned premium reserve	**(433)**
– Other	**(220)**
At end of the period	**3 080**
– Provisions	**2 800**
– Unearned premium reserve	**280**

ACCELERATED REINSURANCE PREMIUMS - VITALITYHEALTH

VitalityHealth uses quota share reinsurance treaties as one of the mechanisms to manage the initial acquisition cost strain and underwriting experience risk. During the current financial year, repayments on these existing reinsurance contracts were accelerated, reducing net premiums received for the year under review and consequently reducing repayment obligations in future years. The strategic rationale for this is set out below.

The COVID-19 pandemic resulted in a temporary reduction in claims ratios for VitalityHealth for the year ended 30 June 2021 compared to pre-pandemic levels, as various medical treatments could not be accessed or were delayed by policyholders. It is anticipated that these delayed treatments will result in claims ratios being substantially higher than pre-pandemic levels during the next two financial years. This is expected as a result of a catch up of delayed treatments, combined with increased severity of conditions due to those delays.

VitalityHealth has recognised reserves as permitted by IFRS. However, VitalityHealth as a short-term insurer, is constrained in its ability to set aside reserves for those claims that are expected to arise in future renewal periods beyond the contract boundary.

To protect itself against the expected increased claims ratio over the next two financial years, VitalityHealth has modified certain of its existing quota share reinsurance treaties to adjust the repayment profile. The modification resulted in VitalityHealth making additional repayments of GBP 39.7 million (R823 million) in the current financial year, with GBP19.8 million of reduced repayments in the financial year ending 30 June 2022 and 2023 respectively. The net impact in profit or loss over the three-year period to 30 June 2023 is nil.

SIGNIFICANT TRANSACTIONS AFFECTING THE CURRENT RESULTS *continued*

VITALITYHEALTH – ACCELERATED REINSURANCE REPAYMENTS *continued*

The additional repayments in the current financial year have been recognised as additional reinsurance premiums. The impact of accelerated reinsurance repayments premiums can be summarised as follows:

R million	VITALITYHEALTH JUNE 2021	VitalityHealth June 2020
Insurance premium revenue	**11 075**	9 100
Reinsurance premium	**(1 839)**	(1 589)
Accelerated reinsurance repayments	**(823)**	–
Net insurance premium revenue	**8 413**	7 511
Claims and policyholders' benefits	**(5 219)**	(4 796)
Insurance claims recovered from reinsurers	**1 325**	1 173
Net claims and policyholders' benefits	**(3 894)**	(3 623)
Net underwriting results	**4 519**	3 888
Change in liabilities arising from insurance contracts	**(155)**	(28)
Ratios		
Gross claims ratio – claims and policyholders' benefits adjusted for change in liabilities arising from insurance contracts as a percentage of insurance premium revenue	**48.52%**	53.01%
Claims ratio – net claims and policyholders' benefits adjusted for change in liabilities arising from insurance contracts as a percentage of net insurance premium revenue	**48.13%**	48.61%
Claims ratio (excluding accelerated reinsurance premiums) – net claims and policyholders' benefits adjusted for change in liabilities arising from insurance contracts as a percentage of net insurance premium revenue excluding accelerated reinsurance premiums	**43.84%**	–

DERIVATIVE INSTRUMENTS – VITALITYLIFE BUSINESS

Interest rates in the United Kingdom (UK) continued to display significant volatility and have generally been on a downward trend in prior years, which was followed by an increase in the year ended 30 June 2021. As a long-term insurance provider in the UK, VitalityLife has significant exposure to long-term interest rate risk. The impact of changes in economic assumptions for the year ended 30 June 2021 in VitalityLife was a gain of R1 201million (2020: loss of R2 073 million).

Since October 2019, VitalityLife has implemented an interest rate risk mitigation strategy to ensure that the VitalityLife business operates well within its pre-determined risk appetite. The mitigation strategy is a combination of interest swaps referenced to the 25-year UK swap rate and put swap options (payer options).

Due to the nature of the underlying exposures, the hedge accounting requirements of IFRS were not met. Therefore, these derivative instruments were classified at fair value with changes recognised in profit or loss throughout the term which may result in volatility in the reported IFRS earnings of VitalityLife. At 30 June, the following mark-to-market positions were recorded:

		GBP/Rand million			
		JUNE 2021		June 2020	
	Line item in financial statements	**GBP**	**R**	GBP	R
Statement of Financial Position					
Interest rate swap valuation	(Financial liabilities)/ Financial assets: Derivative – financial instruments at fair value through profit or loss	**(11.8)**	**(233)**	44.3	950
Swaption valuation	Financial assets: Derivative – financial instruments at fair value through profit or loss	**6.8**	**135**	0.1	2
Income Statement					
Fair value remeasurement	Net fair value (losses)/gains on financial assets at fair value through profit or loss	**(56.4)**	**(1 170)**	(38.4)	(758)
Transaction costs	Marketing and administration expenses	**(0.2)**	**(4)**	(2.3)	(45)

SIGNIFICANT TRANSACTIONS AFFECTING THE CURRENT RESULTS *continued*

VOLATILITY IN FOREIGN EXCHANGE RATES

	USD	GBP
30 June 2021		
– Average	**15.42**	**20.74**
– Closing	**14.28**	**19.74**
30 June 2020		
– Average	15.70	19.75
– Closing	17.41	21.44

The ZAR has shown significant volatility over the last two annual reporting periods against currencies such as USD and GBP. Discovery is exposed to foreign exchange gains or losses primarily as result of the translation of intergroup funding provided for international businesses.

During the financial year ended 30 June 2020, there was a significant weakening of the ZAR, primarily in the second half of the financial year. As a result of this weakening in the ZAR, Discovery had recognised R424 million foreign exchange gains, net of tax during the financial year then ended.

For the financial year ended 30 June 2021, there was a recovery of the ZAR relative to USD and GBP. This has resulted in a foreign exchange loss, net of tax, of R305 million for the financial year. In addition, the impact of the strengthening of ZAR against the USD has resulted in a strain on specified Discovery Life products which is included within the economic assumptions of Discovery Life.

The significant volatility has also resulted in large foreign currency translation differences during the same observed periods on the translation of Discovery's foreign operations into the Group's presentation currency of ZAR. These translation differences are recognised in other comprehensive income as part of equity and shown as "Foreign currency translation reserve". For the year ended 30 June 2021, Discovery recognised currency translation losses of R 1 903 million (30 June 2020: currency translations gains of R3 090 million).

CAMBRIDGE MOBILE TELEMATICS TRANSACTION

Cambridge Mobile Telematics ("CMT"), an associate investment of Discovery and strategic partner to Discovery Insure since 2014, finalised the acquisition of Truemotion Inc. on 16 June 2021 for USD 650 million (R10 billion). The transaction subsequently received the required approval from the U.S. regulators. Upon the completion of the transaction, Discovery's effective shareholding in CMT reduced from 9.58% to 7.89% on a fully diluted basis. Discovery's profit from the transaction was USD 38.7 million (R537 million). The profit has been included in the 'Gain on dilution and disposal of equity-accounted investments' in the Group Income statement. Discovery Insure's director representation and strategic partnership with CMT remains in place following the transaction and accordingly the investment continues to be an associate which, is equity-accounted.

