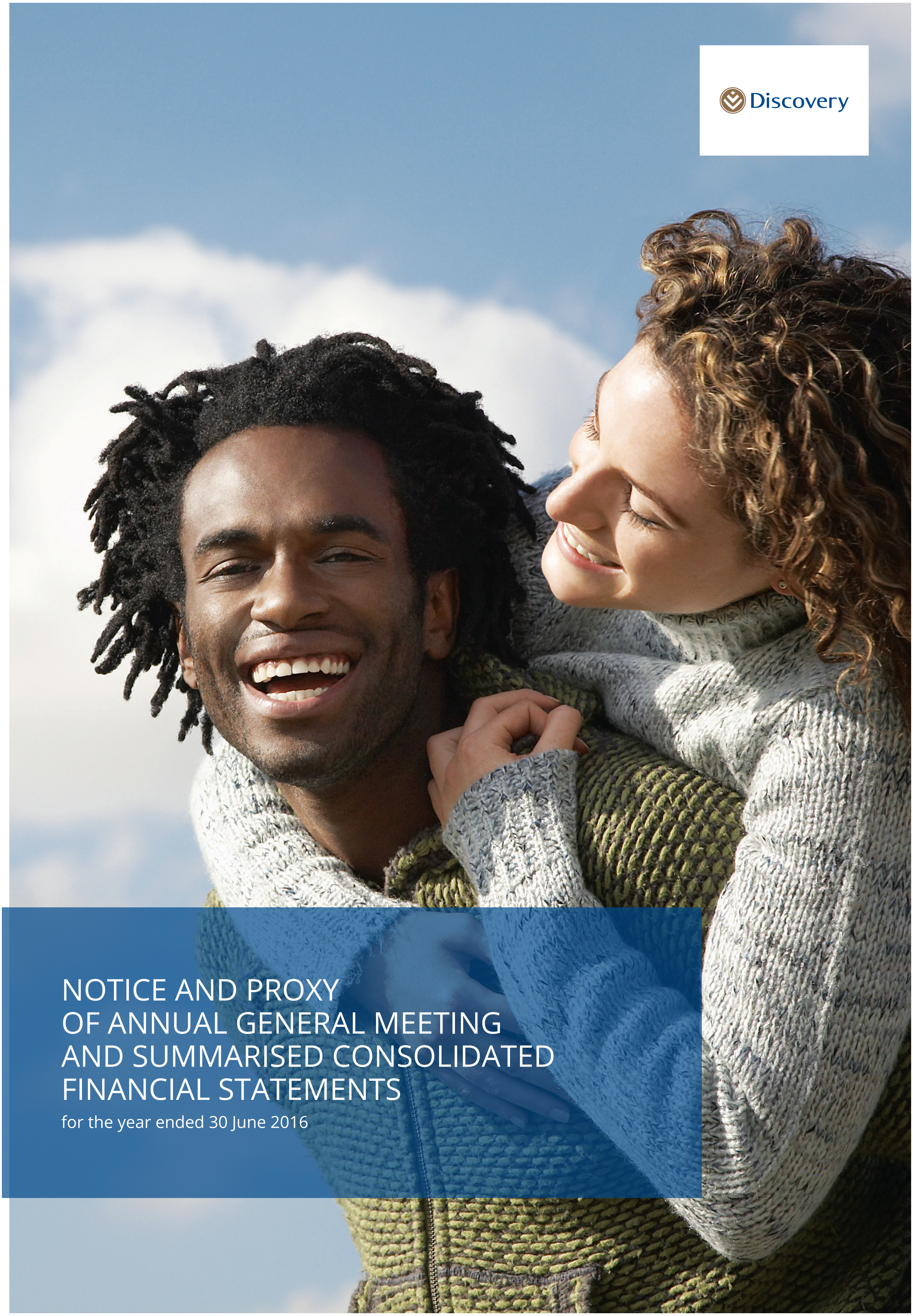


Discovery

NOTICE AND PROXY OF ANNUAL GENERAL MEETING AND SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2016

CONTENTS

5 September 2016

Dear Shareholder

The detailed Notice of the Annual General Meeting and supporting documentation are attached hereto. The Notice is accompanied by explanatory notes setting out the reasons and the effects of all the proposed ordinary and special resolutions in the Notice.

The Integrated Annual Report and Annual Financial Statements will be available on the Company's website at www.discovery.co.za from the 31 October 2016. Should you require a full printed version of the Integrated Report and Annual Financial Statements, please contact me on 011 529 5199 and a copy will be sent to you.

If you are unable to attend the Annual General Meeting, you are able to vote by proxy in accordance with the instructions in the Notice of Annual General Meeting and the form of proxy.

Yours sincerely

MJ Botha
Company Secretary

155 West Street, Sandton; PO Box 786722, Sandton 2146, Tel (011) 529 2888 (Switchboard); Fax (011) 539 5503; www.discovery.co.za

Discovery Ltd. registration number: 1999/007789/06
Companies in the group are authorised financial services providers

NOTICE OF THE ANNUAL GENERAL MEETING

for the year ended 30 June 2016

Discovery Limited

(Registration number: 1999/007789/06)
ISIN: ZAE000022331
Share code: DSY
("the Company")

Notice is hereby given in terms of section 62(1) of the Companies Act No. 71 of 2008 as amended ("Companies Act") that the seventeenth Annual General Meeting ("AGM") of the Company will be held in the Auditorium, Ground Floor, 155 West Street, on Tuesday, 29 November 2016 at 14h00 to – (i) consider and, if deemed fit to pass, with or without modification, the resolutions set out below; and (ii) deal with such other business as may be dealt with at the AGM.

The Board of Directors of the Company ("Board") has determined, in accordance with section 59(1)(a) and (b) of the Companies Act, that the record date for the purpose of determining which shareholders of the Company are entitled to receive notice of the AGM is Friday, 21 October 2016 and only shareholders of the Company who are registered in the securities register of the Company on Friday, 18 November 2016 will be entitled to participate in and vote at the AGM. Therefore, the last day to trade in the Company's shares in order to be recorded on the securities register of the Company in order to be able to attend, participate in and vote at the AGM is Tuesday, 15 November 2016.

In terms of clause 13.13 of the Company's Memorandum of Incorporation ("MOI"), holders of B Preference Shares (as that term is defined in the MOI) shall be entitled to receive notice of, and to be present either in person or by proxy, at the AGM, but they shall not be entitled to vote thereat. In terms of clause 12.7 and clause 14.5 of the MOI, the holders of the A Preference Shares and the C Preference Shares (as those terms are defined in the MOI) respectively shall neither be entitled to attend the AGM nor be entitled to vote, in person or by proxy, at any such meeting.

The Integrated Annual Report and the audited Annual Financial Statements for the year ended 30 June 2016, can be accessed on the Company website: www.discovery.co.za from 31 October 2016.

Electronic participation in the AGM

Please note that the Company intends to make provision for shareholders of the Company, or their proxies, to participate in the AGM by way of electronic communication as provided for in terms of the MOI and section 63(2) of the Companies Act. In this regard, shareholders or their proxies may participate in the AGM by way of a teleconference call and, if they wish to do so:

- Must contact the Company Secretary (by email at the address thysb@discovery.co.za) no later than 12h00 on Friday, 25 November 2016 in order to obtain dial-in details for that conference call; and
- Will be required to provide reasonably satisfactory identification. Forms of identification include a green bar-coded identification document or identification card issued by the South African Department of Home Affairs, a driver's licence or a valid passport.

Please note that the costs of the electronic communication described above will be for the account of the Company.

Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own-name" registration are entitled to attend and vote at the AGM. Any such shareholder is entitled to appoint one or more proxy or proxies to attend, participate in and speak and vote at the AGM in his/her/its stead. A proxy does not have to be a shareholder of the Company.

Kindly note that, meeting participants (including proxies) are required in terms of section 63(1) of the Companies Act to provide reasonably satisfactory identification before being entitled to attend or participate in the AGM. Forms of identification include a green bar-coded identification document or identification card issued by the South African Department of Home Affairs, a driver's licence or a valid passport.

This notice of the AGM includes the attached proxy form and the shareholder's attention is directed to the additional notes and instructions on the back of the form of proxy.

Ordinary resolutions

1. Ordinary Resolution Number 1

Consideration of Annual Financial Statements

Resolved that the audited Annual Financial Statements, including the Directors' Report, Auditor's Report and the Report by the Audit Committee of the Company and all of its subsidiaries ("Group") for the year ended 30 June 2016 are accepted.

Additional information in respect of Ordinary Resolution Number 1

The complete audited Annual Financial Statements, including the Directors' Report, Auditor's Report and the Report by the Audit Committee, of the Company and the Group for the year ended 30 June 2016, are available on the Company website, www.discovery.co.za.

2. Ordinary Resolution Number 2

Re-appointment of External Auditor

Resolved that PricewaterhouseCoopers Inc. is re-appointed, as the independent external auditor of the Company, as nominated by the Company's Audit Committee, until the conclusion of the next AGM. It is noted that Mr Jorge Goncalves is the individual registered auditor who will undertake the audit for the financial year ending 30 June 2017.

Additional information in respect of Ordinary Resolution Number 2

In accordance with section 90 of the Companies Act, PricewaterhouseCoopers Inc. is proposed to be re-appointed as the external auditors of the Company, as nominated by the Company's Audit Committee, until the conclusion of the Company's next AGM.

3. Ordinary Resolution Number 3 (comprising Ordinary Resolutions Number 3.1 to 3.3 (inclusive))

Election of independent Audit Committee

Resolved that by way of separate ordinary resolutions each of:

3.1 Mr Les Owen, who is an independent non-executive director of the Company, be and is hereby elected as a member and the chairperson of the Company's Audit Committee for the financial year ending 30 June 2017.

3.2 Ms Sindi Zilwa, who is an independent non-executive director of the Company, be and is hereby elected as a member of the Company's Audit Committee for the financial year ending 30 June 2017.

3.3 Ms Sonja De Bruyn Sebotsa, who is an independent non-executive director of the Company, be and is hereby elected as a member of the Company's Audit Committee for the financial year ending 30 June 2017.

Additional information in respect of Ordinary Resolution Number 3.1 to 3.3

In terms of section 94(2) of the Companies Act, the Audit Committee is a committee elected by shareholders at each AGM. A brief CV of each of the independent non-executive directors mentioned above appear on pages 47 and 48. In terms of the Regulations promulgated under and in terms of the Companies Act ("Companies Act Regulations"), at least one-third of the members of the Company's Audit Committee must have academic qualifications, or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management. The Board is satisfied that the Company's Audit Committee members are suitably skilled, experienced as contemplated in Regulation 42 of the Companies Act Regulations and collectively they have the sufficient qualifications and experience to fulfil their duties as contemplated in section 94(7) of the Companies Act.

4. Ordinary Resolution Number 4

Re-election of Directors

Ordinary Resolution Number 4 (comprising Ordinary Resolutions Number 4.1 to 4.4 (inclusive))

Dr Vincent Maphai, Mr Tito Mboweni, Mr Les Owen and Ms Sonja De Bruyn Sebotsa all retire in accordance with clause 41.3 of the MOI and, being eligible, offer themselves for re-election.

Shareholders are requested to consider and, if deemed fit, to re-elect Dr Vincent Maphai, Mr Tito Mboweni, Mr Les Owen and Ms Sonja De Bruyn Sebotsa as directors appointed to the Board by way of separate resolutions:

By way of a separate ordinary resolution, it is:

4.1 Resolved that Dr Vincent Maphai who retires in terms of clause 41.3 of the MOI and who, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the Company.

4.2 Resolved that Mr Tito Mboweni who retires in terms of clause 41.3 of the MOI and who, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the Company.

4.3 Resolved that Mr Les Owen who retires in terms of clause 41.3 of the MOI and who, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the Company.

4.4 Resolved that Ms Sonja De Bruyn Sebotsa who retires in terms of clause 41.3 of the MOI and who, being eligible, offers herself for re-election, be and is hereby re-elected as a director of the Company.

Additional information in respect of Ordinary Resolutions Number 4.1 to 4.4

Clause 41.3 provides that one third of the Company's directors shall retire at every AGM. Therefore, the reason for the proposed Ordinary Resolutions Number 4.1 to 4.4 (inclusive) is to elect, in accordance with the MOI and by way of a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, as required by section 68(1) of the Companies Act, Dr Vincent Maphai, Mr Tito Mboweni, Mr Les Owen, and Ms Sonja De Bruyn Sebotsa as directors of the Company. The effect of Ordinary Resolutions 4.1 to 4.4 (inclusive) is that Dr Vincent Maphai, Mr Tito Mboweni, Mr Les Owen, and Ms Sonja De Bruyn Sebotsa will be elected as directors of the Company. A brief CV of each of the directors mentioned above appears on pages 47 and 48.

5. Ordinary Resolution Number 5

Approval of Group remuneration policy

Resolved that the Group remuneration policy, as described on pages 50 to 62, is hereby approved by way of a non-binding advisory vote, as recommended in the King Code of Governance for South Africa 2009, commonly referred to as King III.

Additional information in respect of Ordinary Resolution Number 5

In terms of King III recommendations, every year, the Company's remuneration policy should be tabled for a non-binding advisory vote at the AGM. The non-binding advisory vote is to enable shareholders to express their views on the remuneration policies adopted in the remuneration of executive directors and on their implementation. Accordingly, the shareholders are requested to endorse the Company's remuneration policy as recommended by King III.

6. Ordinary Resolution Number 6

Authority to implement special and ordinary resolutions

Resolved that any director of the Company or the Company Secretary of the Company be and is hereby authorised to do all such things, sign all such documents and take all such actions as may be necessary for or incidental to the implementation of the ordinary and special resolutions to be proposed at the AGM.

Additional information in respect of Ordinary Resolution Number 6

The reason for Ordinary Resolution Number 6 is to authorise any director or the Company Secretary of the Company to attend to the necessary to implement the special and ordinary resolutions passed at the AGM and to sign all documentation required to record the special and ordinary resolutions. The effect of Ordinary Resolution Number 6 is that any director or the Company Secretary of the Company will be authorised to attend to the implementation of the special and ordinary resolutions on behalf of the Company.

