

CUSTOMERS PER ENTITY



Life Policyholders

	June 2018	December 2017	June 2017	December 2016	June 2016	December 2015	June 2015	December 2014	June 2014	December 2013
Individual	429,817	423,707	413,346	407,402	399,715	395,078	398,731	391,104	379,152	377,487
Invest							118,366	109,914	100,445	91,858
Invest - DRO*	115,670	111,258	105,722	101,168	98,238	94,098				
Invest - Other	172,929	164,878	153,804	147,960	139,341	129,989				
Group (lives)	512,715	506,141	502,258	466,172	435,168	432,930	425,991	406,678	393,800	381,019
Group schemes	2,585	2,552	2,503	2,453	2,401	2,403	2,332	2,186	2,063	1,960

*Discovery Retirement Optimiser (DRO) product has been moved from the Individual category to Invest - DRO from December 2015 onwards

This count is the full number of DRO policies (underlying Endowments and Retirement Annuities counted individually), including Paid-up policies.

Prior period comparatives have been restated to be consistent with this approach, since paid-up policies were not previously included in the counts disclosed before June 2017.

Life NB APE

	12 months to June 2018	6 months to December 2017	Year ended June 2017	6 months to December 2016	Year ended June 2016	6 months to December 2015	Year ended June 2015	6 months to December 2014	Year ended June 2014	6 months to December 2013
Individual	2,042	1,038	1,970	1,001	1,762	909	2,124	1,097	1,899	986
Group	146	79	205	52	105	61	108	54	114	70
Invest - Recurring	1,205	632	1,219	658	1,194	589	597	295	492	243
Invest - Single APE**	1,248	588	1,277	620	1,218	579	1,049	502	904	409
Total Life APE**	4,641	2,337	4,671	2,331	4,279	2,138	3,878	1,948	3,409	1,708

** APE shown at 10% of Single premium

Health Members

	June 2018	December 2017	June 2017	December 2016	June 2016	December 2015	June 2015	December 2014	June 2014	December 2013
DHMS - Keycare	247,357	254,165	248,430	256,591	247,825	249,605	240,324	235,559	227,298	232,865
DHMS - Non-Keycare	1,093,745	1,069,492	1,062,964	1,041,166	1,034,833	1,018,612	1,013,864	995,572	985,228	959,138
In-House Schemes	310,773	311,879	299,353	275,293	265,205	153,935	153,486	144,227	142,750	132,160
Total	1,651,875	1,635,536	1,610,747	1,573,050	1,547,863	1,422,152	1,407,674	1,375,358	1,355,276	1,324,163

Health Lives

	June 2018	December 2017	June 2017	December 2016	June 2016	December 2015	June 2015	December 2014	June 2014	December 2013
DHMS - Keycare	428,103	440,722	430,363	443,485	428,817	434,487	419,364	415,093	402,047	411,525
DHMS - Non-Keycare	2,374,976	2,337,485	2,327,651	2,292,201	2,281,630	2,257,759	2,250,081	2,219,753	2,199,601	2,152,815
In-House Schemes	667,116	663,807	635,178	581,821	550,943	326,806	323,416	297,805	293,690	268,854
Total	3,470,195	3,442,014	3,393,192	3,317,507	3,261,390	3,019,052	2,992,861	2,932,651	2,895,338	2,833,194

Vitality SA

	June 2018	December 2017	June 2017	December 2016	June 2016	December 2015	June 2015	December 2014	June 2014	December 2013
Members*	825,531	828,216	823,826	832,365	824,196	734,718	734,529	735,725	733,732	729,682

*Includes Balance members (Balance is Vitality for Bankmed)

VitalityHealth Members

	June 2018	December 2017	June 2017	December 2016	June 2016	December 2015	June 2015	December 2014	June 2014	December 2013
Individual	90,375	85,942	84,070	82,171	80,910	75,969	74,570	75,566	76,896	73,078
SME	181,795	174,376	168,844	165,813	165,341	162,711	158,702	159,546	162,473	157,666
Corporate	59,954	56,762	53,472	56,773	58,756	56,880	54,696	53,924	50,634	47,893
Trust and Cost Plus	-	-	-	-	5,496	17,345	17,547	18,224	17,972	23,068
Total	332,124	317,080	306,486	304,757	310,503	312,905	305,515	307,260	307,975	301,705