OTHER SIGNIFICANT ITEMS IN THESE RESULTS

BORROWINGS AT AMORTISED COST

R million	Reference	JUNE 2021	June 2020
Borrowings from Banks and listed debt		**15 230**	15 456
– United Kingdom borrowings	i	**3 764**	3 498
– South African borrowings	ii	**11 466**	11 958
Lease liabilities		**4 263**	4 380
– 1 Discovery Place		**3 388**	3 370
– Other lease liabilities		**875**	1 010
Total borrowings at amortised cost		**19 493**	19 836

i. United Kingdom borrowings

Facility amount GBP million	Variable rate	Capital repayment and maturity date	Carrying value GBP/Rand million JUNE 2021 GBP	JUNE 2021 R	June 2020 GBP	June 2020 R
80	3-month Libor + 265bps[1]	Instalments – 31 July 2023	**73**	**1 435**	80	1 719
34	3-month Libor + 100bps[1]	At maturity – 18 April 2022	**26**	**512**	28	602
100	3-month Libor + 229bps[1]	At maturity – 31 July 2023	**89**	**1 817**	55	1 177
			188	**3 764**	163	3 498

1 *Interest payable quarterly in arrears.*

Total finance cost for the UK borrowings for the year ended 30 June 2021 was GBP 4.6 million (R95 million) (30 June 2020: GBP 0.35 million (R7 million)).

ii. South African borrowings

CREDIT RATING

The national scale long term issuer rating of Discovery was reaffirmed at A1.za. However, following the downgrade of the South African Government's issuer rating to Ba2 from Ba1 on 20 November 2020, Moody's Investors Service ("Moody's") downgraded Discovery Limited's Global scale long term issuer rating to Ba3 from Ba2 on 25 November 2020. The rating was reaffirmed on 8 March 2021. Similar to the country's outlook, the credit outlook assigned by Moody's remains negative.

OTHER SIGNIFICANT ITEMS IN THESE RESULTS *continued*

BORROWINGS AT AMORTISED COST *continued*

DISCOVERY LIMITED

Facility amount R million	Variable rate	Interest rate per annum (fixed)	Capital repayment and maturity date	Carrying value R million JUNE 2021	June 2020
Listed DMTN[4]					
500	3-month Jibar + 161bps	9.71%[1,3]	At maturity – 21 November 2022	**503**	503
500	3-month Jibar + 205bps	6.30%[1,3]	At maturity – 21 August 2023	**503**	–
200	–	10.46%[2]	At maturity – 21 November 2024	**202**	202
800	3-month Jibar + 191bps	10.31%[1,3]	At maturity – 21 November 2024	**804**	805
1 200	3-month Jibar + 191bps	9.21%[1,3]	At maturity – 21 November 2024	**1 220**	1 225
700	3-month Jibar + 180bps	10.29%[1,3]	At maturity – 21 August 2026	**703**	704
300	3-month Jibar + 180bps	9.40%[1,3]	At maturity – 21 August 2026	**302**	303
Unlisted DMTN[4,5]					
1 100	–	8.92%[3]	At maturity – 10 March 2023	**1 103**	1 101
2 500	–	9.62%[3]	At maturity – 22 February 2025	**2 519**	2 516
Other					
1 000	3-month Jibar + 245bps	10.28%[1,3]	At maturity – 02 March 2023	**999**	997
500	3-month Jibar + 86bps	–	At maturity – 30 June 2022	**659**	630
				9 517	8 986

1 *The interest rate has been fixed through interest rate swaps.*
2 *Interest is payable semi-annually in arrears.*
3 *Interest payable quarterly in arrears.*
4 *DMTN refers to the R10 billion Discovery Domestic Medium Term Note (DMTN) program registered in 2017.*
5 *During the financial year ended 30 June 2020, Discovery Limited refinanced R3.6 billion bank syndicated loans through the issue of unlisted DMTN notes. The notes, although underwritten by a bank until maturity, are structured to enable short-term issuances into the commercial paper market on an ongoing basis.*

DISCOVERY CENTRAL SERVICES

Facility amount R million	Interest rate per annum	Capital repayment and maturity date	Carrying value R million JUNE 2021	June 2020
1 400	10.60%[1]	At maturity – 20 December 2023	**1 423**	1 430
650	11.56%[2]	Instalments – 29 October 2027	**526**	542
			1 949	1 972

1 *Interest payable quarterly in arrears.*
2 *Instalments of interest and capital are done monthly.*

DISCOVERY BANK

Facility amount R million	Variable rate	Capital repayment and maturity date	Carrying value R million JUNE 2021	June 2020
500	Jibar + 125bps[1]	At maturity – 19 July 2021[2]	**–**	500
500	Jibar + 135bps[1]	At maturity – 19 July 2021[2]	**–**	500
			–	1 000

1 *Interest payable quarterly in arrears.*
2 *These loan facilities had a maturity date of 19 July 2021 with the ability to early settle without any penalties being incurred. The loans were settled early on 15 February 2021.*

Total finance cost for in respect of South African borrowings and related hedges for the year ended 30 June 2021 was R872 million (2020: R976 million).

OTHER SIGNIFICANT ITEMS IN THESE RESULTS *continued*

ANALYSIS OF CASH AND CASH EQUIVALENTS

R million	**JUNE 2021**	June 2020
Unit-linked investment and insurance contracts[1]	**4 071**	2 502
Shareholder cash	**15 942**	15 407
Closing balance	**20 013**	17 909

1 Includes cash held within specific portfolios to match specific insurance liabilities.

The shareholder Cash and cash equivalents position at 30 June 2021, increased by R0.5 billion when compared to 30 June 2020 (2020: R8.8 billion compared to 30 June 2019). The increase can mainly be attributed to the following:

R billion	**INCREASE IN SHAREHOLDER CASH POSITION AT 30 JUNE 2021**	Increase in shareholder cash position at 30 June 2020
Translation differences	**(1.0)**	1.3
Discovery Bank	**0.2**	2.0
VitalityLife	**0.6**	4.7
Other	**0.7**	0.8
Total	**0.5**	8.8

The shareholder cash balances include collateral of R2 million (2020: R1.1 billion) held in respect of derivative contracts and R6.2 billion (2020: R6.2 billion) in respect of the deposit back related to the level premium reinsurance treaty for business written on Prudential Assurance Company's license. The cash held in the insurance entities in the Group is used for the funding of new business and to match claims and other policyholder related liabilities. This cash, together with the cash balances held by Discovery Bank, although unencumbered, is held for specific purposes and therefore not freely available for distribution. Cash available to support Group liquidity requirements is R1.2 billion (2020: R1.1 billion).

OTHER SIGNIFICANT ITEMS IN THESE RESULTS *continued*

CONSOLIDATION OF DISCOVERY UNIT TRUSTS

The Discovery Unit Trusts are consolidated into Discovery's results for accounting purposes, which results in the recognition of the underlying assets and liabilities of each of the funds.

Assets and liabilities of the Discovery Unit Trusts increased by R4 696 million respectively, compared to the prior financial year, with movements in the following line items on the Group's Statement of Financial Position:

Changes in assets

- Investments at fair value through profit or loss increased by R4 812 million.
- Cash and cash equivalents increased by R459 million.
- Insurance receivables, contract receivables and other non-financial receivables decreased by R581 million.
- Other assets increased by R6 million.

Changes in liabilities

- Investment contracts at fair value through profit or loss increased by R4 636 million.
- Other liabilities increased by R60 million.

As these policies are linked, the consolidation of the Discovery Unit Trusts has no impact on the net asset value for shareholders.

There are significant trade volumes in the underlying funds of Discovery Unit Trusts. The cash flow impact of the movement in policyholder investments for the period is included in the following line items on the Group's Statement of cash flows:

- Purchase of investments held to back policyholder liabilities includes cash outflows of R21 762 billion.
- Proceeds from the disposal of investments held to back policyholder liabilities includes cash inflows of R19 142 billion.

DISCOVERY HEALTH MEDICAL SCHEME (DHMS)

Discovery Health administers DHMS and provides managed care services for which it charges an administration fee and a managed healthcare fee respectively. These fees are determined on an annual basis and approved by the trustees of DHMS. The fees totalled R6 403 million for the year ended 30 June 2021 (2020: R6 190 million). Discovery offers the members of DHMS access to the Vitality programme.