7. Ordinary Resolution Number 7

General Authority to issue preference shares

In terms of clauses 15.2.2 and 15.2.3 of the MOI, the Board requires the approval of the ordinary shareholders of the Company to issue and allot and grant options over the unissued redeemable no par value preference shares (i.e. A Preference Shares (as defined in the MOI)); the non-cumulative, non-participating, non-convertible, voluntary redeemable no par value preference shares (i.e. B Preference Shares (as defined in the MOI)) and the perpetual no par value preference shares (i.e. C Preference shares (as defined in the MOI)) in the share capital of the Company. As such, it is proposed that shareholders provide the requisite general authority to the Board to issue up to 10 000 000 A Preference Shares and 12 000 000 B Preference Shares and 20 000 000 C Preference Shares by passing the following Ordinary Resolution numbers 7.1 to Ordinary Resolution number 7.3:

7.1 General authority to directors to allot and issue A Preference Shares

"Resolved that, as required by and subject to the MOI and the provisions of the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, the Board is authorised, as they in their discretion deem fit, to allot, issue and grant options over and to undertake to allot, issue and grant options over 10 000 000 A Preference Shares from the authorised but unissued A Preference Shares in the share capital of the Company, such authority shall be valid until the Company's next AGM or for 15 months from the date of this Ordinary Resolution number 7.1, whichever period is shorter."

Additional information in respect of Ordinary Resolution Number 7.1

The reason for Ordinary Resolution number 7.1 is that in terms of clauses 15.2.2 and 15.2.3 of the MOI, the ordinary shareholders of the Company may authorise the Board to, *inter alia*, issue the unissued A Preference Shares and/or grant options over them, as the Board in their discretion deem fit. The authority will be subject to the Companies Act and the JSE Listings Requirements respectively. The effect of Ordinary Resolution number 7.1 is to ensure that the Board has the necessary flexibility to allot and issue (or grant options over) up to 10 000 000 A Preference Shares as they deem fit.

7.2 General authority to directors to allot and issue B Preference Shares

"Resolved that, as required by and subject to the MOI and the provisions of the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, the Board is authorised, as they in their discretion deem fit, to allot, issue and grant options over and to undertake to allot, issue and grant options over 12 000 000 B Preference Shares from the authorised but unissued B Preference Shares in the share capital of the Company, such authority shall endure until the Company's next AGM or for 15 months from the date of this Ordinary Resolution number 7.2, whichever period is shorter."

Additional information in respect of Ordinary Resolution Number 7.2

The reason for Ordinary Resolutions number 7.2 is that in terms of clauses 15.2.2 and 15.2.3 of the MOI, the ordinary shareholders of the Company may authorise the Board to, *inter alia*, issue any unissued B Preference Shares and/or grant options over them, as the Board in their discretion deem fit. The authority will be subject to the Companies Act and the JSE Listings Requirements respectively. The effect of Ordinary Resolution number 7.2 is to ensure that the Board has the necessary flexibility to allot and issue (or grant options over) up to 12 000 000 B Preference Shares as they deem fit.

7.3 **General authority to directors to allot and issue C Preference Shares**

"Resolved that, as required by and subject to the MOI and the provisions of the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, the Board is authorised, as they in their discretion deem fit, to allot, issue and grant options over and to undertake to allot, issue and grant options over 20 000 000 C Preference Shares from the authorised but unissued C Preference Shares in the share capital of the Company, such authority shall endure until the Company's next AGM or for 15 months from the date of this Ordinary Resolution number 7.3, whichever period is shorter."

Additional information in respect of Ordinary Resolution Number 7.3

The reason for Ordinary Resolutions number 7.3 is that in terms of clauses 15.2.2 and 15.2.3 of the MOI, the ordinary shareholders of the Company may authorise the Board to, *inter alia*, issue any unissued C Preference Shares and/or grant options over them, as the Board in their discretion deem fit. The authority will be subject to the Companies Act and the JSE Listings Requirements respectively. The effect of Ordinary Resolution number 7.3 is to ensure that the Board has the necessary flexibility to allot and issue (or grant options over) up to 20 000 000 C Preference Shares as they deem fit.

Special resolutions

1. Special Resolution Number 1

Approval of non-executive directors' remuneration – 2016/2017

Resolved that payment of the following fees be approved as the basis for calculating the remuneration of the non-executive directors for their services as directors of the Company for the financial year ending 30 June 2017:

	2015/2016	Proposed 2016/2017
Retainer for the Chairperson of the Board	R3 600 000	**R3 834 000**
SA-based board retainer	R161 700	**R172 210**
SA-based board attendance fee	R27 000 per meeting	**R28 755 per meeting**
SA-based committee Chairperson retainer	R199 500	**R212 470**
SA-based committee member's retainer	R115 500	**R123 000**
SA-based committee Chairperson attendance fees	R23 100 per meeting	**R24 600 per meeting**
SA-based committee member's attendance fee	R14 700 per meeting	**R15 655 per meeting**
USA-based board retainer	USD37 720	**USD38 660**
USA-based board attendance fee	USD6 250 per meeting	**USD6 405 per meeting**
UK-based board retainer	GBP28 700	**GBP29 420**
UK-based board attendance fee	GBP4 820 per meeting	**GBP4 940 per meeting**
UK-based committee Chairperson retainer	GBP27 160	**GBP27 840**
UK-based committee Chairperson attendance fee	GBP2 665 per meeting	**GBP2 730 per meeting**
UK-based committee member's retainer	GBP8 200	**GBP8 405**
UK-based committee member's attendance fee	GBP1 130 per meeting	**GBP1 160 per meeting**
Non-resident director travel allowance	USD2 575 per return leg	**USD2 640 per return leg**

Additional information in respect of Special Resolution Number 1

In terms of section 66(8) and (9) of the Companies Act, which took effect on 1 May 2011, remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by the shareholders within the previous two years and if not prohibited in terms of the Company's MOI. Therefore, the reason for and the effect of Special Resolution Number 1 is to approve the payment of and the basis for calculating the remuneration payable by the Company to its non-executive directors for their services as directors of the Company for the period ending 30 June 2017 in terms of section 66(8) and (9) of the Companies Act. The fees payable to the non-executive directors are detailed above. Further details on the basis of calculation of the remuneration are included in the Remuneration Report on pages 56 and 57.

2. Special Resolution Number 2

General authority to repurchase shares

Resolved that the Board is hereby authorised by a way of a renewable general authority, in terms of the provisions of the JSE Listings Requirements, section 48 of the Companies Act and as permitted in the MOI, to approve the repurchase of its own ordinary shares by the Company, and the repurchase of ordinary shares in the Company by any of its subsidiaries, upon such terms and conditions and in such amounts as the Board may from time to time determine, but subject to the MOI, the provisions of the Companies Act and the JSE Listings Requirements, when applicable, and provided that:

2.1 The general repurchase by the Company and/or any subsidiary of the Company of ordinary shares in the aggregate in any one financial year do not exceed 15% of the Company's issued ordinary share capital as at the beginning of the financial year, provided that the acquisition of ordinary shares as treasury shares by a subsidiary of the Company shall not be effected to the extent that in aggregate more than 10% of the number of issued shares in the Company are held by or for the benefit of all the subsidiaries of the Company taken together;

2.2 Any repurchase of securities will be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party (reported trades are prohibited);

2.3 This authority shall only be valid until the Company's next AGM, provided that it shall not extend beyond 15 months from the date this resolution is passed;

2.4 The Company will only appoint one agent to effect any repurchase(s) on its behalf;

2.5 General repurchases by the Company and/or any subsidiary of the Company in terms of this authority, may not be made at a price greater than 10% above the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 5 business days immediately preceding the date of the repurchase of such ordinary shares by the Company and/or any subsidiary of the Company;

2.6 Any such general repurchases are subject to exchange control regulations and approvals at that point in time, where relevant;

2.7 A resolution has been passed by the Board and/or any subsidiary of the Company confirming that the Board has authorised the repurchase, that the Company satisfied the solvency and liquidity test contemplated in the Companies Act, and that since the test was done there have been no material changes to the financial position of the Group;

2.8 The Company and/or any subsidiary of the Company may not repurchase securities during a prohibited period, as defined in the JSE Listings Requirements, unless the Company has a repurchase programme in place where the dates and quantities of securities to be traded during the relevant period are fixed and not subject to any variation and has been submitted to the JSE in writing prior to the commencement of the prohibited period; and

2.9 An announcement will be published giving such details as may be required in terms of the JSE Listings Requirements as soon as the Company and/or any subsidiary has cumulatively repurchased 3% of the number of shares in issue at the date of the passing of this resolution, and for each 3% in aggregate of the initial number of shares acquired thereafter.

The Board is of the opinion that this authority should be in place should it become appropriate to undertake a share repurchase in the future, in particular the repurchase of shares by a subsidiary of the Company for purposes of employee share schemes. The Board undertakes that it will not implement the proposed authority to repurchase shares, unless the directors are of the opinion that, for a period of 12 months after the date of the repurchase:

2.10 The Company and the Group will be able in the ordinary course of business to pay its debts;

2.11 The assets of the Company and the Group, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the liabilities of the Company and the Group;

2.12 The share capital and reserves of the Company and the Group will be adequate for ordinary business purposes; and

2.13 The working capital of the Company and the Group will be adequate for ordinary business purposes.

Additional information in respect of Special Resolution Number 2

The reason for and the effect of Special Resolution Number 2 is to grant the Board a general authority in terms of the JSE Listings Requirements, up to and including the date of the following AGM of the Company (provided that it shall not extend beyond 15 months from the date the resolution is passed), to approve the Company's purchase of shares in itself, or to permit a subsidiary of the Company to purchase shares in the Company and to authorise the Company or any of its subsidiaries to acquire shares issued by the Company in terms of the aforesaid approval. Please refer to the additional disclosure of information contained in this notice of AGM, which disclosure is required in terms of the JSE Listings Requirements.

Other than the facts and developments reported on in the Annual Financial Statements and the Integrated Annual Report, there have been no material changes in the financial position of the Company since the date of the audit report and the date of this notice.

3. Special Resolution Number 3

Financial assistance in terms of section 44 and 45 of the Companies Act

Resolved that, to the extent required by the Companies Act, the Board may, subject to compliance with the requirements of the MOI, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorise the Company to provide direct or indirect financial assistance as contemplated in section 44 and/or section 45 of the Companies Act by way of loans, guarantees, the provision of security or otherwise, to:

3.1 Any of its present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related to the Company and/or any other person for any purpose or in connection with any matter, including, but not limited to, the subscription of any option, or any securities issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company as contemplated in terms of section 44 of the Companies Act;

3.2 Any of its present or future directors or prescribed officers (or any person related to any of them or to any company or corporation related or inter-related to any of them), or to any other person who is a participant in any of the Group's share or other employee incentive schemes, for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company, where such financial assistance is provided in terms of any such scheme that does not satisfy the requirements of section 97 of the Companies Act,

Such authority to endure until the forthcoming AGM of the Company.

Additional information in respect of Special Resolution Number 3

Notwithstanding the title of section 45 of the Companies Act, being "Loans or other financial assistance to directors", on a proper interpretation, the body of the section may also apply to financial assistance (as such term is defined therein) provided by a company to related or inter-related companies and corporations, including, inter alia, its subsidiaries, for any purpose.

Furthermore, section 44 of the Companies Act may also apply to financial assistance provided by a company to related or inter-related companies or any other person, in the event that the financial assistance is provided for the purposes of, or in connection with, the subscription of any options, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or related or inter-related company.

Both section 44 and section 45 of the Companies Act provide, inter alia, that the particular financial assistance must be provided pursuant to a special resolution of the shareholders, adopted within the previous two years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and that the Board must be satisfied that – (i) immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test; and (ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

Therefore, the reason for Special Resolution Number 3 is to obtain approval from the shareholders to enable the Company to provide financial assistance, when the need arises, in accordance with the provisions of sections 44 and 45 of the Companies Act. The effect of Special Resolution Number 3 is that the Company will have the necessary authority to authorise and provide the financial assistance as and when required.

The Board undertakes that, in so far as the Companies Act requires, it will not adopt a resolution to authorise such financial assistance, unless the directors are satisfied that

(i) immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and

(ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

4. Special Resolution Number 4

Amendments to the Company's MOI in respect of Issues of Shares

Resolved that the Company's existing MOI be and is hereby amended as follows:

4.1 amending Clause 15.1.2 by the deletion of the punctuation marks and words "*(other than an issue as contemplated in Clause 17 and Clause 18.1 (unless Shareholder approval is required in terms of the Listings Requirements)"* and the replacement thereof with the following new punctuation mark and words *",unless the issue is pursuant to Clauses 17 or 18, in which case Shareholder approval shall not be required"*

4.2 amending Clause 18.1.4 by the deletion of all of the punctuation marks and words *"pursuant to the approval by the Shareholders, provided that same has been approved by the JSE (where necessary);"* and the replacement thereof with the following new punctuation marks and word *"deleted; and/or"* :

Additional information in respect of Special Resolution Number 4

The reason for special resolution number 4 is to amend the provisions of the Company's MOI in respect of the requirements relating to the issuing of shares or securities pursuant to a capitalisation issues and rights offers. Shareholder approval is not required for a capitalisation issue done in terms of section 47 of the Companies and a rights offer when done in terms of the JSE Listings Requirements. Therefore, the effect of special resolution number 4 will be to clarify that the Company's MOI will not specify an additional requirement for shareholder approval in the aforesaid circumstances.

5. Special Resolution Number 5

Amendments to the Company's MOI in respect of Fractions of Shares

Resolved that the Company's existing MOI be and is hereby amended as follows:

5.1 the deletion of Clause 17.3 in its entirety; and

5.2 the insertion of the following new Clause 62:

"62. FRACTIONS OF SHARES

62.1 If, pursuant to any corporate action (other than those corporate actions specified in the Listings Requirements), fractional entitlements arise, the board shall, in relation to all fractional allocations, round down all such securities to the nearest whole number resulting in allocations of whole securities and a cash payment to the holders for the fractions. The cash value for the fraction will be calculated by the Board in terms of the method prescribed in the Listings Requirements from time to time.

62.2 The Board shall release an announcement on the last day to trade plus 2 days (LDT +2) in respect of the cash value determined by it pursuant to Clause 62.1.

62.3 If the Listings Requirements do not specify the manner in which fractional entitlements are to be dealt with, the Board shall be entitled to: (a) round up or down based on the standard rounding convention (i.e. allocations of less than 0.5 are rounded down and allocations of greater than 0.5 are rounded up) or (b) make a cash payment to the holders of such fractions on such terms and conditions which the Board acting reasonably deems fit for the benefit of the Shareholders.