VitalityHealth Lives

	June 2018	December 2017	June 2017	December 2016	June 2016	December 2015	June 2015	December 2014	June 2014	December 2013
Individual	156,488	148,309	145,379	142,044	139,519	131,188	128,543	130,945	131,113	127,805
SME	314,773	304,280	297,186	292,506	293,037	290,593	284,937	284,575	288,287	290,505
Corporate	105,083	100,242	94,662	101,104	103,897	100,216	97,516	95,241	91,173	85,718
Trust and Cost Plus	-	-	-	-	9,245	33,830	33,879	36,437	36,053	48,660
Total	576,344	552,831	537,227	535,654	545,698	555,827	544,875	550,910	552,914	552,688

VitalityLife Policies

	June 2018	December 2017	June 2017	December 2016	June 2016	December 2015	June 2015	December 2014	June 2014	December 2013
Policies	385,818	357,704	337,900	322,364	299,315	274,929	250,834	224,987	199,901	176,839

VitalityLife Lives

	June 2018	December 2017	June 2017	December 2016	June 2016	December 2015	June 2015	December 2014	June 2014	December 2013
Lives	506,823	467,750	438,862	415,169	385,978	351,473	317,855	285,308	248,523	215,310

Discovery Insure Policies

	June 2018	December 2017	June 2017	December 2016	June 2016	December 2015	June 2015	December 2014	June 2014	December 2013
Policies	144,072	137,412	121,785	111,605	100,034	91,945	79,847	70,622	54,067	39,409

NAV BY ENTITY

The NAV by legal entity (net of non-controlling interests)

R million	June 2018	December 2017	June 2017	December 2016	June 2016	December 2015	June 2015	December 2014	June 2014	December 2013
Holdings and other (including consolidation effects)	8,827	5,022	4,519	4,192	4,704	4,993	2,753	510	1,138	1,388
Health	901	2,416	1,917	1,612	1,486	2,025	2,153	982	821	753
Life	24,551	22,774	20,922	19,203	17,735	16,455	15,076	13,724	13,383	12,191
Vitality	215	719	841	858	53	46	22	(13)	(17)	(39)
TVG	663	584	573	485	514	498	346	398	327	174
VitalityHealth	4,817	5,348	5,025	4,275	5,248	6,397	4,246	3,705	3,629	3,450
VitalityLife	4,594	3,393	3,314	2,692	2,313	1,886	(30)	(194)	(398)	(483)
Insure	1,551	1,260	1,076	958	934	754	623	410	366	233
Connect	(320)	(267)	(219)	(163)	(112)					
Goodwill and intangibles from business combinations	2,247	2,416	2,496	2,511	2,972	3,589	3,060	2,955	3,058	2,976
Puttable non-controlling interest	-	-	-	-	-	-	-	-	(4,494)	(3,909)
Loan	(10,452)	(9,453)	(8,174)	(6,332)	(5,240)	(5,332)	(893)	(1,902)	(402)	(402)
Total	37,594	34,212	32,290	30,291	30,607	31,311	27,356	20,575	17,411	16,332

For December 2010, VitalityHealth, VitalityLife and goodwill and intangibles are shown net of minorities.

From June 2011, VitalityHealth, VitalityLife and goodwill and intangibles are shown at 100% with minorities included in the puttable non-controlling interest liability.

In November 2014, Discovery acquired the remaining 25% share of the VitalityHealth and VitalityLife joint venture.

VALUE OF NEW BUSINESS AT POINT OF SALE VS VALUATION DATE

June 2018

VNB at Point of Sale

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Acquisition Costs and Initial strain	(364)	(2,388)	(1,030)	(1,387)
Value of In Force	1,349	3,764	1,293	1,794
Cost of Capital	(29)	(74)	(44)	(58)
	956	1,302	219	349

New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Value of In Force	1,364	3,536	1,017	1,876
Cost of Capital	(29)	(74)	(29)	(109)
	1,335	3,462	988	1,767

December 2017

VNB at Point of Sale

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Acquisition Costs and Initial strain	(176)	(1,225)	(492)	(607)
Value of In Force	578	1,941	504	854
Cost of Capital	(14)	(37)	(23)	(28)
	388	679	(11)	219

New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Value of In Force	579	1,864	375	850
Cost of Capital	(14)	(37)	(14)	(24)
	565	1,827	361	826

June 2017

VNB at Point of Sale

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Acquisition Costs and Initial strain	(349)	(2,394)	(873)	(1,438)
Value of In Force	1,169	3,698	1,030	1,870
Cost of Capital	(31)	(73)	(46)	(126)
	789	1,231	111	306

New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Value of In Force	1,176	3,437	824	1,842
Cost of Capital	(30)	(73)	(30)	(185)
	1,146	3,364	794	1,657

December 2016

VNB at Point of Sale

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Acquisition Costs and Initial strain	(170)	(1,220)	(423)	(760)
Value of In Force	503	1,909	450	1,003
Cost of Capital	(15)	(37)	(17)	(67)
	318	652	10	176