MATERIAL TRANSACTIONS WITH RELATED PARTIES

Discovery Long Term Incentive Plan Trust

At the annual general meeting held on 28 November 2019, the shareholders approved the establishment of the Discovery Long-Term Incentive Plan Trust ("Trust") with the purpose, inter-alia, to subscribe, purchase and/or otherwise acquire and hold Discovery ordinary shares from time to time for the benefit of the share-based payment plan for employees, in accordance with the requirements of the Trust. During December 2020, 7 477 865 new shares were issued by Discovery Limited to the Trust (representing the allocation over the past two years) at a value of R907 million, with a par value of 0.01 cents per share. While held in the Trust, these shares are treated as treasury shares and not treated as issued, for accounting purposes.

SHAREHOLDER INFORMATION

DIRECTORATE

Changes to the Board of Discovery Limited from 1 July 2020 to the date of this announcement are as follows:

- Mr HP Mayers, formally retired as a non-executive director effective 26 November 2020.
- Ms M Schreuder has been appointed as an independent non-executive director with effect from 19 February 2021. Ms Schreuder has been appointed as a member of the Audit Committee, Actuarial Committee as well as the Risk and Compliance Committee, which Ms Schreuder has taken over as Chairperson with effect from 1 April 2021. Ms Schreuder's appointment strengthens the independence and actuarial skills on the board and respective committees.
- Ms M Hlahla has been appointed as an independent non-executive director with effect from 15 August 2021. Ms M Hlahla will be a member of the Audit Committee as well as the Social and Ethics Committee. Ms Hlahla's appointment strengthens the independence and business skills on the board and the committees.

Changes in executive director responsibilities from 1 July 2020 to the date of this announcement are as follows:

- Mr HD Kallner, CEO of Discovery's South African operations, has been appointed as the new CEO of Discovery Bank and Discovery Bank Holdings effective 1 January 2021. Mr Kallner replaces Mr BJS Hore. Mr Kallner continues to chair the SA Executive Committee, as the core governance forum of the SA composite.

Changes in company secretary

- Mr MJ Botha formally retired as company secretary of Discovery with effect from 30 November 2020. Mr Botha held the position since 2001 and will be retained in an advisory capacity for a period of handover.
- As a result of the formal retirement of Mr MJ Botha, the Board announced the appointment of Ms NN Mbongo as company secretary of Discovery with effect from 1 December 2020.

Appointment of debt officer:

- In accordance with paragraph 7.3(g) of the JSE Debt Listings Requirements, Mr DM Viljoen has been appointed as the Debt officer with effect from 2 November 2020.

DIVIDEND AND CAPITAL

Interim dividends paid in respect of the 2021 financial year

The following interim dividends were paid during the current period:

- B preference share dividend of 354.52055 cents per share (283.61644 cents net of dividend withholding tax), paid on 15 March 2021.
- No ordinary share dividends were declared.

SHAREHOLDER INFORMATION *continued*

DIVIDEND AND CAPITAL *continued*

Final dividend declaration in respect of the 2021 financial year

B PREFERENCE SHARE CASH DIVIDEND DECLARATION:

On 26 August 2021, the directors declared a final gross cash dividend of 347.12329 cents (277.69863 cents net of dividend withholding tax) per B preference share for the period 1 January 2021 to 30 June 2021, payable from the income reserves of the Company. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

The issued preference share capital at the declaration date is 8 million B preference shares.

The salient dates for the dividend will be as follows:

Last day of trade to receive a dividend	Monday, 20 September 2021
Shares commence trading "ex" dividend	Tuesday, 21 September 2021
Record date	Thursday, 23 September 2021
Payment date	Monday, 27 September 2021

B Preference share certificates may not be dematerialised or rematerialised between Tuesday, 21 September 2021 and Thursday, 23 September 2021, both days inclusive.

ORDINARY SHARE CASH DIVIDEND DECLARATION:

Due to the uncertain and potentially volatile economic environment caused by the COVID-19 pandemic, Discovery will not be recommending the payment of final ordinary dividends. The reintroduction of dividends will be considered when appropriate.

CAPITAL

For Group subsidiaries that operate in the insurance and financial services sectors, the relevant regulator specifies the minimum amount and type of capital that must be held by each of the subsidiaries in addition to their insurance liabilities. The minimum required capital must be maintained at all times throughout the period.

With effect from 1 July 2018, the Insurance Act 18 of 2017 (Insurance Act), and the related Prudential Standards were implemented in South Africa. Discovery Life and Discovery Insure are regulated under the Insurance Act, while Vitality Health and Vitality Life are regulated under the European Solvency II regulatory regime, which was implemented from 1 January 2016.

The table below summarises the capital requirements on the statutory basis, across the Group subsidiaries, and the actual solvency capital held in relation to this requirement.

	STATUTORY CAPITAL REQUIREMENTS	**JUNE 2021 COVER**	Statutory capital requirements	June 2020 Cover
Discovery Life	**R17 647 million**	**1.8 times**	R14 835 million	1.8 times
Discovery Insure	**R1 079 million**	**1.8 times**	R885 million	1.8 times
Vitality Health	**GBP 105.6 million (R2 084 million)**	**1.6 times**	GBP 102.3 million (R2 194 million)	1.7 times
VitalityLife Limited	**GBP 225.5 million (R4 451 million)**	**2.4 times**	GBP 228.3 million (R4 896 million)	2.0 times

A disciplined long-term capital plan remains a key focus as Discovery continues to follow a highly structured approach to navigating the impacts of COVID-19 whilst ensuring that the Group remains resilient and able to continue to fund its growth initiatives. Each of the Group's businesses are strongly capitalised with capital metrics above set targets, with an excess of liquid assets above minimum regulatory capital requirements of R13.4 billion across the Group and excess liquidity held at the centre of R2 billion in SA. The Group's Financial Leverage Ratio stabilised at 25.7% and is well within the internally set guidance level of 28% and expected to trend down over time.

During the period under review, the Group became aware that due to the combined effect of the future growth prospects of PAH and its expanding product mix with the evolving Chinese prudential regulatory requirements, PAH requires additional capital of RMB2.6 billion (approximately R6 billion), of which Discovery's share is approximately R1.5 billion. Refer to the Commentary section 'Capital Strength and liquidity'.

ACCOUNTING POLICIES

NEW ACCOUNTING STANDARDS

Interest Rate Benchmark Reforms

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposures to IBORs on its financial instruments which has been or will be replaced or reformed as part of these market-wide initiatives, such as Libor and Jibar. There is uncertainty over the timing and the methods of transition in some jurisdictions that the Group operates in, such as South Africa. The United Kingdom has seen a change from the GBP Libor to the Reformed Sterling Overnight Index Average (SONIA).

The International Accounting Standards Board (IASB) has undertaken a two-phase project to consider potential reliefs from the effect of IBOR reforms. The project was concluded, and the amendments and relief are mandatorily effective from 1 July 2021 for Discovery. However, Discovery has elected to early adopt the amendments to cater for changes in specified UK transactions in which the contractual rate has already been changed.

- For change in contractual cash flows (i.e., GBP Libor to SONIA), the reliefs have the effect that the changes that are necessary as a direct consequence of IBOR reform and are economically equivalent, will not result in an immediate gain or loss in profit or loss.
- The hedge accounting reliefs will allow most hedge relationships that are directly affected by IBOR reform to continue, with additional consideration for ineffectiveness.

The Group anticipates that IBOR reform will impact some of its Jibar risk management and hedge accounting relationships in the longer term. The South African Reserve Bank is still in the early stages of the replacement project. The Group does not have Libor hedge accounting relationships.