62.4 The company secretary, or if no company secretary has been appointed, any director of the Company, shall be empowered to sign any document necessary to give effect to the provisions of this Clause 62."

Additional information in respect of Special Resolution Number 5

The JSE has amended Schedules 18 of the Listings requirements, with effect from 18 January 2016. Previously allocations of securities were rounded up or down based on the standard rounding convention (i.e. allocations of less than 0.5 are rounded down and allocations of greater than 0.5 are rounded up).

In terms of the amendment to the Listings requirements, allocations of securities for certain corporate actions must now be rounded down to the nearest whole number and shareholders shall receive a cash payment for fractions of securities to which they would otherwise have become entitled.

Therefore, the Company is required to amend its MOI to record the amendment to factional entitlements in accordance with Schedule 18 of the Listings Requirements.

Additional disclosure of information

For the purposes of considering Special Resolution Number 2 and in compliance with the JSE Listings Requirements, the information listed below has been included as follows:

- **Major shareholders of the Company**

  Refer to Annexure 5 on page 64.

- **Share capital of the Company**

  Refer to Annexure 6 on pages 65 and 66.

- **Directors' responsibility statement**

  The directors of the Company, whose names appear on the IBC, have no specific intention to effect the provisions of Special Resolution number 2 but will however, continually review the Company's position, having regard to prevailing circumstances and market conditions, in considering whether to effect the provisions of special resolution number 2.

  The directors collectively and individually accept full responsibility for the accuracy of the information pertaining to Special Resolution Numbers 2 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that Special Resolution Number 2 contains all information required by law and the JSE Listings Requirements.

Approvals required for resolutions

Ordinary Resolutions Number 1 to 7 contained in this notice of AGM require the approval by more than 50% of the votes exercised on the resolutions by shareholders present or represented by proxy at the AGM and further subject to the provisions of the Companies Act, the MOI and the JSE Listings Requirements.

Special Resolutions Number 1 to 5 contained in this notice of AGM require the approval by at least 75% of the votes exercised on the resolutions by shareholders present or represented by proxy at the AGM, and further subject to the provisions of the Companies Act, the Company's MOI and the JSE Listings Requirements.

The chairperson of the Social and Ethics Committee will give verbal feedback on the activities of this committee for the past period as required in terms of regulation 43 of the Companies Act Regulations

To transact any other business that may be transacted at an AGM

Attendance and voting by shareholders or proxies

The record date on which shareholders of the Company must be registered as such in the Company's securities register, which date was set by the Board determining which shareholders are entitled to attend and vote at the AGM is Friday, 18 November 2016.

Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own-name" registration are entitled to attend and vote at the AGM. Any such shareholder is entitled to appoint one or more proxy or proxies to attend, participate in and speak and vote at the AGM in his/her/its stead. The person or persons so appointed as a proxy or proxies need not be a shareholder or shareholders of the Company.

Forms of proxy must be lodged with or posted to the Company at 155 West Street, Sandton or posted to the Company at PO Box 786722, Sandton 2146 or lodged with the Company's transfer secretaries, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001, South Africa or posted to the Company's transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa, so as to be received by them by not later than Friday, 25 November 2016 at 12h00 (South African time), being not less than 48 hours before the AGM to be held at 14h00 on Tuesday, 29 November 2016 in accordance with clause 27.3.2 of the MOI. Any forms of proxy not received by this time must be handed to the Chairperson of the AGM immediately prior to the commencement of the AGM before your proxy may exercise any of your rights as a shareholder at the AGM.

Forms of Proxy must only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares and registered them in their own name.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own-name" registration, should contact their Central Securities Depository Participant or broker in the manner and time stipulated in their agreement, in order to furnish them with their voting instructions or to obtain the necessary authority to attend the AGM, in the event that they wish to attend the AGM.

On a poll, every shareholder of the Company shall have one vote for every share held in the Company by such shareholder. Voting on the resolution to be proposed at the AGM will be on a poll.

Shares held by a share trust or scheme will not have their votes at the AGM taken into account for purposes of resolutions proposed in terms of the JSE Listings Requirements. Shares held as treasury shares may also not vote.

Proof of identification required

Section 63(1) of the Companies Act requires that any person who wishes to attend or participate in a shareholders meeting, must present reasonably satisfactory identification at the AGM. Any shareholder or proxy who intends to attend or participate at the AGM must be able to present reasonably satisfactory identification at the AGM for such shareholder or proxy to attend and participate at the AGM. A green bar-coded identification document or identification card issued by the South African Department of Home Affairs, a driver's licence or a valid passport will be accepted as sufficient identification.

Venue

Please take note that the AGM will be held in the Auditorium, Ground Floor, 155 West Street, Sandton on Tuesday, 29 November 2016 at 14h00.

By order of the Board

MJ Botha

Company Secretary

5 September 2016

ANNEXURE 1

AUDITED AND SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2016

01 | Strong Group financial performance

The full-year period ending 30 June 2016 witnessed a strong performance by the Group. New business increased by 22% to R16.2 billion (excluding R4.2 billion in respect of the Bankmed Medical Scheme administration and managed care services contract recorded in the prior year); normalised profit from operations increased by 11% to R6.4 billion; profit from existing businesses increased 15% to R7.2 billion; and spend on new initiatives grew substantially by 73% to R823 million.

The financial performance for the period was characterised by three distinctive features:

1. **Solid performance by existing businesses, with new business up 20% to R13.3 billion, and operating profit up 15% to R7.2 billion. Coupled with this, an acceleration of Group performance was witnessed in the second half of the financial year.** Group operating profit increased by 14% in the second six months of the financial year compared to the same period in the prior year, versus 7% in the first six months. This was driven by Discovery Health and Discovery Life which delivered normalised operating profit growth of 12% and 18% respectively for H2 2016 versus H2 2015; and Discovery Insure, whose new business grew 14% in H2 2016 versus H2 2015. In addition, VitalityHealth's performance was notable for its progress in the second six months with new business up 62% and normalised profit up 55% in Rand terms for H2 2016 when compared to the same 6-month period in the prior year.
2. **A substantial spend on new initiatives.** While gross revenue growth (+20%) (excluding collections on behalf of third parties) and new business growth (+22%) remained strong, Discovery spent R823 million on new initiatives over the course of the year, funded by both debt and a rights issue. This marked a 73% increase over the prior year, and 13% of earnings. This investment had a dampening effect on short-term profits, though is expected to be profit enhancing in the long term. Normalised headline earnings were R4.3 billion (+7%); and normalised headline earnings per share grew 1%, diluted through the additional capital raised in the rights issue.
3. **Robust performance in spite of a volatile economic environment.** In Discovery's Primary Market of South Africa, this included a depreciating currency (ZAR to USD); rising interest rates; and economic assumption changes. In Discovery's second Primary Market of the United Kingdom (UK), Discovery faced both currency sensitivity (ZAR to GBP) and a record-low interest rate environment, the result of the UK's intended exit from the European Union. Headline earnings and solvency levels remained robust in spite of this economic volatility; with the environment predominantly impacting Embedded Value growth, which came out fairly flat (+2% to R53 billion). This is consistent with Discovery's view that the business model is well immunised against economic fluctuations. The Embedded Value growth stripping out these effects would have been 10.5% to R58 billion.

02 | The Vitality Shared-Value Insurance Model is now well developed and is being replicated globally

The Group's performance is contextualised by Discovery's business model – "Vitality Shared-Value Insurance". Over the period, the efficacy of the Vitality Shared-Value Insurance model matured, in terms of Discovery's understanding of the mathematics that underpin value creation in a shared-value insurance context. This includes Discovery's proprietary methodology in structuring incentives to optimise behaviour change, and its understanding of the behavioural impact on insurance risk.

The model's relevance is validated by the success in both of Discovery's Primary Markets, which continued to gain market share and demonstrate robustness in new business and financial performance; and in the expansion of the Vitality Network for Discovery's Partner Markets. The Vitality Shared-Value Insurance model is now present in 14 markets around the world, with Generali going live during the past six months, and more recently, the announcement of a partnership with Sumitomo Life in Japan ($31,100 million revenue in 2015 and ranked 335 according to Fortune 500 2016). In addition, past investment is now yielding evidence of the efficacy of the Vitality Shared-Value Insurance model in the more established Partner Markets.

This justifies Discovery's strategy for existing businesses; for the consistent rollout of the model to new geographies and adjacencies, the most recent being the intention to enter banking in South Africa; and for continued rollout of the Vitality Active Rewards with Apple Watch methodology, a global collaboration with Apple. The success of Vitality Active Rewards with Apple Watch in changing wellness behaviour and segmenting insurance risk in South Africa and the United States has advanced the science underpinning the Vitality Shared-Value Insurance model. Results over the first six months of the Vitality Active Rewards benefit showed dramatic and sustained behaviour change, with a 20% increase in physical activity for those who engaged in the benefit, and 81% for those who also took the Apple Watch. This is the most successful benefit to date, as measured by take-up and engagement, and shows strong initial insurance applications, with engaged members demonstrating significantly lower morbidity and mortality experience than other Vitality members. Last week, the benefit was launched in China through Ping An Life. The benefit will be attached to Ping An Life's flagship life insurance product, available through its one million strong agency force, and presents a meaningful opportunity to elevate the Vitality brand in China. Active Rewards will be rolled out globally over the next 12 months.

03 | Robust performance by existing businesses

1. South Africa

Discovery Health

Discovery Health's performance exceeded expectation during the period under review. Normalised operating profit increased by 12% to R2,265 million, and new business API increased off a significant base by 22% to R6,577 million (excluding the Bankmed Medical Scheme taken on in the prior year).

The period was characterised by high healthcare inflation, mainly driven by higher hospital utilisation. Despite these pressures, Discovery Health and Discovery Health Medical Scheme (DHMS) continued to perform strongly, as a result of ongoing investment in best-in-class health system innovation. In DHMS, lives administered grew by 1.5% to 2.7 million; and the solvency ratio remained above the statutory 25% of gross annual contribution income, with the Scheme retaining its industry-leading AA+ rating from Global Credit Ratings for the 15th consecutive year. Discovery Health maintained its strong progress in the restricted scheme environment, and now has a total of 17 leading corporate schemes under management, comprising a total of 550,943 beneficiaries, and with several promising prospects for additional clients in the pipeline.

Discovery Health continued its significant investment in digital healthcare assets over the period, with further expansion in the functionality and coverage of HealthID, the country's leading electronic health record system. This is now in regular use by over one million members and almost 50% of doctors treating members of Discovery Health's client schemes. The DHMS fully-digital healthcare plan – the Smart Plan – has continued to prove very successful in attracting a younger demographic (average age four years younger), leveraging Discovery Health's analytic and digital assets.

Discovery Health maintains its strong support for the objectives of the proposed National Health Insurance (NHI) system. It is working closely with the Department of Health and all other stakeholders with the aim of ensuring that the final NHI policy is optimal and leverages the assets of the private healthcare system. Over the period, Discovery Health participated actively in the processes of the Health Market Inquiry of the Competition Commission, which is expected to report by end 2016.

Discovery Life

Discovery Life delivered a strong performance, with an acceleration over the latter half of the financial year. Individual life new business activations (API Rm) grew by 10% to R383 million compared to H2 2015 (by 5% to R2,347 million for the full-year period), with further acceleration in the fourth quarter. Operating profit increased by 18% in H2 to R1,780 million compared to the same period in the prior year (by 14% to R3,373 million for the full-year period).

Value In-Force (VIF) increased by 10.9% using constant economic assumptions. When taking the more conservative risk discount rate assumption into account driven by an increased beta adjustment at the end of the period, the VIF reduced by 1.6% to R18.9 billion. Similarly, a VNB margin of 8.9% as at the end of June 2016 was achieved on the back of improving new business mix. Discovery Life remains well capitalised and generated R2,101 million in cash from the existing book, which was utilised largely to continue funding further growth of the Discovery Life business through new business acquisition.

Discovery Life has increased its market share in the retail affluent segment to 28.8% as the leading insurer. Underlying this growth is a strong adviser force, with industry sales statistics indicating that Discovery Life tied advisers are up to three times more productive than their counterparts. In addition, a hybrid distribution strategy has shown to be effective with strong growth, accompanied by clear cost efficiencies in the direct channel.

Despite a challenging economic environment, the Vitality Shared-Value Insurance model continued to exhibit encouraging results, both for Discovery Life and its members. Discovery Life benefited from lapse rates that were significantly lower than expected (84% of expected), particularly for policies integrated with Discovery Health and those with higher Vitality statuses. Members benefited from paybacks from actuarial surplus of 18% of claims value – highlighting the value derived by healthy clients.

Discovery Invest

The performance of Discovery Invest over the period was excellent. New business grew by 17% to R1,932 million year-on-year; assets under management increased by 21% to over R60 billion; and operating profit grew by 22% to R563 million. Net asset management fee income increased by 46%, a consequence of efficiencies from increased scale.

The business saw strong acceptance of the range of shared-value retirement products launched towards the end of 2015. These products recognise higher retirement needs given increased longevity as a result of better health, and reward clients for responsible withdrawals.

2. United Kingdom

The period was noteworthy for its continued investment in the Vitality brand. This contributed to a strong retail and consumer presence; impressive new business growth; and in Vitality engagement increasing to record levels. In addition, VitalityHealth was recognised as New Brand of the Year at the Marketing Society Excellence Awards.

VitalityLife

VitalityLife produced a strong performance in the face of complex changes: a volatile economic climate, including positive exchange rate movements; record-low interest rates and the impact of Solvency II; and moving onto its own licence. The net effect of this is that new business increased 23% in Rand terms to R1,332 million (up 4% in GBP) and normalised profit grew by 25% to R678 million (up 5% in GBP). VitalityLife achieved market share of 11.7% in the Independent Financial Advisor space and continued to grow its distribution footprint, now at 20 franchises.

VitalityLife achieved success in positioning its new-generation risk offering in the market, evident in the strong continued adoption of the Vitality-integrated model over the period, with the Vitality Optimiser product comprising over 60% of all new business sales. The period also showed that overall claims for Vitality Optimiser cases were 40% lower compared to non-Vitality Optimiser cases. Furthermore, VitalityLife received an award recognising the innovative nature of its Interest Rate Optimiser product.