New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Value of In Force	504	1,783	326	955
Cost of Capital	(14)	(37)	(14)	(135)
	490	1,746	312	820

June 2016

VNB at Point of Sale

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife ¹
Acquisition Costs and Initial strain	(347)	(2,316)	(918)	(2,450)
Value of In Force	1,191	3,579	1,027	3,043
Cost of Capital	(48)	(67)	(47)	(315)
	796	1,196	62	278

1) The acquisition cost and initial strain is now negative to reflect the zeroisation of the negative reserves on VitalityLife and the Discovery funded VitalityLife business on the Prudential license, which no longer offsets acquisition costs.

New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Value of In Force	1,205	3,276	757	2,807
Cost of Capital	(47)	(67)	(47)	(295)
	1,158	3,209	710	2,512

December 2015
VNB at Point of Sale

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife ¹
Acquisition Costs and Initial strain	(147)	(1,178)	(458)	36
Value of In Force	417	1,829	492	481
Cost of Capital	(11)	(30)	(15)	(30)
	259	621	19	487

1) The acquisition cost and initial strain is positive due to a negative reserve created in month 1 that more than offsets initial costs.

New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Value of In Force	419	1,756	403	525
Cost of Capital	(11)	(30)	(11)	(33)
	408	1,726	392	492

June 2015
VNB at Point of Sale

R million	Health and Vitality	Life and Invest	VitalityHealth ²	VitalityLife ^{1,2}
Acquisition Costs and Initial strain	(332)	(2,191)	(586)	329
Value of In Force	938	3,459	631	521
Cost of Capital	(22)	(56)	(20)	(57)
	584	1,212	25	793

1) The acquisition cost and initial strain is positive due to a negative reserve created in month 1 that more than offsets initial costs.

2) The VitalityHealth and VitalityLife figures in the table above have been prorated to allow for Discovery's ownership increasing from

New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	VitalityHealth *	VitalityLife *
Value of In Force	940	3,219	542	319
Cost of Capital	(22)	(56)	(22)	(56)
	918	3,163	520	263

* The VitalityHealth and VitalityLife figures in the table above represent Discovery's 100% ownership.

December 2014
VNB at Point of Sale - SVM

R million	Health and Vitality	Life and Invest	PruHealth	PruProtect*
Acquisition Costs and Initial strain	(132)	(1,137)	(178)	178
Value of In Force	401	1,817	200	133
Cost of Capital	(9)	(29)	(6)	(17)
	260	651	16	294

* The acquisition cost and initial strain is positive due to a negative reserve created in month 1 that more than offsets initial costs.

New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	PruHealth	PruProtect
Value of In Force	401	1,700	262	162
Cost of Capital	(8)	(29)	(7)	(20)
	393	1,671	255	142

June 2014
VNB at Point of Sale - SVM

R million	Health and Vitality	Life and Invest	PruHealth	PruProtect*
Acquisition Costs and Initial strain	(297)	(1,908)	(431)	290
Value of In Force	867	3,099	548	203
Cost of Capital	(19)	(52)	(20)	(32)
	551	1,139	97	461

* The acquisition cost and initial strain is positive due to a negative reserve created in month 1 that more than offsets initial costs.

New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	PruHealth	PruProtect
Value of In Force	866	2,891	461	257
Cost of Capital	(19)	(52)	(18)	(30)
	847	2,839	443	227

December 2013
VNB at Point of Sale - SVM

R million	Health and Vitality	Life and Invest	PruHealth	PruProtect*
Acquisition Costs and Initial strain	(109)	(983)	(202)	44
Value of In Force	353	1,539	272	230
Cost of Capital	(8)	(26)	(10)	(14)
	236	530	60	260

* The acquisition cost and initial strain is positive due to a negative reserve created in month 1 that more than offsets initial costs.

New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	PruHealth	PruProtect
Value of In Force	352	1,454	235	176
Cost of Capital	(8)	(26)	(10)	(15)
	344	1,428	225	161