NORMALISED HEADLINE EARNINGS

Discovery assesses its performance using Normalised Headline Earnings, an alternative non-IFRS profit measure, alongside its IFRS based reported profit. Management considers that Normalised Headline Earnings Per Share (NHEPS) is an appropriate alternative performance measure to enhance the comparability and understanding of the financial performance of the Group.

Non-IFRS measures are not uniformly defined or used by all entities and may not be comparable with similarly labelled measures and disclosures provided by other entities.

Discovery calculates headline earnings in accordance with the latest SAICA Circular 'Headline Earnings'. NHEPS is calculated by starting with headline earnings and adjusted to exclude material items that are not considered to be part of Discovery's normal operations as follows:

- Once-off transactions, for example restructuring costs, initial costs related to the Prudential book transfer, transaction costs related to interest rate derivatives and initial deferred tax assets raised on previously unrecognised assessed losses;
- Unusual items – Discovery considers items to be unusual when they have limited predictive value and it is reasonable that items of similar nature would not necessarily arise for several future annual reporting periods. These adjustments include those gains or losses impacting profit or loss associated with changes in economic assumptions recognised in profit or loss, net of any gains or losses on derivatives to offset such changes in economic assumptions; or
- Income or expenses not considered to be part of Discovery's normal operations, for example amortisation of intangibles from business combinations and fair value gains or losses on certain foreign exchange contracts not designated as hedges.

Management is responsible for the calculation of NHEPS and determining the inclusions and exclusions in accordance with the policy. The Discovery Limited Audit Committee reviews the normalised headline earnings for transparency and consistency.

ACCOUNTING POLICIES *continued*

BASIS OF PREPARATION

The Group's summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings and Debt Listings Requirements, and the requirements of the Companies Act of South Africa applicable to summary financial statements. The Listings Requirements require summarised reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, except for the new accounting standards as set out earlier in this report.

AUDIT

The summary consolidated financial statements are extracted from audited information, but are not audited. The annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon.

The audited annual financial statements and the auditor’s report thereon are available for inspection at the Company’s registered office, together with the financial statements identified in the respective auditor’s reports.

The directors of Discovery take full responsibility for the preparation of this report and that the financial information has been correctly extracted from the underlying annual financial statements.

EMBEDDED VALUE STATEMENT

for the year ended 30 June 2021

The embedded value of Discovery consists of the following components:

- the adjusted net worth attributed to the business at the valuation date;
- plus: the present value of expected future shareholder cash flows from the in-force covered business; and
- less: the cost of required capital.

The present value of future shareholder cash flows from the in-force covered business is calculated as the value of projected future after-tax shareholder cash flows of the business in-force at the valuation date, discounted at the risk discount rate.

The required capital are the assets attributed to the covered business above the amount required to back covered business liabilities, whose distribution to shareholders is restricted as they are allocated to cover regulatory and internal capital requirements.

The value of new business is the present value, at the point of sale, of the projected future after-tax shareholder cash flows of the new business written by Discovery, discounted at the risk discount rate, less an allowance for the reserving strain, initial expenses and cost of required capital. The value of new business is calculated using the current reporting date assumptions.

The embedded value includes the insurance and administration profits of the covered business in the Discovery Limited Group. Covered business includes business written in South Africa through Discovery Life ("Life"), Discovery Invest ("Invest"), Discovery Health ("Health") and Discovery Vitality ("Vitality"), and in the United Kingdom through VitalityLife and VitalityHealth. For Vitality Group, Ping An Health, AIA Health, Discovery Insure, Discovery Bank, VitalityInvest and Umbrella Funds, no published value has been placed on the current in-force business as the businesses have not yet reached suitable scale with predictable experience.

In August 2011, Discovery raised R800 million through the issue of non-cumulative, non-participating, non-convertible preference shares. For embedded value purposes this capital, net of share issue expenses, has been excluded from the adjusted net worth.

The 30 June 2021 embedded value results and disclosures were subjected to an external review.

EMBEDDED VALUE STATEMENT *continued*

for the year ended 30 June 2021

TABLE 1: GROUP EMBEDDED VALUE

R million	**30 JUNE 2021**	30 June 2020	% change
Shareholders' funds	**46 419**	44 553	4
Adjustment to shareholders' funds from published basis[1]	**(34 184)**	(32 080)	
Adjusted net worth[2]	**12 235**	12 473	
Value of in-force covered business before cost of required capital	**67 175**	64 305	
Cost of required capital	**(4 765)**	(5 944)	
Discovery Limited embedded value	**74 645**	70 834	5
Number of shares (millions)	**656.8**	656.6	
Embedded value per share	**R113.65**	R107.88	5
Diluted number of shares (millions)	**665.1**	657.6	
Diluted embedded value per share[3]	**R112.23**	R107.71	4

1 *A breakdown of the adjustment to shareholders' funds is shown in the table below. Note that where relevant, adjustments have been converted using the closing exchange rate of R19.74/GBP (June 2020: R21.44/GBP).*

R million	**30 JUNE 2021**	30 June 2020
Life net assets under insurance contracts	**(20 675)**	(18 564)
Vitality Life Limited and Discovery funded VitalityLife business on the Prudential licence net assets under insurance contracts	**(7 703)**	(6 320)
VitalityHealth financial reinsurance asset	**(2 353)**	(3 078)
VitalityHealth and Vitality Health Insurance Limited deferred acquisition costs (net of deferred tax)	**(407)**	(467)
VitalityLife receivable relating to the Unemployment Cover benefit (net of deferred tax)	**(12)**	(21)
Goodwill relating to the acquisition of Standard Life Healthcare and the Prudential joint venture	**(2 442)**	(2 653)
Intangible assets (net of deferred tax) in covered businesses	**(830)**	(945)
Net preference share capital	**(779)**	(779)
Reversal of 1 Discovery Place IAS 17 financial lease accounting	**975**	747
Equity settled share based payment provision adjustment	**42**	–
	(34 184)	(32 080)

The 'equity settled share based payment provision adjustment' reflects the difference between the provision in the IFRS equity and the mark-to-market value of the equity settled share based payments.

2 *The following table sets out the capital position of the covered businesses with the required capital on a consistent basis to that used in the embedded value:*

R million	30 JUNE 2021	30 June 2020
Shareholders' funds	**46 419**	44 553
Adjustment to shareholders' funds	**(34 184)**	(32 080)
Adjusted net worth	**12 235**	12 473
Excess of available capital over adjusted net worth	**30 718**	23 231
Available capital	**42 953**	35 704
Required capital	**32 699**	29 932
Excess available capital	**10 254**	5 772

The excess of available capital over adjusted net worth reflects the difference between the adjusted net worth and the available capital. This includes:

- *The net preference share capital of R779 million which is included as available capital.*
- *The difference between Vitality Life Limited's Solvency II Pillar 1 Own Funds and its adjusted net worth and adds back the negative reserves eliminated on the Discovery funded VitalityLife business on the Prudential licence.*
- *The difference between Life's Pillar 1 Own Funds and its adjusted net worth.*

The following table sets out the required capital for each of the covered businesses:

R million	30 JUNE 2021	30 June 2020
Health and Vitality	**973**	935
Life and Invest	**22 059**	18 544
VitalityHealth	**2 847**	2 963
VitalityLife	**6 820**	7 490
Total Required Capital	**32 699**	29 932