VitalityHealth

VitalityHealth experienced strong new business growth over the period, with new business up by 43% to R1,161 million in Rand terms (up 20% in GBP), with particularly strong growth in the profitable Individual market – up by 44% – and direct-to-market channels, which now comprise almost 40% of new business. The business also experienced an accelerated second half of the financial year, with new business up 62% and normalised profit up 55% in Rand terms for H2 2016 when compared to the same six-month period in the prior year. In addition, the existing book is profitable and generated strong cash flow, which in part was used to fund the sizeable new business strain.

Both lapse rates and loss ratios trend in line with long-run expectation, reflecting the change in business mix and continued focus on quality within the portfolio. Total insured lives grew by 5% over the period to June, with individual lives growing by 8.5%. The business also started to realise the benefit of the extensive investment made following the exit of the Transitional Services Agreement (TSA) with Standard Life, with service levels and claims efficiency both improving over the six-month period.

The combination of improved new business momentum, strong actuarial dynamics, and the emergence of operating efficiencies resulted in a 55% improvement in Rand terms in operating profit for the second half of the year compared to the same period in the prior year. For the full year, profit was down 17% to R186 million (down 30% in GBP) as a result of the exceptional expenses incurred in the first half of the year related to the exit from the TSA.

Going forward, VitalityHealth expects new business momentum to be maintained, further efficiencies to emerge from the move to a single operating platform and the benefit of the Healthcare Purchasing Alliance with Aviva to further support the loss ratio.

04 | Record spend on new initiatives

1. South Africa

Discovery Insure

Discovery Insure showed strong new business growth in the second half of the year (up 14% to R439 million compared to the same period in the prior year), resulting in a 7% growth to R841 million in new business volumes for the full-year period. This continues the trend of rapid new business growth experienced since inception, with over 145,000 cars now covered and inforce growth of 36% to R2.2 billion. The business has achieved scale and quality and is expected to be profitable in the next financial year.

The hybrid distribution model proved effective, showing growth of 30% for intermediated business for the year. Gross written premium increased year-on-year by 39% to R1.6 billion, while total expenses grew 31% – a consequence of scale and increased penetration of the mobile app and sensor technology (50% of new business). Claims frequency continued to decrease as the average policy duration increased and as a result of the Vitalitydrive model, which continues to add tremendous value (engaged drivers showed a 28% lower loss ratio than unengaged drivers). This was offset to an extent by higher claims severity and depreciation of the Rand against the US Dollar (which impacts the price of motor parts and hence repairs).

Intent to enter banking

Over the period, progress was made with respect to Discovery's intention to enter banking. The licensing and regulatory processes commenced and while the licence application is pending regulatory approval, key engagements are underway with the South African Reserve Bank and other regulatory bodies. Discovery has appointed a combination of senior seasoned bankers and Discovery executives to lead the execution and delivery of the banking business. Discovery is in the process of building the system and infrastructure needed.

2. Discovery Partner Markets (DPM)

Discovery has evolved its Partner Market Strategy over time. From an initial joint venture with AIA, to a franchise model with partner insurers licencing Vitality in their markets, to what can now be considered a Global Vitality Network. This comprises an international platform that is underpinned by a repeatable business model – both economically and technologically; best-of breed global insurers and supply-side partners; the risk capacity and products to pioneer shared-value insurance in its markets, owning this new category of insurance; and a powerful global repository of data on engagement, mortality and lapses. Over the period, the efficacy of the model revealed itself through exciting new partnerships, launches in new territories with existing partners, and impressive penetration levels in existing Partner Market territories.

AIA Vitality

The period was noteworthy for AIA Vitality, with the Vitality Shared-Value Insurance model now part of the core offering in six AIA markets: Singapore, Australia, Hong Kong, Philippines, Thailand and Malaysia. The response to the launch of Vitality has been positive with significant media coverage, brand awareness and agent engagement; and encouraging performance in the more established AIA territories. The take-up rate on eligible products is greater than 50% in Hong Kong and Singapore while a strong positive take-up is seen in Australia. As the business gains traction, plans are to extend the range of insurance products that integrate with Vitality in these markets.

John Hancock Vitality and Manulife Vitality

John Hancock Vitality continues to see very strong adoption rates and high initial customer engagement in its second year on the market. The Protection Universal Life, Term, and Indexed Universal Life products are available in the majority of states, and the remaining states are expected to help drive sales, once approved. Since launch, John Hancock Vitality has received numerous awards and garnered significant media attention for its innovative and transformative approach to life insurance.

Manulife Vitality is anticipated to launch in September, pioneering the Vitality Shared-Value Insurance model in Canada.

Generali Vitality

Generali Vitality launched to the public in Germany in June 2016 with the first sales occurring in July. The initial market response has been exceptional, with new business doubling the run-rate leading up to launch. The media response has also been overwhelmingly positive. The business intends to launch in France on 1 January 2017, followed shortly in Austria.

Ping An Health

The business's impressive performance continued with new business sales of RMB151 million and RMB595 million in the Group and Individual segments for the full year period. This represented an overall increase of 27% for Group and 50% for Individual sales on the corresponding period in the prior financial year. Business fundamentals also remained strong, with lapses within expectation, and loss ratios on Individual business better than expected. The number of health insurance lives covered increased by 33% over the past 12-month period from 418,000 at June 2015 to 555,000 at June 2016.

Healthcare reform has been identified as a key focus in the Chinese government's new five-year plan, with State spending under pressure. Ping An has identified healthcare as a key strategic investment for the Group. In line with this, Ping An Health has undergone a major management restructure with the appointment of highly-qualified and experienced leadership to position the business for growth in the coming years.

05 | Prospects for growth

Discovery is currently well capitalised to fund its growth ambitions and has buffers to withstand potential adverse experience, while safeguarding future earnings and maintaining acceptable levels of debt. Given the quantum of growth opportunities facing the Group, however, this plan is carefully and systematically reviewed and updated. Discovery foresees continued strong performance from existing businesses going forward; and spend on new initiatives to reduce over time, absent of the intent to enter banking. This combination positions Discovery for continued growth in the future.

On behalf of the Board

MI HILKOWITZ
Chairperson

A GORE
Group Chief Executive

Sandton
5 September 2016

ANNEXURE 1

STATEMENT OF FINANCIAL POSITION

at 30 June 2016

R million	Group 2016 Audited	Group 2015 Audited and restated	Group 2014 Audited and restated
ASSETS			
Assets arising from insurance contracts	33 815	28 144	23 044
Property and equipment	1 052	727	666
Intangible assets including deferred acquisition costs	4 584	2 526	2 344
Goodwill	2 447	2 375	2 239
Investment in equity-accounted investees	491	505	551
Financial assets			
– Available-for-sale investments	9 794	9 454	7 578
– Investments at fair value through profit or loss	50 948	40 132	32 753
– Derivatives	590	825	588
– Loans and receivables including insurance receivables	4 891	3 884	3 110
Deferred income tax	824	690	406
Current income tax asset	97	5	46
Reinsurance contracts	410	362	266
Cash and cash equivalents	8 634	6 251	3 650
Total assets	118 577	95 880	77 241
EQUITY			
Capital and reserves			
Ordinary share capital and share premium	8 300	7 488	2 582
Perpetual preference share capital	779	779	779
Other reserves	1 934	2 024	1 501
Retained earnings	19 594	17 065	12 549
	30 607	27 356	17 411
Non-controlling interest	–	–	–
Total equity	30 607	27 356	17 411
LIABILITIES			
Liabilities arising from insurance contracts	44 673	37 236	30 842
Liabilities arising from reinsurance contracts	4 894	3 827	2 247
Financial liabilities			
– Puttable non-controlling interests	–	–	4 494
– Negative reserve funding	4 248	5 437	4 684
– Borrowings at amortised cost	5 400	954	572
– Investment contracts at fair value through profit or loss	13 514	10 059	8 264
– Derivatives	49	7	10
– Trade and other payables	8 563	5 506	3 752
Deferred income tax	6 035	5 077	4 647
Deferred revenue	291	192	157
Employee benefits	169	152	154
Current income tax liability	134	77	7
Total liabilities	87 970	68 524	59 830
Total equity and liabilities	118 577	95 880	77 241

INCOME STATEMENT

for the year ended 30 June 2016

R million	Group 2016 Audited	Group 2015 Audited and restated	% change
Insurance premium revenue	33 074	27 694	
Reinsurance premiums	(4 316)	(3 113)	
Net insurance premium revenue	28 758	24 581	
Fee income from administration business	7 651	6 630	
Vitality income	3 844	3 029	
Receipt arising from reinsurance contracts	–	1 250	
Investment income	745	507	
– investment income earned on shareholder investments and cash	265	188	
– investment income earned on assets backing policyholder liabilities	480	319	
Net realised gains on available-for-sale financial assets	5	188	
Net fair value gains on financial assets at fair value through profit or loss	2 720	3 124	
Net income	43 723	39 309	
Claims and policyholders' benefits	(19 163)	(15 805)	
Insurance claims recovered from reinsurers	3 586	2 503	
Net claims and policyholders' benefits	(15 577)	(13 302)	
Acquisition costs	(6 185)	(5 294)	
Marketing and administration expenses	(14 789)	(12 251)	
Amortisation of intangibles from business combinations	(275)	(227)	
Recovery of expenses from reinsurers	1 346	447	
Transfer from assets/liabilities under insurance contracts	(1 745)	(2 541)	
– change in assets arising from insurance contracts	5 591	4 651	
– change in assets arising from reinsurance contracts	41	81	
– change in liabilities arising from insurance contracts	(6 250)	(5 693)	
– change in liabilities arising from reinsurance contracts	(1 127)	(1 580)	
Fair value adjustment to liabilities under investment contracts	(695)	(912)	
Profit from operations	5 803	5 229	11
Puttable non-controlling interest fair value adjustment	–	1 661	
Gain from business combination	8	–	
Finance costs	(293)	(197)	
– finance costs raised on puttable non-controlling interest financial liability	–	(64)	
– other finance costs	(293)	(133)	
Foreign exchange gains	18	40	
Realised gain from the sale of associate	–	7	
Share of net (losses)/profits from equity-accounted investments	(66)	26	
Profit before tax	5 470	6 766	(19)
Income tax expense	(1 740)	(1 214)	(43)
Profit for the year	3 730	5 552	(33)
Profit attributable to:			
– ordinary shareholders	3 655	5 480	(33)
– preference shareholders	75	72	
– non-controlling interest	–	–	
	3 730	5 552	(33)
Earnings per share for profit attributable to ordinary shareholders of the company during the year (cents):			
– undiluted	573,1	914,8	(37)
– diluted	568,8	902,2	(37)

ANNEXURE 1

STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2016

R million	Group 2016 Audited	Group 2015 Audited	% change
Profit for the year	3 730	5 552	
Items that are or may be reclassified subsequently to profit or loss:			
Change in available-for-sale financial assets	4	(92)	
– unrealised gains	24	72	
– capital gains tax on unrealised gains	(16)	(11)	
– realised gains transferred to profit or loss	(5)	(188)	
– capital gains tax on realised gains	1	35	
Currency translation differences	62	492	
– unrealised gains	86	504	
– tax on unrealised gains	(24)	(12)	
Cash flow hedges	(195)	58	
– unrealised (losses)/gains	(129)	143	
– tax on unrealised losses/gains	14	(23)	
– gains recycled to profit or loss	(95)	(75)	
– tax on recycled gains	15	13	
Share of other comprehensive income from equity-accounted investments	39	65	
– change in available-for-sale financial assets	(11)	13	
– currency translation differences	50	52	
Other comprehensive income for the year, net of tax	(90)	523	
Total comprehensive income for the year	3 640	6 075	(40)
Attributable to:			
– ordinary shareholders	3 565	6 003	(41)
– preference shareholders	75	72	
– non-controlling interest	–	–	
Total comprehensive income for the year	3 640	6 075	(40)

HEADLINE EARNINGS

for the year ended 30 June 2016

R million	Group 2016 Audited	Group 2015 Audited	% change
Normalised headline earnings per share (cents):			
– undiluted	676,3	672,2	1
– diluted	671,1	663,0	1
Headline earnings per share (cents):			
– undiluted	571,1	882,4	(35)
– diluted	566,7	870,2	(35)
The reconciliation between earnings and headline earnings is shown below:			
Net profit attributable to ordinary shareholders	3 655	5 480	
Adjusted for:			
– gains from business combination	(8)	–	
– gains on disposal of property and equipment net of tax	(2)	–	
– realised gains on available-for-sale financial assets net of CGT	(4)	(153)	
– realised gain from sale of associate including deferred tax reversal	–	(42)	
Headline earnings	3 641	5 285	(31)
– accrual of dividends payable to preference shareholders	(4)	(1)	
– additional 54.99% share of DiscoveryCard profits capitalised to intangible assets	86	–	
– amortisation of intangibles from business combinations net of deferred tax	224	170	
– costs relating to the AIA restructure	–	87	
– deferred tax asset recognised on VitalityHealth assessed losses	–	(295)	
– fair value adjustment to puttable non-controlling interest financial liability	–	(1 661)	
– finance costs raised on puttable non-controlling interest financial liability	–	64	
– non-controlling interest allocation if no put options	–	(42)	
– rebranding and business acquisitions expenses	365	420	
Normalised headline earnings	4 312	4 027	7
Weighted number of shares in issue (000's)	637 608	598 946	
Diluted weighted number of shares (000's)	642 534	607 290	

ANNEXURE 1

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2016

R million	Attributable to equity holders of the Company Share capital and share premium	 Preference share capital	 Share-based payment reserve
Year ended 30 June 2016			
At beginning of year	7 488	779	319
Total comprehensive income for the year	–	75	–
Profit for the year	–	75	–
Other comprehensive income	–	–	–
Transactions with owners	812	(75)	–
Increase in treasury shares	(5)	–	–
Proceeds from treasury shares	*	–	–
Share issue	817	–	–
Share issue costs	*	–	–
Share buy-back	*	–	–
Dividends paid to preference shareholders	–	(75)	–
Dividends paid to ordinary shareholders	–	–	–
At end of year	8 300	779	319
Year ended 30 June 2015			
At beginning of year	2 582	779	319
Total comprehensive income for the year	–	72	–
Profit for the year	–	72	–
Other comprehensive income	–	–	–
Transactions with owners	4 906	(72)	–
Proceeds from rights-issue	5 000	–	–
Rights-issue costs	(94)	–	–
Delivery of treasury shares	*	–	–
Dividends paid to preference shareholders	–	(72)	–
Dividends paid to ordinary shareholders	–	–	–
At end of year	7 488	779	319