EV BUILD-UP PER ENTITY

for the twelve months ended 30 June 2018

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife	Other	Total
Value of in-force business at 30 June 2017	18,243	24,322	5,652	4,345	-	52,562
Expected return (in-force business)	2,147	3,071	284	157	-	5,659
Release of profits (in-force business)	(2,147)	(1,796)	(626)	(881)	-	(5,450)
Value of new business	1,320	3,690	1,249	1,736	-	7,995
Expected return (new business)	79	154	26	37	-	296
Release of profits (new business)	(81)	(423)	(376)	(138)	-	(1,018)
Experience variances	(102)	161	(182)	(152)	-	(275)
Methodology changes	1,207	(2,038)	287	306	-	(238)
Other	-	16	407	337	-	760
Value of in-force business at 30 June 2018	20,666	27,157	6,721	5,747	-	60,291
Shareholders' funds per Balance Sheet	1,116	24,551	4,817	4,594	2,516	37,594
Adjustment to shareholders' funds	-	(21,479)	(2,229)	(4,861)	(3,692)	(32,261)
Embedded value at 30 June 2018	21,782	30,229	9,309	5,480	(1,176)	65,624

EV RECONCILIATION TO INCOME STATEMENT

for the twelve months ended 30 June 2018

R million	Embedded Value Earnings	Value of In-Force	Cost of required Capital	Impact on Income Statement	Adjustment to Shareholders Funds	Statement of Changes in Equity
Total profit from new business	2,826	7,182	(205)	(4,151)	-	-
- Health and Vitality	956	1,268	(29)	(283)	-	-
- Life	1,302	3,341	(74)	(1,965)	-	-
- VitalityHealth	219	917	(44)	(654)	-	-
- VitalityLife	349	1,656	(58)	(1,249)	-	-
Profit from existing business						
* Expected return	5,955	544	(39)	5,450	-	-
- Health and Vitality	2,226	71	8	2,147	-	-
<i>Expected transfer from VIF to net worth</i>	-	(2,147)	-	2,147	-	-
<i>Unwinding of the risk discount rate</i>	2,226	2,218	8	-	-	-
- Life	3,225	1,492	(63)	1,796	-	-
<i>Expected transfer from VIF to net worth</i>	-	(1,796)	-	1,796	-	-
<i>Unwinding of the risk discount rate</i>	3,225	3,288	(63)	-	-	-
- VitalityHealth	310	(376)	60	626	-	-
<i>Expected transfer from VIF to net worth</i>	-	(626)	-	626	-	-
<i>Unwinding of the risk discount rate</i>	310	250	60	-	-	-
- VitalityLife	194	(643)	(44)	881	-	-
<i>Expected transfer from VIF to net worth</i>	-	(849)	(32)	881	-	-
<i>Unwinding of the risk discount rate</i>	194	206	(12)	-	-	-
* Change in methodology and assumptions	787	(379)	141	1,025	-	-
- Health and Vitality	1,207	1,206	1	-	-	-
- Life	(998)	(2,017)	(21)	1,040	-	-
- VitalityHealth	269	305	(18)	(18)	-	-
- VitalityLife	309	127	179	3	-	-
* Experience variances	305	(230)	(45)	580	-	-
- Health and Vitality	214	(94)	(8)	316	-	-
- Life	(290)	132	29	(451)	-	-
- VitalityHealth	486	(175)	(7)	668	-	-
- VitalityLife	(105)	(93)	(59)	47	-	-
Increase in goodwill and intangibles	(246)	-	-	-	(246)	-
Other initiatives	(285)	23	-	(308)	-	-
Non-recurring expenses	(30)	-	-	(30)	-	-
Acquisition costs	(122)	2	-	(124)	-	-
Finance costs	(714)	-	-	(714)	-	-
Other	(15)	(10)	1	-	(11)	5
Foreign Exchange Rate Movements	1,016	814	(70)	(400)	(219)	891
Intangibles	(197)	-	-	-	(197)	-
DAC	(22)	-	-	-	(22)	-
Other	1,235	814	(70)	(400)	-	891
Return on shareholders' funds	262	-	-	234	-	28
Unrealised gain on investments and realised gain on investments transferred to income statement	47	-	-	19	-	28
Health and Vitality investment income	69	-	-	69	-	-
Life investment income	118	-	-	118	-	-
VitalityHealth investment income	11	-	-	11	-	-
VitalityLife investment income	17	-	-	17	-	-
Amortisation of Intangibles	(54)	-	-	(489)	435	-
Amortisation of intangibles from business combinations	(54)	-	-	(109)	55	-
Amortisation of systems intangibles	-	-	-	(380)	380	-
VitalityHealth and VitalityLife DAC and unemployment reserve	-	-	-	73	(73)	-
Reversal of 1 Discovery Place IAS 17 financial lease accounting	-	-	-	(208)	208	-
Life assets under insurance contracts	-	-	-	3,125	(3,125)	-
Vitality Life Limited and Discovery funded VitalityLife business on the Prudential license net assets under insurance contracts	-	-	-	1,214	(1,214)	-
VitalityHealth FinRe	-	-	-	458	(458)	-
Embedded value earnings	9,685	7,946	(217)	5,735	(4,703)	924
Adjustment to Shareholders' Funds:						
Change in:						
DAC	(79)					
Intangibles	(35)					
Life negative reserve	(3,125)					
VitalityLife negative reserve	(1,214)					
VitalityLife FinRe liability	(458)					
1 DP IAS 17 financial lease accounting	208					