- *For Health and Vitality, the required capital was set equal to two times the monthly renewal expense and Vitality benefit cost.*
- *For Life and Invest, the required capital was set equal to 1.25 times the SAM Pillar 1 Solvency Capital Requirement.*
- *For VitalityHealth, the required capital amount was set equal to 1.35 times the Solvency II Pillar 1 Solvency Capital Requirement.*
- *For the VitalityLife business on the Prudential licence, the required capital was set equal to the UK Solvency I long-term insurance capital requirement as per the agreement with Prudential up to the Part VII transfer, thereafter it is set equal to 1.5 times the Solvency II Pillar 1 Solvency Capital Requirement. For the business sold on the Vitality Life Limited licence, the required capital was set equal to 1.4 times the Solvency II Pillar 1 Solvency Capital Requirement up to the Part VII transfer and 1.5 times thereafter.*

3 *The diluted embedded value per share adjusts for treasury shares held in the Discovery BEE Share Trust and as part of Discovery's Long-term Incentive Plan where the impact is dilutive.*

EMBEDDED VALUE STATEMENT *continued*

for the year ended 30 June 2021

TABLE 2: VALUE OF IN-FORCE COVERED BUSINESS

R million	VALUE BEFORE COST OF REQUIRED CAPITAL	COST OF REQUIRED CAPITAL	VALUE AFTER COST OF REQUIRED CAPITAL
at 30 June 2021			
Health and Vitality	**22 503**	**(422)**	**22 081**
Life and Invest[1]	**27 777**	**(1 183)**	**26 594**
VitalityHealth[2]	**8 230**	**(462)**	**7 768**
VitalityLife[2]	**8 665**	**(2 698)**	**5 967**
Total	**67 175**	**(4 765)**	**62 410**
at 30 June 2020			
Health and Vitality	22 321	(419)	21 902
Life and Invest[1]	23 752	(1 244)	22 508
VitalityHealth[2]	10 077	(495)	9 582
VitalityLife[2]	8 155	(3 786)	4 369
Total	64 305	(5 944)	58 361

1 *Included in the Life and Invest value of in-force covered business is R1 675 million (June 2020: R1 440 million) in respect of investment management services provided on off balance sheet investment business. The net assets of the investment service provider are included in the adjusted net worth.*

2 *The value of in-force has been converted using the closing exchange rate of R19.74/GBP (June 2020: R21.44/GBP).*

TABLE 3: GROUP EMBEDDED VALUE EARNINGS

R million	30 JUNE 2021	30 June 2020
Embedded value at end of period	**74 645**	70 834
Less: embedded value at beginning of period	**(70 834)**	(71 217)
Increase in embedded value	**3 811**	(383)
Net change in capital[1]	**(914)**	–
Dividends paid	**63**	1 494
Transfer to hedging reserve	**(260)**	430
Employee share option schemes	**(330)**	(164)
Increase in treasury shares	**907**	4
Acquisition of subsidiaries with non-controlling interest	**–**	(6)
IFRS transitional arrangements[2]	**–**	41
Embedded value earnings	**3 277**	1 416
Annualised return on opening embedded value	**4.6%**	2.0%

1 *The net change in capital reflects share issues (net of costs) and an increase (decrease) in treasury shares in the period.*

2 *The IFRS transitional arrangements reflects the retrospective adjustments arising from the adoption of IFRS 9 and IFRS 15 to the opening balances at 1 July 2018.*

TABLE 4: COMPONENTS OF GROUP EMBEDDED VALUE EARNINGS

R million	Net worth	Cost of required capital	Value of in-force covered business	**YEAR ENDED 30 JUNE 2021** **EMBEDDED VALUE**	Year ended 30 June 2020 Embedded value
Total profit from new business (at point of sale)	(4 540)	(262)	6 693	**1 891**	1 922
Profit from existing business					
▪ Expected return	4 958	107	1 356	**6 421**	6 388
▪ Change in methodology and assumptions[1]	1 006	1 176	(7 738)	**(5 556)**	(8 759)
▪ Experience variances	1 081	(143)	3 979	**4 917**	133
Impairment, amortisation and fair value adjustment[2]	(14)	–	–	**(14)**	(16)
Increase in goodwill and intangibles	(336)	–	–	**(336)**	(313)
Other initiative costs[3,5]	(324)	–	36	**(288)**	(781)
Non-recurring expenses	(85)	–	–	**(85)**	(181)
Acquisition costs[4]	(41)	–	1	**(40)**	(12)
Finance costs[5,6]	(2 104)	–	–	**(2 104)**	(1 946)
Foreign exchange rate movements[6]	(1 160)	301	(1 457)	**(2 316)**	3 922
Other[7]	(8)	–	–	**(8)**	19
Return on shareholders' funds[5,8]	795	–	–	**795**	1 040
Embedded value earnings	(772)	1 179	2 870	**3 277**	1 416

1 *The changes in methodology and assumptions will vary over time to reflect adjustments to the model and assumptions as a result of changes to the operating and economic environment. The current period's changes are described in detail in Table 6 below (for previous periods refer to previous embedded value statements).*

2 *This item reflects the amortisation of the intangible assets reflecting the banking costs, the PrimeMed acquisition and capital expenditure in VitalityInvest and Discovery Group Europe Limited.*

3 *This item includes the profits of non-covered businesses (including Discovery Insure, Vitality Group and Ping An Health) and costs of start-up businesses (including Discovery Bank, VitalityInvest, a commercial offering in Discovery Insure, and an Umbrella Fund offering in Invest). Head office costs which relate to non-covered business are also included in this item.*

4 *Acquisition costs relate to commission paid on the Life and Invest business and expenses incurred in writing Health and Vitality business that has been written over the period but will only be activated and on risk after the valuation date. These policies are not included in the embedded value or the value of new business and therefore the costs are not deducted from the value of new business.*

5 *Finance costs are aligned to the segmental earnings view of finance costs, before IFRS reporting adjustments. From 30 June 2021, the segmental view of finance costs is shown gross of finance costs relating to intercompany loans between entities within the Group (R824 million for the twelve months ended 30 June 2021 and R720 million for the twelve months ended 30 June 2020). Similar offsetting adjustments, which had previously been included as investment return components in other initiative costs and return on shareholders' funds, have been reallocated and are now entirely included in the return on shareholders' funds. The prior period comparatives have been restated to reflect this reallocation.*

6 *From 30 June 2021, foreign exchange gains / (losses) emerging through the income statement have been reallocated out of finance costs and into foreign exchange rate movements. The prior period comparatives have been restated to reflect this reallocation.*

7 *This item includes, among other items, the tax benefits or losses that will emerge as the VitalityHealth DAC and intangible software assets amortise or increase.*

8 *The return on shareholders' funds is shown net of tax and management charges.*

EMBEDDED VALUE STATEMENT *continued*

for the year ended 30 June 2021

TABLE 5: EXPERIENCE VARIANCES

	Health and Vitality		Life and Invest		VitalityHealth		VitalityLife		
R million	Net worth	Value of in-force	Net worth	Value of in-force	Net worth	Value of in-force	Net worth	Value of in-force	**TOTAL**
Renewal expenses	229	–	(10)	2	(4)	–	17	–	**234**
Lapses and surrenders[1]	23	130	(29)	1 029	–	160	(100)	491	**1 704**
Mortality and morbidity[2]	–	–	(681)	87	938	–	108	–	**452**
Policy alterations[1]	–	9	(438)	420	–	–	21	10	**22**
Premium and fee income[1]	66	–	(47)	(71)	89	–	5	18	**60**
Economic[3]	33	579	69	870	–	–	–	–	**1 551**
Commission	–	–	–	–	21	–	–	–	**21**
Tax[4]	75	–	339	(352)	65	–	(8)	–	**119**
Reinsurance	–	–	–	–	(4)	–	(102)	(67)	**(173)**
Maintain modelling term[5]	–	362	–	188	–	79	–	–	**629**
Vitality benefits	(8)	–	–	–	–	–	41	–	**33**
Other[6]	2	–	(136)	100	152	–	355	(208)	**265**
Total	420	1 080	(933)	2 273	1 257	239	337	244	**4 917**