1 This relates to the fair value adjustments of available-for-sale financial assets
** Amount is less than R500 000*

Attributable to equity holders of the Company						
Available-for-sale investments[1]	Translation reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total
171	1 373	161	17 065	27 356	–	27 356
(7)	112	(195)	3 655	3 640	–	3 640
–	–	–	3 655	3 730	–	3 730
(7)	112	(195)	–	(90)	–	(90)
–	–	–	(1 126)	(389)	–	(389)
–	–	–	–	(5)	–	(5)
–	–	–	–	*	–	*
–	–	–	–	817	–	817
–	–	–	–	*	–	*
–	–	–	–	*	–	*
–	–	–	–	(75)	–	(75)
–	–	–	(1 126)	(1 126)	–	(1 126)
164	1 485	(34)	19 594	30 607	–	30 607
250	829	103	12 549	17 411	–	17 411
(79)	544	58	5 480	6 075	–	6 075
–	–	–	5 480	5 552	–	5 552
(79)	544	58	–	523	–	523
–	–	–	(964)	3 870	–	3 870
–	–	–	–	5 000	–	5 000
–	–	–	–	(94)	–	(94)
–	–	–	–	*	–	*
–	–	–	–	(72)	–	(72)
–	–	–	(964)	(964)	–	(964)
171	1 373	161	17 065	27 356	–	27 356

ANNEXURE 1

STATEMENT OF CASH FLOWS

for the year ended 30 June 2016

R million	Group 2016 Audited	Group 2015 Audited
Cash flow from operating activities	985	3 415
Cash generated by operations	8 481	5 340
Receipt arising from reinsurance contracts	–	1 250
Net purchase of investments held to back policyholder liabilities	(9 597)	(5 232)
Working capital changes	1 699	1 711
	583	3 069
Dividends received	171	499
Interest received	1 478	923
Interest paid	(277)	(131)
Taxation paid	(970)	(945)
Cash flow from investing activities	(2 428)	(2 229)
Net proceeds/(purchase) of financial assets	286	(1 656)
Purchase of property and equipment	(465)	(172)
Proceeds from disposal of property and equipment	20	7
Purchase of intangible assets	(2 253)	(559)
Proceeds from disposal of intangible assets	4	9
Increase in investment in associate	–	(59)
Disposal of investment in associate	–	201
Purchase of businesses	(20)	–
Cash flow from financing activities	4 009	1 485
Proceeds from rights-issue	–	5 000
Rights-issue costs	–	(94)
Proceeds from issuance of ordinary shares	817	–
Share buy-back	*	–
Share issue costs	*	–
Dividends paid to ordinary shareholders	(1 130)	(964)
Dividends paid to preference shareholders	(75)	(72)
Settlement of puttable non-controlling interest liability	–	(2 844)
Increase in borrowings	7 608	1 992
Repayment of borrowings	(3 211)	(1 533)
Net increase in cash and cash equivalents	2 566	2 671
Cash and cash equivalents at beginning of year	6 251	3 520
Exchange (losses)/gains on cash and cash equivalents	(203)	60
Cash and cash equivalents at end of year	8 614	6 251
Reconciliation to statement of financial position		
Cash and cash equivalents	8 634	6 251
Bank overdraft included in borrowings at amortised cost	(20)	–
Cash and cash equivalents at end of year	8 614	6 251

* *Amount is less than R500 000*

ADDITIONAL INFORMATION

at 30 June 2016

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 2016			
R million (audited)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments at fair value through profit or loss:				
– Equity securities	20 049	–	–	20 049
– Equity linked notes	–	2 462	–	2 462
– Debt securities	10 238	731	–	10 969
– Inflation linked securities	429	–	–	429
– Money market securities	601	4 157	–	4 758
– Mutual funds	12 281	–	–	12 281
Available-for-sale financial instruments:				
– Equity securities	151	–	–	151
– Equity linked notes	–	5	–	5
– Debt securities	91	189	–	280
– Inflation linked securities	5	–	–	5
– Money market securities	299	1 571	–	1 870
– Mutual funds	7 483	–	–	7 483
Derivative financial instruments at fair value:				
– Hedges	–	521	–	521
– Non-hedges	–	69	–	69
	51 627	9 705	–	61 332
Financial liabilities				
Derivative financial instruments at fair value:				
– Hedges	–	29	–	29
– Non-hedges	–	20	–	20
	–	49	–	49

ANNEXURE 1

ADDITIONAL INFORMATION continued

at 30 June 2016

R million (audited)	30 June 2015 Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments at fair value through profit or loss:				
– Equity securities	10 584	–	–	10 584
– Equity linked notes	–	2 576	–	2 576
– Debt securities	6 947	605	–	7 552
– Inflation linked securities	218	–	–	218
– Money market securities	157	1 013	–	1 170
– Mutual funds	18 032	–	–	18 032
Available-for-sale financial instruments:				
– Equity securities	65	–	–	65
– Equity linked notes	–	19	–	19
– Debt securities	66	466	–	532
– Money market securities	152	840	–	992
– Mutual funds	7 846	–	–	7 846
Derivative financial instruments at fair value:				
– Hedges	–	824	–	824
– Non-hedges	–	1	–	1
	44 067	6 344	–	50 411
Financial liabilities				
Derivative financial instruments at fair value:				
– Hedges	–	4	–	4
– Non-hedges	–	3	–	3
	–	7	–	7

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

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 the hedged derivatives is calculated by the issuers of those instruments, 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.

Exchange rates used in the preparation of these results

	USD	GBP
30 June 2016		
– Average	**14,60**	**21,44**
– Closing	**14,73**	**19,78**
30 June 2015		
– Average	11,49	18,04
– Closing	12,18	19,19

ANNEXURE 1

SEGMENTAL INFORMATION

for the year ended 30 June 2016

R million	SA Health	SA Life	SA Invest	SA Vitality
Income statement				
Insurance premium revenue	16	11 008	8 934	–
Reinsurance premiums	(1)	(2 014)	–	–
Net insurance premium revenue	15	8 994	8 934	–
Fee income from administration business	5 582	284	1 274	–
Vitality income	–	–	–	2 253
Investment income earned on assets backing policyholder liabilities	–	349	–	–
Finance charge on negative reserve funding	–	–	–	–
Inter-segment funding[1]	–	(452)	452	–
Net fair value gains on financial assets at fair value through profit or loss	–	675	1 248	–
Net income	5 597	9 850	11 908	2 253
Claims and policyholders' benefits	(1)	(6 401)	(5 010)	–
Insurance claims recovered from reinsurers	1	1 658	–	–
Net claims and policyholders' benefits	–	(4 743)	(5 010)	–
Acquisition costs	–	(1 760)	(710)	(82)
Marketing and administration expenses				
– depreciation and amortisation	(253)	(23)	–	–
– other expenses	(3 079)	(1 523)	(454)	(2 127)
Recovery of expenses from reinsurers	–	–	–	–
Transfer from assets/liabilities under insurance contracts				
– change in assets arising from insurance contracts	–	3 429	–	–
– change in assets arising from reinsurance contracts	–	17	–	–
– change in liabilities arising from insurance contracts	–	(1 518)	(5 053)	–
– change in liabilities arising from reinsurance contracts	–	(354)	–	–
Fair value adjustment to liabilities under investment contracts	–	(2)	(118)	–
Share of net (losses)/profits from equity-accounted investments	–	–	–	–
Normalised profit/(loss) from operations	2 265	3 373	563	44
Investment income earned on shareholder investments and cash	90	77	19	14
Net realised gains on available-for-sale financial assets	–	1	4	–
Rebranding and business acquisitions expenses	–	–	–	–
Gain from business combination	–	–	–	–
Amortisation of intangibles from business combinations	–	–	–	–
Finance costs	(37)	(15)	–	–
Foreign exchange gains/(losses)	–	–	(1)	–
Profit before tax	2 318	3 436	585	58
Income tax expense	(646)	(954)	(163)	(16)
Profit for the year	1 672	2 482	422	42

1 *The inter-segment funding of R452 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.*

UK Health	UK Life	All other segments	Segment total	IFRS reporting adjustments: UK Life[2]	IFRS reporting adjustments: DUT[3]	IFRS reporting adjustments: Normalised profit adjustments[4]	IFRS total
8 530	3 854	1 558	33 900	(826)	–	–	33 074
(2 030)	(884)	(213)	(5 142)	826	–	–	(4 316)
6 500	2 970	1 345	28 758	–	–	–	28 758
41	–	470	7 651	–	–	–	7 651
561	67	963	3 844	–	–	–	3 844
62	–	69	480	–	–	(480)	–
–	(632)	–	(632)	632	–	–	–
–	–	–	–	–	–	–	–
–	59	–	1 982	–	738	–	2 720
7 164	2 464	2 847	42 083	632	738	(480)	42 973
(6 357)	(781)	(1 043)	(19 593)	430	–	–	(19 163)
1 771	436	150	4 016	(430)	–	–	3 586
(4 586)	(345)	(893)	(15 577)	–	–	–	(15 577)
(617)	(2 218)	(166)	(5 553)	(632)	–	–	(6 185)
(197)	(1)	(117)	(591)	–	–	–	(591)
(2 637)	(1 264)	(2 372)	(13 456)	(214)	(163)	(365)	(14 198)
686	660	–	1 346	–	–	–	1 346
–	1 035	–	4 464	1 127	–	–	5 591
6	10	15	48	(7)	–	–	41
366	(17)	(35)	(6 257)	7	–	–	(6 250)
–	354	–	–	(1 127)	–	–	(1 127)
–	–	–	(120)	–	(575)	–	(695)
1	–	(67)	(66)	–	–	–	(66)
186	678	(788)	6 321	(214)	–	(845)	5 262
7	14	44	265	–	–	480	745
–	–	–	5	–	–	–	5
(365)	–	–	(365)	–	–	365	–
–	–	8	8	–	–	–	8
–	–	(275)	(275)	–	–	–	(275)
(7)	(18)	(216)	(293)	–	–	–	(293)
(30)	–	49	18	–	–	–	18
(209)	674	(1 178)	5 684	(214)	–	–	5 470
29	(237)	33	(1 954)	214	–	–	(1 740)
(180)	437	(1 145)	3 730	–	–	–	3 730

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 are reclassified to account for the contractual arrangement in respect of the business written on the statement of financial position of Prudential Assurance Company Limited, 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 *Investment income earned on assets backing policyholder liabilities is included as part of the normalised profit from operations in the segmental disclosure, but is included together with shareholder investment income for IFRS purposes.*

ANNEXURE 1

SEGMENTAL INFORMATION continued

for the year ended 30 June 2015

Audited and restated

R million	SA Health	SA Life	SA Invest	SA Vitality
Income statement				
Insurance premium revenue	16	9 711	7 821	–
Reinsurance premiums	(2)	(1 579)	–	–
Net insurance premium revenue	14	8 132	7 821	–
Fee income from administration business	4 881	248	1 106	–
Vitality income	–	–	–	2 051
Receipt arising from reinsurance contracts	–	1 250	–	–
Investment income earned on assets backing policyholder liabilities	–	240	3	–
Finance charge on negative reserve funding	–	–	–	–
Inter-segment funding[1]	–	(457)	457	–
Net fair value gains on financial assets at fair value through profit or loss	–	688	1 680	–
Net income	4 895	10 101	11 067	2 051
Claims and policyholders' benefits	(1)	(5 173)	(5 296)	–
Insurance claims recovered from reinsurers	1	1 226	–	–
Net claims and policyholders' benefits	–	(3 947)	(5 296)	–
Acquisition costs	(5)	(1 606)	(713)	(64)
Marketing and administration expenses				
– depreciation and amortisation	(211)	(28)	–	–
– other expenses	(2 648)	(1 490)	(430)	(1 945)
Recovery of expenses from reinsurers	–	–	–	–
Transfer from assets/liabilities under insurance contracts				
– change in assets arising from insurance contracts	–	2 899	–	–
– change in assets arising from reinsurance contracts	–	(8)	–	–
– change in liabilities arising from insurance contracts	–	(1 370)	(4 015)	–
– change in liabilities arising from reinsurance contracts	–	(1 580)	–	–
Fair value adjustment to liabilities under investment contracts	–	(3)	(153)	–
Share of net profits from equity accounted investments	–	–	–	–
Normalised profit/(loss) from operations	2 031	2 968	460	42
Investment income earned on shareholder investments and cash	67	33	15	9
Net realised gains on available-for-sale financial assets	–	187	1	–
Rebranding and business acquisitions expenses	–	–	–	–
Costs relating to AIA restructure	–	–	–	–
Amortisation of intangibles from business combinations	–	–	–	–
Puttable non-controlling interest fair value adjustment	–	–	–	–
Finance costs	(29)	(7)	–	–
Foreign exchange gains/(losses)	–	1	4	–
Realised gain from sale of associate	–	–	–	–
Profit before tax	2 069	3 182	480	51
Income tax expense	(595)	(877)	(132)	(15)
Profit for the year	1 474	2 305	348	36

1 The inter-segment funding of R457 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 are reclassified to account for the contractual arrangement in respect of the business written on the statement of financial position of Prudential Assurance Company Limited, 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 Investment income earned on assets backing policyholder liabilities is included as part of the normalised profit from operations in the segmental disclosure, but is included together with shareholder investment income for IFRS purposes.