COMPONENTS OF ASSETS UNDER INSURANCE CONTRACTS AND ADJUSTMENT TO SHAREHOLDERS' FUNDS ON PUBLISHED BASIS



R million	June 2018	December 2017	June 2017	December 2016	June 2016
1. Assets under insurance contracts					
Discovery Life long term reserves in respect of policies with positive liabilities:	4,636	3,983	3,642	3,231	2,816
Discovery Life long term reserves in respect of policies with negative liabilities:	(31,713)	(29,448)	(27,650)	(25,629)	(23,720)
Unit reserves	-	-	-	-	-
VitalityLife net long term reserve	(9,124)	(8,238)	(8,530)	(8,420)	(9,685)
Total Assets under insurance contracts:	(36,201)	(33,703)	(32,538)	(30,818)	(30,589)
2. Negative liabilities not included under assets under insurance contracts					
Negative reserve in respect of Invest business	(4,059)	(3,709)	(3,428)	(3,170)	(2,911)
DAC and DRL in respect of Invest business	(503)	(480)	(464)	(438)	(419)
	(4,562)	(4,189)	(3,892)	(3,608)	(3,330)
3. Components to be zeroised on the statutory balance sheet					
Discovery Life long term reserves in respect of policies with negative liabilities:	(31,713)	(29,448)	(27,650)	(25,629)	(23,720)
Negative reserve in respect of Invest business	(4,059)	(3,709)	(3,428)	(3,170)	(2,911)
DAC and DRL in respect of Invest business	(503)	(480)	(464)	(438)	(419)
Adjust for reduction on Deferred Tax Liability as a result of reduction in earnings	7,154	6,768	6,349	5,953	5,414
Liabilities off set against Negative reserve before zeroisation	7,642	7,015	6,839	6,026	5,868
	(21,479)	(19,854)	(18,354)	(17,258)	(15,768)
4. Other adjustments to published Shareholders' funds					
Vitality Life Limited and Discovery funded VitalityLife business on the Prudential licence net assets under insurance contracts	(4,834)	(3,891)	(3,620)	(3,176)	(3,090)
VitalityHealth FinRe Asset	(1,898)	(1,568)	(1,440)	(1,279)	
VitalityHealth and VitalityHealth Insurance Limited deferred acquisition costs (net of deferred tax)	(331)	(254)	(252)	(233)	(290)
VitalityLife receivable relating to the Unemployment Cover benefit (net of deferred tax)	(27)	(26)	(27)	(32)	(41)
Goodwill and intangible assets (net of deferred tax) relating to the acquisition of Standard Life Healthcare and the Prudential joint venture	(3,121)	(2,899)	(3,086)	(3,058)	(3,615)
Net preference share capital	(779)	(779)	(779)	(779)	(779)
Reversal of 1 Discovery Place IAS 17 financial lease accounting	208	75	-		
Adjustment to Shareholders' funds from published basis	(32,261)	(29,196)	(27,558)	(25,815)	(23,583)

RECON OF ASSETS UNDER INSURANCE CONTRACTS

R million	FY June 2018	HY December 2017	FY June 2017	HY December 2016	FY June 2016
Balance at the beginning of the year	32,538	32,538	30,589	30,589	26,076
Movement for the year:					
Expected Movement in Policyholder Liabilities	(3,280)	(1,650)	(2,917)	(1,580)	(2,863)
Unwinding of Discount Rate	2,425	1,187	2,091	1,044	1,765
New Business Written	3,984	1,986	3,843	2,145	4,416
Experience Variances	(546)	(466)	(588)	(508)	(636)
Economic (CPI)	(255)	(36)	91	33	(5)
Operational	(291)	(430)	(678)	(542)	(631)
Modeling and method changes	(155)	(155)	14	175	68
Benefit Enhancements	(31)	(44)	-	-	(16)
Changes in assumptions	(6)	403	137	262	(487)
Economic	2,750	68	(138)	(36)	(1,389)
Operational	(2,756)	335	275	298	902
Changes in margins	704	88	717	99	2,125
Margins related to Premium and Benefit Increase assumptions	-	-	-	-	75
Other margin changes	704	88	717	99	2,050
Exchange rate difference	568	(184)	(1,347)	(1,408)	139
Balance at the end of the year	36,201	33,703	32,538	30,818	30,589

In line with accounting policy, the best estimate and margins are reset at every valuation date to reflect the underlying profitability of the overall portfolio.