1 *For Life and Invest, the combined lapse and surrender experience, policy alterations experience and premium and fee income experience is relative to assumptions which include an allowance for a short-term stress set at 30 June 2020 in response to deteriorating experience from COVID-19 related impacts. For VitalityLife, the lapse and surrender experience is relative to assumptions which include the allowance for a short-term stress for lapses introduced at 30 June 2020.*

2 *The mortality and morbidity experience for Life and Invest reflects claims in excess of the COVID-19 claims provision set at 30 June 2020. The mortality and morbidity experience for VitalityHealth relates to experience emerging after the inclusion of a short-term premium deferral provision for treatments delayed due to ongoing national lockdowns from the pandemic.*

3 *For Health and Vitality, the economic experience variance relates to the impact on administration and managed care fees of in-period inflation being higher than that assumed. The experience for Life and Invest arises largely due to higher than expected linked asset growth for the period under review.*

4 *The tax variance for Life and Invest arises due to the timing difference between the expected tax payments and actual payments.*

5 *For Health and Vitality, Life and Invest and VitalityHealth, the projection term is rebased at each year-end. Therefore, an experience variance arises because the total term of the in-force covered business is effectively increased by twelve months.*

6 *The key Other experience relates to cash flow timing variances in Life and Invest, profits and losses from companies within the VitalityHealth and VitalityLife segments which are not part of covered business, and movements in the value of the swaption in VitalityLife.*

TABLE 6: METHODOLOGY AND ASSUMPTION CHANGES

	Health and Vitality		Life and Invest		VitalityHealth		VitalityLife		
R million	Net worth	Value of in-force	Net worth	Value of in-force	Net worth	Value of in-force	Net worth	Value of in-force	**TOTAL**
Modelling changes[1]	–	44	(38)	207	–	(64)	2	138	**289**
Expenses	–	(597)	(34)	(273)	–	–	36	100	**(768)**
Lapses[2]	–	–	(6)	(4)	–	–	(622)	(1 811)	**(2 443)**
Mortality and morbidity[3]	–	–	–	(1 439)	–	(604)	(151)	2 171	**(23)**
Benefit changes	–	16	–	–	–	–	–	–	**16**
Tax[4]	–	–	–	–	–	(469)	–	(235)	**(704)**
Economic assumptions[5]	–	(2 004)	(21)	395	–	(240)	(269)	487	**(1 652)**
Premium and fee income	–	(45)	–	(131)	–	–	–	–	**(176)**
Reinsurance and financing[6]	–	–	2 107	(2 125)	–	(25)	–	41	**(2)**
Other	–	–	2	(95)	–	–	–	–	**(93)**
Total	–	(2 586)	2 010	(3 465)	–	(1 402)	(1 004)	891	**(5 556)**

1 *For Life and Invest, a correction was made to the calculation of the overall tax adjustment to the value of in-force. In addition, the Group Life business's expense allocation was revised and the projection term was extended from ten to twenty years. For VitalityHealth, the modelling changes relate to a correction to the premium recorded against certain lapsed policies. For VitalityLife, the modelling changes include a reduction of the premium increases on index-linked policies as per product specifications under current low inflation rates and several other minor refinements to the calculation of the value of in-force and cost of capital.*

2 *For VitalityLife, the lapse assumption change relates to a reduction in the lapse rates for the whole of life business.*

3 *For Life and Invest, the mortality and morbidity assumption change relates to the COVID-19 provision raised in respect of an expected third and fourth wave in South Africa. For VitalityLife, the change relates to a review of the mortality basis for the whole of life business. For VitalityHealth, the change relates to a short-term stressed provision established for COVID-19 related impacts.*

4 *For VitalityHealth and VitalityLife, the tax assumption change relates to an increase in the UK corporation tax rate from 19% to 25% from April 2023.*

5 *For Life and Invest and Health and Vitality, the economic assumptions item relates to the impact of updating the assumptions relative to the Johannesburg Limited ("JSE") nominal and real yield risk-free curves at 30 June 2021. For Life and Invest this also includes the impact of updating exchange rate assumptions. For VitalityLife the item includes the impact of updating the assumptions relative to the Solvency II yield curves and the IFRS interest rates, offset by the net change in the interest rate hedge.*

6 *For Life and Invest, the reinsurance and financing item primarily relates to the impact of financing arrangements.*

TABLE 7: EMBEDDED VALUE OF NEW BUSINESS

R million	30 JUNE 2021	30 June 2020	
Health and Vitality			
Present value of future profits from new business (at point of sale)	**789**	910	
Cost of required capital	**(24)**	(27)	
Present value of future profits from new business (at point of sale) after cost of required capital	**765**	883	(13)
New business annualised premium income[1]	**3 704**	3 972	(7)
Life and Invest			
Present value of future profits from new business (at point of sale)[2]	**825**	668	
Cost of required capital	**(82)**	(82)	
Present value of future profits from new business (at point of sale) after cost of required capital	**743**	586	27
New business annualised premium income[3]	**2 947**	2 886	2
Annualised profit margin[4]	**3.0%**	2.5%	
Annualised profit margin excluding Invest business	**5.7%**	5.8%	
VitalityHealth[5]			
Present value of future profits from new business (at point of sale)	**143**	262	
Cost of required capital	**(61)**	(56)	
Present value of future profits from new business (at point of sale) after cost of required capital	**82**	206	(60)
New business annualised premium income[6]	**1 263**	1 308	(3)
Annualised profit margin[4]	**0.9%**	2.5%	
VitalityLife[7]			
Present value of future profits from new business (at point of sale)	**396**	353	
Cost of required capital	**(95)**	(106)	
Present value of future profits from new business (at point of sale) after cost of required capital	**301**	247	22
New business annualised premium income	**871**	956	(9)
Annualised profit margin[4]	**4.1%**	3.2%	

1 Health new business annualised premium income is the gross contribution to the medical schemes. The new business annualised premium income shown above excludes premiums in respect of members who join an existing employer where the member has no choice of medical scheme, as well as premiums in respect of new business written during the period but only activated after 30 June 2021.

The total Health and Vitality new business annualised premium income written over the period was R6 103 million (June 2020: R6 236 million).

2 Included in the Life and Invest embedded value of new business is R53 million (June 2020: R29 million) in respect of investment management services provided on off balance sheet investment business.

Risk business written prior to the valuation date allows certain Invest business to be written at financially advantageous terms, the impact of which has been recognised in the value of new business.

3 Life new business is defined as Life policies to which Life became contractually bound during the reporting period, including policies whose first premium is due after the valuation date. Invest new business is defined as business where at least one premium has been received and which has not been refunded after receipt. Invest new business also includes Discovery Retirement Optimiser policies to which Life and Invest became contractually bound during the reporting period, including policies whose first premium is due after the valuation date.

The new business annualised premium income of R2 947 million (June 2020: R2 886 million) (single premium APE: R1 490 million (June 2020: R1 453 million)) shown above excludes automatic premium increases and servicing increases in respect of existing business. The total new business annualised premium income written over the period, including automatic premium increases of R1 414 million (June 2020: R1 496 million) and servicing increases of R640 million (June 2020: R576 million), was R5 001 million (June 2020: R4 958 million) (single premium APE: R1 569 million (June 2020: R1 507 million)). Single premium business is included at 10% of the value of the single premium.

Policy alterations and internal replacement policies, including Discovery Retirement Optimisers added to existing Life Plans, are shown in Table 5 as experience variances and not included as new business. Term extensions on existing contracts are not included as new business.

4 The annualised profit margin is the value of new business expressed as a percentage of the present value of future premiums.