UK Health	UK Life	All other segments Restated[5]	Segment total	IFRS reporting adjustments			IFRS total
				UK Life[2]	DUT[3]	Normalised profit adjustments[4]	
6 958	2 629	1 102	28 237	(543)	–	–	27 694
(1 314)	(543)	(218)	(3 656)	543	–	–	(3 113)
5 644	2 086	884	24 581	–	–	–	24 581
97	–	298	6 630	–	–	–	6 630
323	25	630	3 029	–	–	–	3 029
–	–	–	1 250	–	–	–	1 250
50	–	26	319	–	–	(319)	–
–	(314)	–	(314)	314	–	–	–
–	–	–	–	–	–	–	–
–	–	–	2 368	–	756	–	3 124
6 114	1 797	1 838	37 863	314	756	(319)	38 614
(4 393)	(471)	(715)	(16 049)	244	–	–	(15 805)
1 140	244	136	2 747	(244)	–	–	2 503
(3 253)	(227)	(579)	(13 302)	–	–	–	(13 302)
(535)	(1 914)	(143)	(4 980)	(314)	–	–	(5 294)
(107)	–	(67)	(413)	–	–	–	(413)
(2 125)	(860)	(1 657)	(11 155)	(176)	–	(420)	(11 751)
316	–	131	447	–	–	–	447
–	10	–	2 909	1 742	–	–	4 651
89	7	–	88	(7)	–	–	81
(276)	(13)	(26)	(5 700)	7	–	–	(5 693)
–	1 742	–	162	(1 742)	–	–	(1 580)
–	–	–	(156)	–	(756)	–	(912)
–	–	26	26	–	–	–	26
223	542	(477)	5 789	(176)	–	(739)	4 874
6	–	58	188	–	–	319	507
–	–	–	188	–	–	–	188
(366)	–	(54)	(420)	–	–	420	–
–	–	(87)	(87)	–	–	–	(87)
–	–	(227)	(227)	–	–	–	(227)
–	–	1 661	1 661	–	–	–	1 661
(4)	–	(157)	(197)	–	–	–	(197)
(23)	–	58	40	–	–	–	40
–	–	7	7	–	–	–	7
(164)	542	782	6 942	(176)	–	–	6 766
295	(176)	110	(1 390)	176	–	–	(1 214)
131	366	892	5 552	–	–	–	5 552

5 *Change in presentation*
At each reporting date, Discovery must review whether the segments being disclosed still comply with IFRS8 – Segment reporting. Based on this review, the operating segments that were previously reported in the "New Business Development" segment no longer meet the aggregation criteria. As they do not meet the quantitative thresholds either, they have moved to the "All other segments" column. Comparative disclosure has been updated to be consistent with the current year disclosure. New business development previously included The Vitality Group in the United States of America, Ping An Health in China, AIA Vitality in Asia and Discovery Insure in South Africa, as well as expenses incurred to investigate new products and markets.

ANNEXURE 1

REVIEW OF GROUP RESULTS

for the year ended 30 June 2016

New business annualised premium income

New business annualised premium income decreased 7% for the year ended 30 June 2016 when compared to the same period in the prior year. However, when excluding R4.2 billion in respect of the Bankmed Medical Scheme administration and managed care services contract taken on in the prior year, new business annualised premium income increased 22%.

R million	June 2016	June 2015	% change
Discovery Health – DHMS	4 901	4 442	10
Discovery Health – Closed Schemes excluding Bankmed take-on	1 676	956	75
Discovery Life	2 347	2 231	5
Discovery Invest	1 932	1 646	17
Discovery Insure	841	789	7
Discovery Vitality	187	223	(16)
VitalityHealth	1 161	814	43
VitalityLife	1 332	1 079	23
The Vitality Group	122	161	(24)
Ping An Health	1 732	991	75
New business API of Group excluding Bankmed take-on	**16 231**	13 332	22
Bankmed take-on	–	4 200	
New business API of Group	**16 231**	17 532	(7)

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 policies.

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 excluded in the embedded value, but included in the table above.

For The Vitality Group and Ping An Health, the embedded value definition of new business is used in the table above.

Refer to 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 17% for the year ended 30 June 2016 when compared to the same period in the prior year.

R million	June 2016	June 2015	% change
Discovery Health	59 303	51 891	14
Discovery Life	11 292	9 959	13
Discovery Invest	15 517	13 520	15
Discovery Insure	1 583	1 118	42
Discovery Vitality	2 253	2 051	10
VitalityHealth	9 132	7 378	24
VitalityLife	3 921	2 654	48
The Vitality Group	952	634	50
Other partner markets	456	278	64
Gross inflows under management	104 409	89 483	17
Less: collected on behalf of third parties	(59 014)	(51 587)	14
Discovery Health	(53 705)	(46 994)	14
Discovery Invest	(5 309)	(4 593)	16
Gross income of Group per the segmental information	45 395	37 896	20
Gross income is made up as follows:			
– Insurance premium revenue	33 900	28 237	20
– Fee income from administration business	7 651	6 630	15
– Vitality income	3 844	3 029	27
Gross income of Group per the segmental information	45 395	37 896	20

Normalised profit from operations

The following table shows the main components of the normalised profit from operations for the year ended 30 June 2016:

R million	June 2016	June 2015	% change
Discovery Health	2 265	2 031	12
Discovery Life	3 373	2 968	14
Discovery Invest	563	460	22
Discovery Vitality	44	42	5
VitalityHealth	186	223	(17)
VitalityLife	678	542	25
Normalised profit from established businesses	7 109	6 266	14
All other segments (excluding additional 54.99% share of DiscoveryCard profits)	(823)	(477)	73
Additional 54.99% share of DiscoveryCard profits	121	–	
– Included in profit or loss in 'All other segments'	35	–	
– Included in intangible assets	86	–	
Normalised profit from operations[1]	6 407	5 789	11

1 *This does not agree to the normalised profit from operations per the segmental information due to the inclusion of the additional 54.99% share of DiscoveryCard profits explained below.*

Significant transactions affecting the current results

Increase in the DiscoveryCard profit share arrangement

Prior to 1 July 2015, Discovery and FirstRand Bank Limited (FRB) had a joint arrangement in place that makes a "Discovery" branded FNB credit card (DiscoveryCard) available to the clients of Discovery. In terms of this arrangement, FRB paid Discovery an amount equal to 20% of the profits generated by the DiscoveryCard.

During the current year, both parties agreed that Discovery will increase its economic interest in the DiscoveryCard by subscribing for redeemable preference shares in the share capital of FRB. This entitles Discovery to receive an additional 54.99% of the profits generated by the DiscoveryCard effective from 1 July 2015. In December 2015, Discovery subscribed for R1.4 billion FRB redeemable preference shares and in April 2016 the contractual rights under the preference shares were finalised.

In terms of IAS 38: Intangible Assets, the preference shares have been disclosed as an intangible asset in the Statement of financial position as the substance of the arrangement is a right to receive additional 54.99% of the profits generated by the DiscoveryCard. This intangible asset will be amortised through profit or loss as profits are expected to emerge and R26 million has been recognised for the current financial year. This has been added back in the calculation of Normalised Headline Earnings. At 30 June 2016, there was no indication of impairment.

R121 million is receivable in respect of the 54.99% profits generated by the DiscoveryCard from 1 July 2015 to 30 June 2016. As the contractual rights under the preference shares were only finalised in April 2016, any profits earned prior to that, being R86 million, represents an adjustment to the purchase price of the intangible asset rather than income received and as such has reduced the value of the intangible asset recognised. This has been added to Normalised Headline Earnings.

Increase in borrowings

United Kingdom borrowings

During the year ended 30 June 2015, Discovery entered into a GBP 100 million term facility with HSBC Bank Plc which will be used to fund the operations of VitalityLife. At 30 June 2015, GBP 26.4 million of the facility was utilised. During the current financial year, the remaining balance of GBP 73.6 million was utilised. In addition, a new facility of GBP 50 million was entered into during the current financial year, of which GBP 20 million was utilised by year-end. Discovery repaid GBP 7.5 million (R173 million) of the original facility on 31 May 2016, as per the agreed terms. The balance owing to HSBC Bank Plc at year-end was R2 226 million (2015: R506 million). The increase in these borrowings is partially offset by a reduction in Negative reserve funding, outlined in more detail on the next page.

Finance charges of R60 million in respect of these borrowings have been recognised in profit or loss.

South African borrowings

Discovery concluded a bank syndicated loan programme in June 2016, whereby the existing RMB term loan of R400 million entered into in 2010, which was due to mature in September 2017, and a bridge loan facility of R2.6 billion entered into in December 2015, were refinanced through the following long-term facilities:

- A fixed rate term loan facility of R1.6 billion has been entered into with Rand Merchant Bank, a division of FirstRand Bank Limited. The facility has the following profile:
  - R500 million at a fixed interest rate of 10.79% per annum, payable quarterly in arrears, with capital repayable on 10 June 2021.
  - R1.1 billion at a fixed interest rate of 10.44% per annum, payable quarterly in arrears, with an amortising capital profile, having the first repayment on 10 June 2019 and final settlement on 10 June 2021.
- A subsidiary in the Discovery Group issued 1 400 A preference shares at an issue price of R1 million each, by way of private placement to Investec Bank Limited. The preference shares were issued at a fixed coupon rate of 8.015% per annum, paid bi-annually. The shares are cumulative, non-participating, non-convertible preference shares and redeemable on 29 June 2021.

  Since the shares are mandatorily redeemable on a specified date, they have been recognised as Borrowings in the Statement of Financial Position. The value of the preference shares has been reduced by share issue costs of R6.7 million. As the dividends are cumulative, they have been accrued for in the current financial year and disclosed in finance costs in profit or loss.

Finance charges of R155 million in respect of these South African borrowings have been recognised in profit or loss.

Negative reserve funding

The negative reserve funding liability on Discovery's Statement of financial position represents the acquisition costs that are funded by Prudential on behalf of VitalityLife. The liability unwinds and is repaid on a matched basis as the cash flows emerge from the assets arising from insurance contracts. In the event that the cash flows do not emerge as anticipated, VitalityLife would be required to repay these liabilities from other resources.

The decrease in the negative reserve funding liability relates to the repayment of funding by VitalityLife in the current financial year.

Refinancing of BEE transaction by a BEE partner

In September 2005, Discovery concluded a BEE transaction pursuant to which 38 725 909 shares were issued to a consortium of BEE parties. 14 226 181 of these shares were issued to the Discovery Foundation (The Foundation) being one of the BEE consortium members, at R0.001 each, for an initial period of 10 years (initial period).

The difference between the market value of the ordinary shares issued to the BEE parties and the subscription consideration, represented an outstanding funded amount provided by Discovery shareholders (funded amount). These shares were treated as treasury shares.

At the end of the initial period,

- Discovery had the right to repurchase such number of ordinary shares at R0.001 per share that would provide Discovery with a notional return of the funded amount.
- In order for The Foundation to retain the full number of Discovery shares originally issued to them, The Foundation then had the right to simultaneously acquire from Discovery, at the then thirty-day volume-weighted average price (VWAP) per Discovery share, the same number of shares repurchased by Discovery.

The initial period expired in December 2015 and resulted in the following transactions:

- Discovery repurchased 5 666 134 Discovery shares held by The Foundation at a price of R0.001 per Discovery share.
- The issue to The Foundation by Discovery of 5 666 134 new Discovery shares at a price of R144.22 per Discovery share (representing the 30 day VWAP to 9 December 2015). This increased Share Capital and Share Premium by R817.2 million.

Treasury shares have therefore decreased by 14 226 181.

Consolidation of Discovery Unit Trusts

The Discovery Unit Trusts are consolidated into Discovery's results in both the current and prior financial year. The following large increases in the Discovery Unit Trusts Statement of financial position have had a direct impact on the Group's Statement of financial position:

- Cash and cash equivalents increased by R510 million.
- Loans and receivables increased by R545 million.
- Trade and other payables increased by R1 525 million.
- Investments at fair value through profit or loss increased by R9 203 million.
- Investment contracts at fair value through profit or loss increased by R8 726 million.

REVIEW OF GROUP RESULTS continued

for the year ended 30 June 2016

Other significant items in these results

Taxation

For South African entities that are in a tax paying position, tax has been provided at 28% (2015: 28%) in the financial statements. No deferred tax assets have been recognised on the assessed losses in Discovery Insure and The Vitality Group.

At 30 June 2015, a deferred tax asset of R295 million was raised in respect of the VitalityHealth assessed losses. This approximated 50% of the potential deferred tax asset and was based on forecast taxable income for the next five years. No further asset has been raised in the current results.

Material transactions with related parties

Discovery Health administers the Discovery Health Medical Scheme (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 R4 711 million for the year ended 30 June 2016 (2015: R4 374 million). Discovery offers the members of DHMS access to the Vitality programme.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss have increased by R10.8 billion due to the sale of Discovery Invest products. This includes the impact of consolidating the Discovery Unit Trusts into the Group's results. The increase in the financial assets at fair value through profit or loss has been presented in 'Net purchase of investments held to back policyholder liabilities' of R9 597 million in the Statement of cash flows.

Deferred tax liability

The deferred tax liability is primarily attributable to the application of the Financial Services Board directive 145. This directive allows for the zeroing on a statutory basis of the assets arising from insurance contracts. The statutory basis is used when calculating tax payable for Discovery Life, resulting in a timing difference between the tax base and the accounting base.

The future basis for taxation of Life companies is currently being reviewed by National Treasury.

Shareholder information

Directorate

Changes to the Board of Discovery Limited from 1 July 2015 to the date of this announcement are as follows:

- Ms T Slabbert resigned as a non-executive director on 22 October 2015.
- Ms F Khanyile was appointed as a non-executive director on 22 October 2015.
- Mr J Durand resigned as a non-executive director on 13 January 2016.
- Mr R Farber will relinquish his role as Chief Financial Officer and Group Financial Director of Discovery with effect from 31 December 2016. Mr Farber will remain a director on the Board of Discovery.

Dr V Maphai, Mr T Mboweni, Mr L Owen and Ms S De Bruyn Sebotsa retire by rotation at the forthcoming Annual General Meeting of shareholders and are eligible and available for re-election.

Dividend policy and capital

Interim dividends paid

The following interim dividends were paid during the current financial year:

- B preference share dividend of 480.06849 cents per share (408.05822 cents net of dividend withholding tax), paid on 14 March 2016.
- Ordinary share dividend of 85.5 cents per share (72.675 cents net of dividend withholding tax), paid on 22 March 2016.

Final dividend declaration

At 30 June 2016, the capital adequacy requirement on the statutory basis for Discovery Life was R628 million (2015: R557 million) and was covered 3.6 times (2015: 3.9 times).

B preference share cash dividend declaration:

On 25 August 2016, the directors declared a final gross cash dividend of 514.24658 cents (437.10959 cents net of dividend withholding tax) per B preference share for period 1 January 2016 to 30 June 2016, payable from the income reserves of the Company. A dividend withholding tax of 15% 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	Tuesday, 13 September 2016
Shares commence trading "ex" dividend	Wednesday, 14 September 2016
Record date	Friday, 16 September 2016
Payment date	Monday, 19 September 2016

B preference share certificates may not be dematerialised or rematerialised between Wednesday, 14 September 2016 and Friday, 16 September 2016, both days inclusive.