Assets under insurance contracts	43,624	39,686	37,690	34,897	33,814
Recovery from reinsurers	(7,423)	(5,984)	(5,152)	(4,079)	(3,226)
	36,201	33,703	32,538	30,818	30,589

BREAKDOWN BETWEEN DISCOVERY LIFE AND VITALITYLIFE

R million	FY June 2018		
	Discovery Life	VitalityLife	Total
Balance at the beginning of the year	24,008	8,530	32,538
Movement for the year:			
Expected Movement in Policyholder Liabilities	(1,582)	(1,698)	(3,280)
Unwinding of Discount Rate	2,217	208	2,425
New Business Written	2,434	1,550	3,984
Experience Variances	(378)	(168)	(546)
Economic (CPI)	(255)	-	(255)
Operational	(123)	(168)	(291)
Modeling and method changes	(39)	(116)	(155)
Benefit Enhancements	(31)	-	(31)
Changes in assumptions	(256)	250	(6)
Economic	2,214	536	2,750
Operational	(2,470)	(286)	(2,756)
Changes in margins	704	-	704
Margins related to Premium and Benefit Increase assumptions	-	-	-
Other margin changes	704	-	704
Exchange rate difference	-	568	568
Balance at the end of the year	27,077	9,124	36,201

BREAKDOWN OF INVEST FUNDS UNDER MANAGEMENT

R million	Total
December 2012	26,615
June 2013	30,153
December 2013	36,026
June 2014	41,822
December 2014	45,619
June 2015	50,473
December 2015	56,195
June 2016	60,953
December 2016	63,985
June 2017	69,547
December 2017	77,844
June 2018	81,789

SEGMENTAL INFORMATION

for the year ended 30 June 2018

R million									IFRS reporting adjustments			IFRS total
	SA Health	SA Life	SA Invest	SA Vitality	UK Health	UK Life	All other segments	Segment total	UK Life ²	DUT ³	Normalised profit adjustments ⁴	
Income statement												
Insurance premium revenue	30	11,103	12,056	-	7,471	4,031	2,665	37,356	(671)	-	-	36,685
Reinsurance premiums	(2)	(2,141)	-	-	(1,165)	(1,559)	(160)	(5,027)	671	-	-	(4,356)
Net insurance premium revenue	28	8,962	12,056	-	6,306	2,472	2,505	32,329	-	-	-	32,329
Fee income from administration business	6,911	31	1,875	-	30	-	401	9,248	-	-	4	9,252
Vitality income	-	-	-	2,323	444	91	1,633	4,491	-	-	-	4,491
Investment income on assets backing policyholder liabilities	-	472	44	-	11	18	141	686	-	-	-	686
Finance charge on negative reserve funding	-	-	-	-	-	(160)	-	(160)	160	-	-	-
Inter-segment funding ¹	-	(708)	708	-	-	-	-	-	-	-	-	-
Net fair value gains on financial assets at fair value through profit or loss	2	589	3,741	-	(1)	92	18	4,441	-	1,312	70	5,823
Net income	6,941	9,346	18,424	2,323	6,790	2,513	4,698	51,035	160	1,312	74	52,581
Claims and policyholders' benefits	(2)	(6,943)	(7,375)	-	(4,029)	(997)	(1,590)	(20,936)	447	(225)	-	(20,714)
Insurance claims recovered from reinsurers	1	1,534	-	-	938	584	125	3,182	(447)	-	-	2,735
Net claims and policyholders' benefits	(1)	(5,409)	(7,375)	-	(3,091)	(413)	(1,465)	(17,754)	-	(225)	-	(17,979)
Acquisition costs	(3)	(1,606)	(1,046)	(76)	(536)	(1,887)	(280)	(5,434)	(160)	-	-	(5,594)
Marketing and administration expenses												
- depreciation and amortisation	(305)	(8)	-	(3)	(238)	(18)	(242)	(814)	-	-	(126)	(940)
- impairment of intangible assets	(7)	-	-	-	(193)	-	-	(200)	-	-	-	(200)
- other expenses	(3,855)	(1,639)	(808)	(2,186)	(2,849)	(1,620)	(3,163)	(16,120)	(27)	-	68	(16,079)
Recovery of expenses from reinsurers	-	-	-	-	625	1,917	-	2,542	-	-	-	2,542
Transfer from assets/ liabilities under insurance contracts												
- change in assets arising from insurance contracts	-	3,405	-	-	-	2,855	-	6,260	(1,119)	-	-	5,141
- change in assets arising from reinsurance contracts	-	25	-	-	5	6	(1)	35	1	-	-	36
- change in liabilities arising from insurance contracts	(1)	(35)	(8,031)	-	76	(10)	(49)	(8,050)	(1)	(21)	(16)	(8,088)
- change in liabilities arising from reinsurance contracts	-	(239)	-	-	-	(2,828)	-	(3,067)	1,119	-	-	(1,948)
Fair value adjustment to liabilities under investment contracts	-	(3)	(279)	-	-	-	-	(282)	-	(1,066)	40	(1,308)
Share of profits from equity-accounted investments	8	-	-	-	-	-	107	115	-	-	-	115
Normalised profit/(loss) from operations	2,777	3,837	885	58	589	515	(395)	8,266	(27)	-	40	8,279
Investment income earned on shareholder investments and cash	66	39	26	30	1	6	41	209	-	-	-	209
Net fair value gains on financial assets at fair value through profit or loss	-	-	-	-	-	-	110	110	-	-	(110)	-
Net realised gains on available-for-sale financial assets	-	6	1	-	-	-	3	10	-	-	-	10
Initial expenses related to Prudential Book transfer	-	-	-	-	-	(2)	-	(2)	-	-	2	-
Amortisation of intangibles from business combinations	-	-	-	-	-	-	(123)	(123)	-	-	-	(123)
Market rentals related to Head Office building adjusted for finance costs and depreciation	-	-	-	-	-	-	(208)	(208)	-	-	208	-
Finance costs	(41)	(9)	-	-	(1)	(2)	(713)	(766)	-	-	(193)	(959)
Foreign exchange losses	(3)	-	(9)	-	-	(3)	11	(4)	-	-	-	(4)
Profit before tax	2,799	3,873	903	88	589	514	(1,274)	7,492	(27)	-	(53)	7,412
Income tax expense	(718)	(929)	(253)	(25)	(13)	(85)	303	(1,720)	27	-	16	(1,677)
Profit for the period	2,081	2,944	650	63	576	429	(971)	5,772	-	-	(37)	5,735