5 The VitalityHealth value of new business is calculated as the value at point of sale of the new business written premium in-force at the valuation date multiplied by the Margin multiplied by the Annuity Factor less the new business cash flows from point of sale to the valuation date. The assumptions for the Margin and Annuity Factor are shown in Table 8.

6 VitalityHealth new business is defined as individuals and employer groups which incepted during the reporting period. The new business annualised premium income shown above has been adjusted to exclude premiums in respect of members who join an existing employer group after the first month, as well as premiums in respect of new business written during the period but only activated after 30 June 2021.

7 VitalityLife new business is defined as policies to which VitalityLife became contractually bound during the reporting period, including policies whose first premium is due after the valuation date.

EMBEDDED VALUE STATEMENT *continued*

for the year ended 30 June 2021

BASIS OF PREPARATION

TABLE 8: EMBEDDED VALUE ECONOMIC ASSUMPTIONS

		30 JUNE 2021	30 June 2020
Beta coefficient		**0.75**	0.75
Equity risk premium (%)		**3.5**	3.5
Risk discount rate (%)			
	– Health and Vitality[1]	**13.125**	14.125
	– Life and Invest[1]	**13.625**	15.125
	– VitalityHealth	**3.46**	2.89
	– VitalityLife	**3.263**	3.065
Rand / GBP exchange rate			
Closing		**19.74**	21.44
Average		**20.74**	19.75
Margin over Expense inflation to derive Medical inflation (%)			
South Africa		**3.00**	3.00
Expense inflation (%)[2]			
South Africa	– Health and Vitality	**6.14**	7.39
	– Life and Invest	**6.23**	8.33
United Kingdom		**2.50**	2.50
Pre-tax investment return (%)			
South Africa	– Cash[1]	**9.50**	11.00
	– Life and Invest bonds[3]	**11.00**	12.50
	– Health and Vitality bonds[3]	**10.50**	11.50
	– Equity[1]	**14.50**	16.00
United Kingdom	– VitalityHealth risk-free rate	**0.84**	0.27
	– VitalityLife risk-free rate	**0.64**	0.44
	– VitalityLife IFRS interest rate	**1.80**	1.35
	– VitalityLife investment return	**1.44**	1.58
Corporation tax rate (%)			
South Africa		**28**	28
United Kingdom – long-term		**25**	19
VitalityHealth Assumptions			
– Margin (net of tax and cost of capital) (%)		**12.0**	13.7
– Annuity Factor		**6.18**	6.37
Projection term			
– Health and Vitality		**20 years**	20 years
– Discovery Life – VIF		**40 years**	40 years
– Group Life		**20 years**	10 years
– VitalityLife		**No cap**	No cap
– VitalityHealth[4]		**20 years**	20 years

1 *Derived as a margin over (or below for cash) the respective pre-tax investment return for bonds.*

2 *The inflation assumption is derived as the difference between the nominal and real yield curve at each duration. As an indication, the cash flow weighted average inflation is shown in the table. For the United Kingdom, the expense inflation assumption is aligned with the Bank of England inflation target.*

3 *As indications, the cash flow weighted averages derived from the relevant yield curve(s) are shown.*

4 *The VitalityHealth projection term of 20 years is used in the derivation of the Annuity Factor.*

The Discovery Limited embedded value is calculated based on a risk discount rate using the CAPM approach with specific reference to the Discovery beta coefficient. The assumed beta is fixed at 0.75. This has been set such that the risk discount rate proxies the result of a Weighted Average Cost of Capital approach with reference to the capital structure of the Group and the observed beta calculated using daily returns over a long time period. The observed beta is calculated with reference to the ALSI. The assumed beta will only change if the capital structure of the Group and / or the observed beta calculated using daily returns over a long time period suggest the beta assumption should depart significantly from the assumption at the financial year-end. As beta values reflect the historic performance of share prices relative to the market they may not allow fully for non-market related and non-financial risk. Investors may want to form their own view on an appropriate allowance for these risks which have not been modelled explicitly.

Life and Invest mortality, morbidity and lapse and surrender assumptions were derived from internal experience, where available, augmented by reinsurance and industry information.

The Health and Vitality lapse assumptions were derived from the results of recent experience investigations.

The VitalityHealth assumptions were derived from internal experience.

VitalityLife assumptions were derived from internal experience, where available, augmented by reinsurance, industry and Discovery Limited group information.

Renewal expense assumptions were based on the results of the latest expense and budget information.

The initial expenses included in the calculation of the embedded value of new business are the actual costs incurred excluding expenses of an exceptional or non-recurring nature.

From 30 June 2020, the yield curves underlying the embedded value calculations were changed from the Prudential Authority yield curves to the JSE yield curves. The South African investment return assumptions for Life, Invest, Health and Vitality were based on the publically available JSE risk-free nominal yield curve. The real yield assumption was set based on the publically available JSE risk-free real yield curve, adjusted to remove volatility due to the nature of the index-linked government bond market. Other economic assumptions were set relative to these two yield curves.

The current and projected tax position of the policyholder funds within the Life company has been taken into account in determining the net investment return assumption.

The risk-free rate assumption for VitalityHealth and VitalityLife was based on the single interest rate derived from the Prudential Regulatory Authority yield curve. The inflation rate is consistent with the Bank of England inflation target.

From 30 June 2018, VitalityHealth calculate the value of in-force at the valuation date as the in-force written premium multiplied by the Margin multiplied by the Annuity Factor, as set out in the table above. The Annuity Factor assumption is derived from assumed future lapse rates and premium increases. The Margin assumption reflects profit margins after tax and Cost of Capital. The assumptions underlying the Annuity Factor and Margin are set taking into account the current experience in the business at different durations.

The cost of required capital is calculated using the difference between the risk discount rate and the net of tax asset return on tangible assets. The Vitality Life Limited and the VitalityLife business on the Prudential licence required capital amount is assumed to earn the investment return assumption, which is set based on the return on a portfolio of government and corporate bonds assumed to back the required capital. The Life and Invest cost of required capital is calculated assuming shareholder cash flow is limited to the cash flow available after having met both the required capital amount and an internally defined liquidity target capital requirement of tangible assets.

The embedded value has been calculated in accordance with the Actuarial Society of South Africa's Advisory Practice Note ("APN") 107: Embedded Value Reporting, except the recommended disclosure of Free Surplus and Required Capital has been adjusted to take into account the nature of the capital requirements in the covered businesses, as can be seen in Table 1 note 2.

EMBEDDED VALUE STATEMENT *continued*

for the year ended 30 June 2021

SENSITIVITY TO THE EMBEDDED VALUE ASSUMPTIONS

The risk discount rate uses the CAPM approach with specific reference to the Discovery beta coefficient. As beta values reflect the historic performance of share prices relative to the market they may not allow fully for non-market related and non-financial risk. Investors may want to form their own view on an appropriate allowance for these risks which have not been modelled explicitly. The sensitivity of the embedded value and the embedded value of new business at 30 June 2021 to changes in the risk discount rate is included in the tables below.

For each sensitivity illustrated below, all other assumptions have been left unchanged. No allowance has been made for management action such as risk premium increases where future experience is worse than the base assumptions.