Ordinary share cash dividend declaration:

Notice is hereby given that the directors have declared a final gross cash dividend of 90 cents (76.5 cents net of dividend withholding tax) per ordinary share, out of income reserves for the year ended 30 June 2016. A dividend withholding tax of 15% will be applicable to all shareholders who are not exempt.

The issued ordinary share capital at the declaration date is 647 427 946 ordinary shares.

The salient dates for the dividend will be as follows:

Last day of trade to receive a dividend	Tuesday, 4 October 2016
Shares commence trading "ex" dividend	Wednesday, 5 October 2016
Record date	Friday, 7 October 2016
Payment date	Monday, 10 October 2016

Share certificates may not be dematerialised or rematerialised between Wednesday, 5 October 2016 and Friday, 7 October 2016, both days inclusive.

REVIEW OF GROUP RESULTS continued

for the year ended 30 June 2016

Basis of preparation

The summary consolidated financial statements are prepared in accordance with JSE Limited's (JSE) requirements for summary financial statements, and the requirements of the Companies Act applicable to summary financial statements. The JSE requirements require summary financial statements 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 International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

Change in comparatives

When Discovery Life launched the Discovery Retirement Optimiser, it sold it as an add-on to the Discovery Life Plan. As the Discovery Life Plan (DLP) and the Discovery Retirement Optimiser (DRO) were covered under one policy, the insurance liabilities for both these portions of the policy were therefore disclosed together in the Statement of financial position. The DLP portion would result in an insurance asset and the DRO portion would result in an insurance liability. The net value would be disclosed in Assets arising from insurance contracts.

Following the launch of Discovery Invest the DRO product and the administration system were restructured over time. The single policy referred to above, was eventually split into two policies and the policyholder now had a DLP policy and a DRO policy. Either policy could now be cancelled individually. From that date, the insurance asset for the DLP policy and the insurance liability for the DRO policy should have been disclosed separately, but has not been given the gradual evolution of the DRO product and processes. The historic practice was reconsidered in the current financial year and disclosure in both the current and prior year Statement of financial positions have been updated to disclose the insurance asset and insurance liability separately.

The restatement to the comparative Statement of financial position results in an increase of R6 418 million to Assets arising from insurance contracts and a corresponding equal increase in the Liabilities arising from insurance contracts. The restatement has no impact on the Group's comparative net profit, nor the Group's comparative basic and diluted earnings per share, nor the Group's comparative cash flows.

The adjustment is analysed in the table below.

	June 2015		
R million	Original comparative	Adjustment	Adjusted comparative
Statement of financial position:			
Assets arising from insurance contracts	21 726	6 418	28 144
Liabilities arising from insurance contracts	(30 818)	(6 418)	(37 236)
	(9 092)	–	(9 092)
Income statement:			
Transfer from assets/liabilities under insurance contracts:			
– change in assets arising from insurance contracts	3 278	1 373	4 651
– change in liabilities arising from insurance contracts	(4 320)	(1 373)	(5 693)
	(1 042)	–	(1 042)

Audit

This summarised report is extracted from audited information, but is not itself 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.

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 twelve months ended 30 June 2016

The embedded value of Discovery consists of the following components:

- the free surplus attributed to the business at the valuation date;
- plus: the required capital to support the in-force covered business at the valuation date;
- plus: the present value of expected future shareholder cash flows from the in-force covered business;
- 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 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.

For Life, the shareholder cash flows are based on the release of margins under the Statutory Valuation Method ("SVM") basis.

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, Discovery Invest, Discovery Health and Discovery Vitality, and in the United Kingdom through VitalityLife and VitalityHealth. For The Vitality Group (USA), Ping An Health and Discovery Insure, 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.

In November 2014, the Prudential Assurance Company (Prudential) agreed to sell its remaining 25% shareholding in Prudential Health Holdings Limited (PHHL) to Discovery Limited for GBP 155 million (R2 790 million). Following the purchase of the remaining 25% in PHHL, PruHealth and PruProtect have been rebranded as VitalityHealth and VitalityLife respectively.

In June 2015, the methodology to derive the assumed beta was amended. Under this revised methodology, the assumed beta is set with reference to the observed beta calculated using daily returns over a long time period and with reference to the ALSI. The resulting assumed beta is then fixed at this level unless the observed beta calculated using daily returns over a long time period departs significantly from this assumption at the financial year end. At 30 June 2016 the observed beta has departed materially from the previous assumption, resulting in a change to the beta assumption. The beta assumption used at 30 June 2016 is 0.75 (30 June 2015: 0.55).

In December 2015, the initial period expired on the BEE transaction that was concluded in September 2005 with the Discovery Foundation. In the transaction, shares were issued to the Discovery Foundation at R0.001 per share for an initial period of 10 years. At the end of this initial period Discovery has the right to repurchase these ordinary shares at R0.001 per share which would provide Discovery with the notional return of the funded amount. Simultaneously, the Discovery Foundation has the right to acquire from Discovery the same number of shares repurchased by Discovery. At the expiry of the initial period, the above transactions were executed resulting in an increased share capital and premium of R817 million and a decrease of 14 226 181 treasury shares.

In January 2016, the European insurance regulation Solvency II came into effect and Vitality Life Limited was granted a life insurance licence in the United Kingdom on which it commenced writing new business. These two changes required that the embedded value methodology for VitalityLife be reviewed. The key methodology change was the zeroisation of the negative reserves emerging under insurance contracts in Vitality Life Limited and Discovery funded VitalityLife business on the Prudential licence. This effectively moves the negative reserve from net worth to the value of in-force. The value of negative reserves under insurance contracts that were set to zero at 30 June 2016 was R3.1 billion.

In June 2016, the United Kingdom European Union membership referendum voted in favour of the United Kingdom departing from the European Union. This event, coined "Brexit", resulted in economic environmental impacts for VitalityHealth and VitalityLife. The embedded value calculation at 30 June 2016 includes the impacts of lower UK risk-free rates and depreciation of the British Pound relative to the South African Rand.

The 30 June 2016 embedded value results and disclosures were subjected to an external review.

ANNEXURE 1

EMBEDDED VALUE STATEMENT continued

for the twelve months ended 30 June 2016

Table 1: Group embedded value

R million	30 June 2016	30 June 2015	% Change
Shareholders' funds	30 607	27 356	12
Adjustment to shareholders' funds from published basis[1]	(23 583)	(17 784)	
Adjusted net worth	7 024	9 572	
– Free surplus	1 479	5 188	
– Required capital[2]	5 545	4 384	
Value of in-force covered business before cost of required capital	48 121	44 006	
Cost of required capital	(2 065)	(1 283)	
Discovery Limited embedded value	**53 080**	52 295	2
Number of shares (millions)	644.2	629.0	
Embedded value per share	R82.40	R83.14	(1)
Diluted number of shares (millions)	646.7	646.7	
Diluted embedded value per share[3]	R82.17	R82.29	(0)

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 R19.78/GBP (June 2015: R19.19/GBP):*

R million	*30 June 2016*	*30 June 2015*
Discovery Life net assets under insurance contracts	*(15 768)*	*(13 208)*
Vitality Life Limited and Discovery funded VitalityLife business on the Prudential licence net assets under insurance contracts	*(3 090)*	*–*
VitalityHealth and VitalityHealth Insurance Limited deferred acquisition costs (net of deferred tax)	*(290)*	*(230)*
VitalityLife receivable relating to the Unemployment Cover benefit (net of deferred tax)	*(41)*	*(44)*
Goodwill and intangible assets (net of deferred tax) relating to the acquisition of Standard Life Healthcare and the Prudential joint venture	*(3 615)*	*(3 523)*
Net preference share capital	*(779)*	*(779)*
	(23 583)	*(17 784)*

2 *The required capital backed by tangible assets at June 2016 for Life is R1 255 million (June 2015: R1 114 million), for Health and Vitality is R725 million (June 2015: R642 million), for VitalityHealth and VitalityHealth Insurance Limited is R2 212 million (June 2015: R1 693 million) and for VitalityLife is R1 353 million (June 2015: R935 million). For Life, the required capital was set equal to two times the statutory Capital Adequacy Requirement. For Health and Vitality, the required capital was set equal to two times the monthly renewal expense and Vitality benefit cost. For VitalityHealth, the required capital amount was set equal to 1.4 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. For the business sold on the Vitality Life Limited licence, the required capital was set equal to the excess of 1.4 times the Solvency II Pillar 1 Solvency Capital Requirement over the negative Solvency II technical provisions.*

3 *The diluted embedded value per share allows for Discovery's BEE transaction where the impact is dilutive i.e. where the current embedded value per share exceeds the current transaction value.*

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 2016			
Health and Vitality	16 834	(315)	16 519
Life and Invest[1]	22 411	(723)	21 688
VitalityHealth[2]	4 421	(377)	4 044
VitalityLife[2, 3]	4 455	(650)	3 805
Total	48 121	(2 065)	46 056
at 30 June 2015			
Health and Vitality	15 500	(254)	15 246
Life and Invest[1]	22 464	(556)	21 908
VitalityHealth[2]	4 188	(208)	3 980
VitalityLife[2]	1 854	(265)	1 589
Total	44 006	(1 283)	42 723

1 *Included in the Life and Invest value of in-force covered business is R1 100 million (June 2015: R884 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 R19.78/GBP (June 2015: R19.19/GBP).*
3 *Included in the VitalityLife value of in-force covered business is an increase of R2 200 million in respect of the zeroisation of the negative reserves in VitalityLife Limited and the Discovery funded VitalityLife business on the Prudential licence.*

Table 3: Group embedded value earnings

	Year ended	
R million	30 June 2016	30 June 2015
Embedded value at end of period	53 080	52 295
Less: Embedded value at beginning of period	(52 295)	(43 050)
Increase in embedded value	784	9 245
Net change in capital[1]	(812)	–
Dividends paid	1 201	1 036
Transfer to hedging reserve	171	(50)
Proceeds from rights-issue	–	(5 000)
Rights-issue costs	–	94
Embedded value earnings	1 345	5 325
Annualised return on opening embedded value	2.6%	12.4%

1 *The net change in capital includes the R817 million increase in share capital and premium associated with the Discovery Foundation BEE Share recapture, as well as an offsetting R5 million from an increase in treasury shares.*

EMBEDDED VALUE STATEMENT continued

for the twelve months ended 30 June 2016

Table 4: Components of Group embedded value earnings

R million	Year ended 30 June 2016 Net worth	Cost of required capital	Value of in-force covered business	Embedded value	Year ended 30 June 2015 Embedded value
Total profit from new business (at point of sale)	(5 432)	(477)	8 241	2 332	2 614
Profit from existing business					
▪ Expected return	4 240	(39)	421	4 622	3 989
▪ Change in methodology and assumptions[1]	1 363	(358)	(4 769)	(3 764)	(799)
▪ Experience variances	(471)	61	232	(178)	1 452
Impairment, amortisation and fair value adjustment[2]	(37)	–	–	(37)	–
Acquisition of Prudential joint venture[3]	–	–	–	–	(774)
Intangibles no longer allocated to minorities[4]	–	–	–	–	(765)
Increase in goodwill and intangibles	(366)	–	–	(366)	(277)
Other initiative costs[5]	(887)	–	9	(878)	(485)
Non-recurring expenses[6]	(508)	–	–	(508)	(488)
Acquisition costs[7]	(24)	–	1	(23)	(15)
Finance costs	(107)	–	–	(107)	(103)
Foreign exchange rate movements	(30)	31	(40)	(39)	581
Other[8]	36	–	20	56	169
Return on shareholders' funds[9]	235	–	–	235	225
Embedded value earnings	(1 988)	(782)	4 115	1 345	5 325

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 DiscoveryCard profit share arrangement, banking costs and the PrimeMed acquisition.
3 This item represents the difference between the purchase price and the minority share of PHHL's tangible net asset value at the acquisition date plus 25% of the value in-force and cost of required capital that Discovery purchased in the transaction at the acquisition date.
4 This item reflects the unwinding of the goodwill and intangible assets (net of deferred tax) relating to the acquisition of Standard Life Healthcare and the Prudential joint venture allocated to minorities.
5 This item reflects Group initiatives including expenses relating to the investment in The Vitality Group, Discovery Partner Markets, Vitality International, once-off expenses in Invest, Discovery Insure, other new business initiatives and unallocated head office costs.
6 This item includes rebranding costs, as well as other once-off costs relating to the acquisition of 25% of PHHL.
7 Acquisition costs relate to commission paid on Life 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 excluded.
8 This item includes the tax benefit that will be obtained as the VitalityHealth DAC and intangible software assets amortise.
9 The return on shareholders' funds is shown net of tax and management charges.

Table 5: Experience variances

R million	Health and Vitality Net worth	Health and Vitality Value of in-force	Life and Invest Net worth	Life and Invest Value of in-force	VitalityHealth Net worth	VitalityHealth Value of in-force	VitalityLife Net worth	VitalityLife Value of in-force	Total
Renewal expenses	64	–	28	(4)	(108)	–	4	–	**(16)**
Other expenses	18	–	–	–	–	–	–	–	**18**
Lapses and surrenders	14	125	(193)	197	–	(35)	(158)	99	**49**
Mortality and morbidity	–	–	48	(54)	(185)	–	20	–	**(171)**
Policy alterations[1]	–	55	(434)	167	–	–	(44)	41	**(215)**
Premium and fee income	9	(138)	(130)	84	–	–	–	–	**(175)**
Economic assumptions	–	–	29	(275)	–	–	–	–	**(246)**
Commission	–	–	–	–	50	–	–	–	**50**
Tax[2]	3	–	250	(294)	66	–	7	–	**32**
Reinsurance	–	–	–	–	107	(110)	–	–	**(3)**
Maintain modelling term[3]	–	268	–	63	–	62	–	–	**393**
Vitality benefits	36	–	–	–	(39)	–	–	–	**(3)**
Other	95	–	(93)	42	61	–	4	–	**109**
Total	239	310	(495)	(74)	(48)	(83)	(167)	140	**(178)**

1 Policy alterations relate to changes to existing benefits at the request of the policyholder.
2 The tax variance for Life and Invest arises due to a movement in the deferred tax asset which delays the payment of tax.
3 The projection term for Health and Vitality, Group Life and VitalityHealth at 30 June 2016 has not been changed from that used in the 30 June 2015 embedded value calculation. Therefore, an experience variance arises because the total term of the in-force covered business is effectively increased by twelve months.