¹ The inter-segment funding of R708 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.

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:

² 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.

³ The Discovery Unit Trusts (DUT) are consolidated into Discovery's results for IFRS purposes. In the Segment information the DUT column includes the effects of consolidating the unit trusts into Discovery's results, effectively being the income and expenses relating to units held by third parties.

⁴ The effects of eliminating intercompany transactions on consolidation and normalised operating profit adjustments.

SEGMENTAL INFORMATION - DISCOVERY INSURE

for the twelve months ended 30 June 2018

R million	June 2018	June 2017
Income statement		
Insurance premium revenue	2,664	2,076
Reinsurance premiums	(160)	(203)
Net insurance premium revenue	2,504	1,873
Fee income from administration business	30	22
Investment income on assets backing policyholder liabilities	127	106
Net fair value losses on financial assets at fair value through profit or loss	(3)	-
Net income	2,658	2,001
Claims and policyholders' benefits	(1,590)	(1,426)
Insurance claims recovered from reinsurers	125	265
Net claims and policyholders' benefits	(1,465)	(1,161)
Acquisition costs	(346)	(245)
Marketing and administration expenses		
- depreciation and amortisation	(61)	(51)
- other expenses	(680)	(553)
Transfer from assets/liabilities under insurance contracts		
- change in assets arising from reinsurance contracts	(2)	-
- change in liabilities arising from insurance contracts	(49)	(34)
Share of net profits from equity accounted investments	13	22
Normalised profit/(loss) from operations	68	(21)
Finance costs	(2)	(1)
Profit/(loss) before tax	66	(22)
Income tax expense	235	-
Profit/(loss) for the year	301	(22)

VIF, APE AND VNB SPLIT BETWEEN LIFE AND INVEST

R million	June 2018	December 2017	June 2017	December 2016	June 2016*	December 2015*
VIF						
Life	19,810	19,484	18,065	17,313	16,096	17,067
Invest	7,348	7,032	6,258	5,794	5,592	5,468
APE**						
Life	933	488	985	462	862	446
Invest	1,840	894	1,856	974	1,935	920
VNB						
Life	911	496	885	434	756	406
Invest	391	183	346	218	439	215

*Discovery Retirement Optimiser (DRO) product moved from Life to Invest in line with disclosures for December 2016 and later periods.

**APE is the Annual Premium Income (or Annual Premium Equivalent in the case of Single Premium Investment business) in relation to New Business only, and excludes any addition to Existing Business premiums arising from servicing increases and ACLs.