TABLE 9: EMBEDDED VALUE SENSITIVITY

R million	Adjusted net worth[2]	Health and Vitality: Value of in-force	Health and Vitality: Cost of required capital	Life and Invest: Value of in-force	Life and Invest: Cost of required capital	VitalityHealth: Value of in-force	VitalityHealth: Cost of required capital	VitalityLife: Value of in-force	VitalityLife: Cost of required capital	**EMBEDDED VALUE**	% change
Base	12 235	22 503	(422)	27 777	(1 183)	8 230	(462)	8 665	(2 698)	**74 645**	
Impact of:											
Risk discount rate +1%	12 235	21 254	(458)	25 145	(1 258)	7 789	(438)	8 323	(3 489)	**69 103**	(7)
Risk discount rate – 1%	12 235	23 884	(382)	30 885	(1 094)	8 717	(488)	9 049	(1 608)	**81 198**	9
Lapses – 10%	11 962	23 236	(443)	30 289	(1 241)	9 338	(520)	9 413	(3 003)	**79 031**	6
Interest rates – 1%[1]	10 969	22 431	(406)	28 003	(1 168)	8 641	(488)	6 774	(2 658)	**72 098**	(3)
Equity and property market value – 10%	12 197	22 503	(422)	27 236	(1 201)	8 230	(462)	8 665	(2 698)	**74 048**	(1)
Equity and property return +1%	12 235	22 503	(422)	28 155	(1 186)	8 230	(462)	8 665	(2 698)	**75 020**	1
Renewal expenses – 10%	12 302	24 722	(390)	28 346	(1 156)	8 868	(462)	8 825	(2 663)	**78 392**	5
Mortality and morbidity – 5%	12 446	22 503	(422)	29 741	(1 062)	9 584	(462)	8 943	(2 682)	**78 589**	5
Projection term +1 year	12 235	22 768	(426)	27 864	(1 187)	8 290	(465)	8 665	(2 698)	**75 046**	1

1 *All economic assumptions were reduced by 1%.*

2 *The sensitivity impact on the VitalityLife net of tax change in negative reserves is included in the adjusted net worth column.*

The following table shows the effect of using different assumptions on the embedded value of new business.

TABLE 10: VALUE OF NEW BUSINESS SENSITIVITY

R million	Health and Vitality: Value of new business	Health and Vitality: Cost of required capital	Life and Invest: Value of new business	Life and Invest: Cost of required capital	VitalityHealth: Value of new business	VitalityHealth: Cost of required capital	VitalityLife: Value of new business	VitalityLife: Cost of required capital	**VALUE OF NEW BUSINESS**	% change
Base	789	(24)	825	(82)	143	(61)	396	(95)	**1 891**	
Impact of:										
Risk discount rate +1%	723	(26)	620	(88)	67	(57)	311	(101)	**1 449**	(23)
Risk discount rate – 1%	861	(22)	1 064	(76)	227	(65)	492	(80)	**2 401**	27
Lapses – 10%	839	(26)	1 035	(86)	252	(67)	545	(122)	**2 370**	25
Interest rates – 1%[1]	796	(23)	838	(81)	217	(65)	156	(88)	**1 750**	(7)
Equity and property return +1%	789	(24)	856	(83)	143	(61)	396	(95)	**1 921**	2
Renewal expense – 10%	908	(22)	874	(81)	220	(61)	427	(93)	**2 172**	15
Mortality and morbidity – 5%	789	(24)	924	(74)	307	(61)	431	(90)	**2 202**	16
Projection term +1 year	803	(24)	831	(83)	152	(61)	396	(95)	**1 919**	1
Acquisition costs – 10%	817	(24)	954	(82)	181	(61)	519	(95)	**2 209**	17

1 *All economic assumptions were reduced by 1%.*

APPENDIX A

NEW BUSINESS ANNUALISED PREMIUM INCOME

The new business annualised premium income (API) set out below provides a view of the scale of new business across all operations of the Group and does not necessarily reflect the new business attributable to the legal entities within the Group. For instance, Discovery Health Medical Scheme's (DHMS) new business is attributable to the medical scheme but is under the administration and marketing of Discovery Health which earns a fee in respect of such services.

Core new business API increased by 9% for the year ended 30 June 2021 when compared to the same period in the prior year.

R million	**JUNE 2021**	June 2020	% change
Discovery Health[1]	**6 079**	6 101	–
Discovery Life	**2 264**	2 286	(1)
Discovery Invest	**2 737**	2 667	3
Discovery Insure	**1 287**	1 089	18
Discovery Vitality	**24**	135	(82)
VitalityHealth	**1 367**	1 238	10
VitalityLife	**1 141**	1 257	(9)
Ping An Health (25% interest)	**3 938**	3 575	10
Other new businesses[2]	**2 114**	825	156
Core new business API of Group	**20 951**	19 173	9
New Closed Schemes[1]	**374**	–	100
New business API of Group including new Closed Schemes	**21 325**	19 173	11
Gross revenue Vitality Group[3]	**1 270**	1 134	12
Total new business API and other new business	**22 595**	20 307	11

1 *New business API for Discovery Health includes new business API for all businesses administered by Discovery Health, including DHMS, Closed Schemes and offerings such as GAP cover and Primary Care cover. The new business API for New Closed Schemes includes contracted new business API and business in the first twelve months of on-boarding. Closed Schemes refer to those restricted to certain employers and industries.*

2 *Other new businesses include the Umbrella Fund, Discovery Insure commercial and VitalityInvest.*

3 *Vitality Group new business includes gross recurring and lump sum revenues earned by Vitality Group and specifically excludes revenue related to cost recoveries and rewards.*

Calculation of new business API

New business API is calculated at 12 times the monthly premium for new recurring premium policies and 10% of the value of new single premium policies. It also includes both automatic premium increases and servicing increases on existing long-term insurance policies. The amounts exclude indirect taxes.

The new business API in the table above differs from the new business API disclosed in the embedded value largely as a result of:

- *The timing of inclusion of policyholders in the calculation of new business API* – In the embedded value, new business is included from the earlier of the date that the first premium has been received or when the policy is on risk, whereas in the table above, new business is included when the policy has been contractually committed.
- *Inclusion of automatic premium increases and servicing increases on existing life policies* – These are included in the table above but excluded in the embedded value API values disclosed.

Refer to the Embedded value statement for the year ended 30 June 2021 in the footnotes to 'Table 7: Embedded value of new business' for a more detailed description of the differences in new business disclosures between the embedded value and the table above.

GROSS INFLOWS UNDER MANAGEMENT

Gross inflows under management measures the total funds collected by Discovery. Gross inflows under management increased by 5% for the year ended 30 June 2021 when compared to the same period in the prior year.

R million	**JUNE 2021**	June 2020	% change
Discovery Health	**90 651**	89 682	1
Discovery Life	**13 714**	13 023	5
Discovery Invest	**24 203**	24 501	(1)
Discovery Insure	**4 107**	3 556	15
Discovery Vitality	**2 295**	2 401	(4)
VitalityHealth	**11 403**	9 651	18
VitalityLife	**6 696**	5 917	13
All other businesses	**8 974**	6 102	47
Gross inflows under management	**162 043**	154 833	5
Less: collected on behalf of third parties	**(88 827)**	(87 962)	1
Discovery Health	**(81 849)**	(81 309)	1
Discovery Invest	**(6 978)**	(6 653)	5
Gross income of Group per the segmental information	**73 216**	66 871	9
Gross income is made up as follows:			
– Insurance premium revenue	**56 812**	50 517	12
– Fee income from administration businesses	**11 711**	11 350	3
– Vitality income	**3 340**	3 875	(14)
– Other income	**1 353**	1 129	20
Gross income of Group per the segmental information	**73 216**	66 871	9

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Secretary and registered office NN Mbongo, Discovery Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1999/007789/06)
Company tax reference number: 9652/003/71/7

JSE share code:	DSY ISIN: ZAE000022331
JSE share code:	DSBP ISIN: ZAE000158564
JSE bond company code:	DSYI

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* *Executive.*
1 *Retired effective 26 November 2020.*
2 *Appointed effective 19 February 2021.*
3 *Appointed effective 15 August 2021.*

Debt officer DM Viljoen

Annual financial results
– supervised by DM Viljoen CA(SA)

Embedded value statement
– prepared by P Bolink FASSA
– supervised by A Rayner FASSA, FIA

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