RECONCILIATION TO THE REQUIRED CAPITAL

for the twelve months ended 30 June 2018

R millions	Life and Invest	Health and Vitality	VitalityLife	VitalityHealth	Total
Opening - 30 June 2017	1,409	797	2,951	1,984	7,141
- Methodology changes	-	-	-	(72)	(72)
- Expected release on in-force at start of period	204	11	(201)	(254)	(240)
- Impact of new business written	152	67	1,345	292	1,856
- Other changes	(33)	(35)	(130)	50	(148)
- Exchange rate movements	-	-	245	133	378
Change in Required Capital	323	43	1,259	149	1,774
Closing - 30 June 2018	1,732	840	4,210	2,133	8,915

IMPACT OF FINANCE LEASE ACCOUNTING

on normalised headline earnings for the year ended 30 June 2018

R million	June 2018	June 2017	% change
Reported normalised headling earnings	5,401	4,656	16
Finance lease accounting impact	208	-	
Finance costs	210	-	
Market related rental	(128)	-	
Depreciation	126	-	
Normalised headline earnings adjusted for finance lease accounting impact	5,609	4,656	20%

Group Shareholder Free Cash Movement

R millions	FY2018	FY2017	Source
Cash Generated from In-Force Before Financing	10,612	7,623	New disclosure
Tax Paid	(1,228)	(745)	Cashflow Statement
Finance Cost Paid	(759)	(437)	Cashflow Statement
Dividends Paid	(1,367)	(1,235)	Cashflow Statement
New Business	(7,822)	(7,071)	New disclosure
New Initiatives	(1,996)	(1,471)	New disclosure
Transactions with Reinsurers	1,107	420	New disclosure
Transactions with Borrowers (Excl. Finance Costs)	1,976	3,148	Cashflow Statement
Movement in Shareholder Free Cash	522	231	

Group Shareholder Free Cash Movement - Reconciliation to Profit for the Period

R millions	FY2018	FY2017	Source
Profit for the period	5,735	4,495	Segmental Income Statement
Reverse non-cash profit items:			
Share of net profits from equity accounted investments	(115)	(26)	Segmental Income Statement
Depreciation and amortisation	940	699	Segmental Income Statement
Impairment of intangible assets	200	-	Segmental Income Statement
Deferred acquisition costs (Excl. Invest DAC and exchange rate movements)	(61)	(2)	Notes to Annual Financial Statements
Deferred Revenue (Excl. exchange rate movements)	32	-	Notes to Annual Financial Statements
Amortisation of intangibles from business combinations	123	171	Segmental Income Statement
Non cash impact of Vitality Health Financial Reinsurance	(352)	(383)	New disclosure
Vitality Health Financial Reinsurance Recapture	-	(858)	Segmental Income Statement
UK Life IFRS reporting adjustments - Tax Accrued	(27)	(103)	Segmental Income Statement
Other non-cash adjustments to profit	42	(145)	New disclosure
Adjustments from IFRS to EV ANW:			
Increase in Negative Reserves and Invest DAC (Net of tax)	(4,339)	(3,116)	Embedded Value Statement
Add back deferred tax on Increase in Negative Reserve	(805)	(935)	Additional Analyst Pack
Exchange rate movements on Vitality Life Negative Reserves	286	(653)	New disclosure
Other adjustments to arrive at EV ANW	113	47	New disclosure
Incurred to Cash basis:			
- Rent Paid	(128)	-	New disclosure
- Finance Costs Paid	(759)	(437)	Cashflow Statement
- Finance Costs Accrued	959	478	Segmental Income Statement
- Taxation paid	(1,228)	(745)	Cashflow Statement
- Taxation Accrued	1,720	1,943	Segmental Income Statement
Investing Activities:			
Purchase of property and equipment	(470)	(239)	Cashflow Statement
Proceeds from disposal of property and equipment	7	5	Cashflow Statement
Purchase of intangible assets	(1,940)	(1,353)	Cashflow Statement
Proceeds from disposal of intangible assets	-	7	Cashflow Statement
Increase in investment in associate	(20)	(530)	Cashflow Statement
Financing Activities:			
Increase in borrowings	2,654	3,514	Cashflow Statement
Repayment of borrowings	(678)	(366)	Cashflow Statement
Dividends paid to ordinary shareholders	(1,284)	(1,152)	Cashflow Statement
Dividends paid to preference shareholders	(83)	(83)	Cashflow Statement
Movement in Shareholder Free Cash	522	231	

Notes

(1) "Movement in Shareholder Free Cash" is an estimate of shareholder free cashflow. Life and Invest and VitalityLife are included based on the change in the Adjusted Net Worth in the Embedded Value. Changes in working capital are not allowed for in the estimate.