Table 6: Methodology and assumption changes

R million	Health and Vitality Net worth	Health and Vitality Value of in-force	Life and Invest Net worth	Life and Invest Value of in-force	VitalityHealth Net worth	VitalityHealth Value of in-force	VitalityLife Net worth	VitalityLife Value of in-force	Total
Modelling changes[1]	–	–	(19)	79	–	–	(421)	602	**241**
Expenses	–	450	(2)	(29)	–	–	(1)	3	**421**
Lapses	–	–	13	(592)	–	–	90	8	**(481)**
Mortality and morbidity	–	–	(225)	44	–	–	–	–	**(181)**
Benefit enhancements	–	–	(1)	(11)	–	–	–	–	**(12)**
Vitality benefits	–	(44)	–	–	–	(23)	–	–	**(67)**
Tax	–	–	12	(58)	–	93	–	50	**97**
Economic assumptions[2]	–	(417)	24	(2 235)	–	(82)	(787)	64	**(3 433)**
Premium and fee income	–	–	(24)	(64)	–	–	–	–	**(88)**
Reinsurance[3]	–	–	1 251	(1 352)	549	(528)	31	(88)	**(137)**
Other[4]	–	–	(57)	64	–	(54)	930	(1 007)	**(124)**
Total	–	(11)	972	(4 154)	549	(594)	(158)	(368)	**(3 764)**

1 For VitalityLife, the key modelling change relates to the zeroisation of the intangible negative reserves for Vitality Life Limited and Discovery funded VitalityLife business on the Prudential licence to reflect the shareholder cash flows on these policies. This effectively moves the negative reserve from net worth to the value of in–force.
2 The economic assumption changes include the following items:
- *A change in the beta coefficient from 0.55 at 30 June 2015 to 0.75 at 30 June 2016.*
- *For Health and Vitality and Discovery Life, there has been an increase in the South African risk–free rate since 30 June 2015.*
- *For VitalityHealth and VitalityLife, there has been a reduction in the UK risk–free rate since 30 June 2015.*
- *For VitalityLife, there is a realised loss in the net worth relating to the whole of life reinsurance structure.*

3 For Life and VitalityHealth, the reinsurance item primarily relates to the impact of the financing reinsurance arrangements.
4 For VitalityLife, the other item relates to the margin reset as per the accounting policy.

EMBEDDED VALUE STATEMENT continued

for the twelve months ended 30 June 2016

Table 7: Embedded value of new business

R million	30 June 2016	30 June 2015	% change	30 June 2016 on 30 June 2015 economic basis[1]	% change
	Twelve months ended				
Health and Vitality					
Present value of future profits from new business at point of sale	**844**	606		887	
Cost of required capital	**(48)**	(22)		(42)	
Present value of future profits from new business at point of sale after cost of required capital	**796**	584	36	845	45
New business annualised premium income[2]	**7 415**	2 829	162		
Life and Invest					
Present value of future profits from new business at point of sale[3]	**1 263**	1 268		1 539	
Cost of required capital	**(67)**	(56)		(51)	
Present value of future profits from new business at point of sale after cost of required capital	**1 196**	1 212	(1)	1 488	23
New business annualised premium income[4]	**2 798**	2 490	12		
Annualised profit margin[5]	**5.3%**	5.9%			
Annualised profit margin excluding Invest business	**8.9%**	9.7%			
VitalityHealth					
Present value of future profits from new business at point of sale	**109**	45		101	
Cost of required capital	**(47)**	(20)		(30)	
Present value of future profits from new business at point of sale after cost of required capital	**62**	25	148	71	184
New business annualised premium income (Rand)[6]	**1 071**	833	29		
Annualised profit margin[5]	**0.9%**	0.6%			
VitalityLife[7]					
Present value of future profits from new business at point of sale	**593**	850		710	
Cost of required capital	**(315)**	(57)		(127)	
Present value of future profits from new business at point of sale after cost of required capital	**278**	793	(65)	583	(26)
New business annualised premium income (Rand)	**1 083**	967	12		
Annualised profit margin[5]	**3.5%**	11.0%			

1 There have been a number of movements in the economic assumptions since 30 June 2015, most notably the increase in the Discovery beta coefficient from 0.55 at 30 June 2015 to 0.75 at 30 June 2016.

2 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 2016. Excluding contributions from Bankmed, the new business annualised premium income was R2 913 million.
The total Health and Vitality new business annualised premium income written over the period was R6 764 million (June 2015: R5 622 million), excluding Bankmed.

3 Included in the Life and Invest embedded value of new business is R159 million (June 2015: R60 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.

4 Life new business is defined as Life policies or Discovery Retirement Optimiser 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.
The new business annualised premium income of R2 798 million (June 2015: R2 490 million) (single premium APE: R1 175 million (June 2015: R1 005 million)) shown above excludes automatic premium increases and servicing increases in respect of existing business. The total Life new business annualised premium income written over the period, including automatic premium increases of R966 million (June 2015: R887 million) and servicing increases of R516 million (June 2015: R500 million) was R4 279 million (June 2015: R3 877 million) (single premium APE: R1 218 million (June 2015: R1 048 million)). Single premium business is included at 10% of the value of the single premium.
Policy alterations, 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.

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

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 2016.

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 twelve months ended 30 June 2016

Table 8: Embedded value economic assumptions

	30 June 2016	30 June 2015
Beta coefficient	0.75	0.55
Equity risk premium (%)	3.5	3.5
Risk discount rate (%)		
Health and Vitality	11.875	10.675
Life and Invest	12.625	11.175
VitalityHealth	3.77§	4.05
VitalityLife	4.695	5.045
Rand/GB Pound exchange rate		
Closing	19.78	19.19
Average	21.44	18.04
Medical inflation (%)		
South Africa	9.00	8.25
Expense inflation (%)		
South Africa	6.0	5.25
United Kingdom	2.9	3.3
Pre-tax investment return (%)		
South Africa – Cash	8.50	7.75
– Life and Invest bonds	10.00	9.25
– Health and Vitality bonds	9.25	8.75
– Equity	13.50	12.75
United Kingdom – VitalityHealth investment return	1.15	2.12
– VitalityLife investment return	2.07	3.12
Income tax rate (%)		
South Africa	28	28
United Kingdom – long term[1]	18	20
Projection term		
– Health and Vitality	20 years	20 years
– Life	No cap	No cap
– Group Life	10 years	10 years
– VitalityHealth	20 years	20 years

1 *The United Kingdom Corporation tax rate assumed is 20% in 2016 to 2017, 19% in 2018 to 2020, and 18% beyond that.*

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 set with reference to the observed beta calculated using daily returns over a long time period. The beta is calculated with reference to the ALSI. The resulting assumed beta will be fixed at this level unless the observed beta calculated using daily returns over a long time period departs significantly from this assumption at the financial year end. At 30 June 2016 the observed beta had departed materially from the assumption, resulting in a change to the beta assumption. The beta assumption used at 30 June 2016 is 0.75 (30 June 2015: 0.55). 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, augmented by industry information.

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.

The South African investment return assumption was based on a single interest rate derived from the risk-free zero coupon government bond yield curve. Other economic assumptions were set relative to this yield. 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 best estimate investment return assumption for VitalityHealth and VitalityLife was based on the single interest rate derived from the risk-free zero coupon sterling yield curve. The United Kingdom expense inflation assumption was set in line with long-term United Kingdom inflation expectations.

It is assumed that, for the purposes of calculating the cost of required capital, the Life and Invest required capital amount will be backed by surplus assets consisting of 100% equities and the Health, Vitality, VitalityHealth and Vitality Life Limited required capital amounts will be fully backed by cash. The VitalityLife business on the Prudential licence required capital amount is assumed to earn the same return as the assets backing the VitalityLife policyholder liabilities. Allowance has been made for tax and investment expenses in the calculation of the cost of required capital. In calculating the capital gains tax liability, it is assumed that the portfolio is realised every 5 years. The Life and Invest cost of required capital is calculated using the difference between the gross of tax equity return and the equity return net of tax and expenses. The Health, Vitality, VitalityHealth and Vitality Life Limited cost of required capital is calculated using the difference between the risk discount rate and the net of tax cash return. The VitalityLife business on the Prudential licence cost of required capital is calculated using the difference between the risk discount rate and the net of tax asset return assumption.

Sensitivity to the embedded value assumptions

The embedded value has been calculated in accordance with the Actuarial Society of South Africa's Advisory Practice Note APN 107: Embedded Value Reporting. The risk discount rate, calculated in accordance with the practice note, 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 2016 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.

ANNEXURE 1

EMBEDDED VALUE STATEMENT continued

for the twelve months ended 30 June 2016

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
Base	7 024	16 834	(315)
Impact of:			
Risk discount rate +1%	7 024	15 837	(344)
Risk discount rate -1%	7 024	17 943	(282)
Lapses -10%	7 089	17 414	(330)
Interest rates -1%[1]	5 357	16 778	(303)
Equity and property market value -10%	6 963	16 834	(315)
Equity and property return +1%	7 024	16 834	(315)
Renewal expenses -10%	7 234	18 548	(292)
Mortality and morbidity -5%	7 247	16 834	(315)
Projection term +1 year	7 024	17 094	(319)

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
Base	844	(48)
Impact of:		
Risk discount rate +1%	772	(52)
Risk discount rate -1%	924	(42)
Lapses -10%	901	(50)
Interest rates -1%[1]	854	(45)
Equity and property return +1%	844	(47)
Renewal expense -10%	1 055	(45)
Mortality and morbidity -5%	844	(47)
Projection term +1 year	864	(48)
Acquisition costs -10%	868	(47)

1 All economic assumptions were reduced by 1%.

Life and Invest		VitalityHealth		VitalityLife			
Value of in-force	Cost of required capital	Value of in-force	Cost of required capital	Value of in-force	Cost of required capital	Embedded value	% change
22 411	(723)	4 421	(377)	4 455	(650)	53 080	
20 066	(633)	4 119	(496)	4 183	(767)	48 989	(8)
25 316	(838)	4 755	(239)	4 642	(414)	57 907	9
24 309	(774)	5 047	(405)	4 593	(750)	56 193	6
22 773	(787)	4 740	(348)	4 644	(861)	51 993	(2)
22 170	(721)	4 421	(377)	4 455	(650)	52 780	(1)
22 640	(723)	4 421	(377)	4 455	(650)	53 309	0
22 700	(721)	4 884	(376)	4 449	(640)	55 786	5
23 826	(711)	5 807	(376)	4 443	(651)	56 104	6
22 463	(723)	4 472	(377)	4 455	(650)	53 439	1

Life and Invest		VitalityHealth		VitalityLife			
Value of new business	Cost of required capital	Value of new business	Cost of required capital	Value of new business	Cost of required capital	Value of new business	% change
1 263	(67)	109	(47)	593	(315)	2 332	
1 001	(59)	65	(62)	467	(367)	1 765	(24)
1 583	(78)	158	(31)	733	(231)	3 016	29
1 513	(72)	193	(51)	707	(375)	2 766	19
1 322	(73)	155	(43)	654	(382)	2 442	5
1 301	(67)	109	(47)	593	(315)	2 371	2
1 298	(67)	164	(47)	624	(300)	2 682	15
1 384	(66)	280	(47)	618	(316)	2 650	14
1 267	(67)	118	(48)	593	(315)	2 364	1
1 384	(67)	139	(52)	707	(309)	2 623	12

ANNEXURE 2

BOARD OF DIRECTORS

for the year ended 30 June 2016

Adrian Gore (52)

▲✱ **Group Chief Executive**
BSc (Hons), FFA, ASA, MAAA, FASSA

Adrian is the founder and Chief Executive Officer of the Discovery Group. He is a Fellow of the Actuarial Society of South Africa and of the Faculty of Actuaries (Edinburgh), an Associate of the Society of Actuaries (Chicago), and a member of the American Academy of Actuaries. In 1998, he was recognised as South Africa's Best Entrepreneur by Ernst & Young, and in 2004, was chosen as South Africa's leading CEO in the annual MoneyWeb CEO's CEO of the Year Awards. In 2008, he received the Investec Award for Considerable Contribution in a Career/Profession, and in 2010, he was named as the Sunday Times Business Leader of the Year. In 2016, Adrian received a Doctor of Commerce from the University of the Witwatersrand (Honorius Causa) and chairs the South African Chapter of Endeavor. He sits on the World Economic Forum Industry Agenda Council on Future Health, on the Columbia University Mailman School of Public Health Board of Overseers, and on the Massachusetts General Hospital Global Health Advisory Board. He has also been invited to sit on the Brookings Institute's International Advisory Council. Alongside these commitments, he works with other leaders to stimulate entrepreneurship in South Africa.

Richard Farber (45)

▲✱ **Chief Financial Officer**
BCom (Hons), CA(SA), FCMA

Richard was a Partner at Fisher Hoffman Sithole (PKF) from 1998 until 2001 before joining Investec Bank, where he was the Group Accountant from 2002 to 2003. He joined Discovery as the Chief Financial Officer in 2003 and was appointed as the Financial Director in 2009. Richard was a member of the Financial Reporting Investigation Panel (FRIP) – previously known as the GAAP Monitoring Panel – from 2005 until 2014. He is a Fellow of the Chartered Institute of Management Accountants.

Hylton Kallner (41)

▲✱ **Chief Executive Officer, Discovery Life**
BEconSc, FFA, FASSA

Hylton graduated from the University of the Witwatersrand with a BEconSc in Actuarial Science. In 2000, he was admitted as a Fellow of the Faculty of Actuaries and a Fellow of the Actuarial Society of South Africa. Hylton joined Discovery in October 1996, and has held various positions, including that of Chief Marketing Officer. He was appointed to the Board of Discovery Limited in 2010. In January 2016, he was appointed as Chief Executive Officer of Discovery Life and continues to oversee the Group's Marketing and Distribution divisions.

Neville Koopowitz (52)

▲✱ **Chief Executive Officer, VitalityHealth**
BCom, CFP

Neville joined Discovery as Marketing Director in 1996 and played a key role in defining and building the Discovery brand, as well as in developing Discovery's sales and distribution network. His particular focus area was the development of Vitality where he was the Chief Executive Officer from the company's inception in 1997 until 2005. In this role he was also responsible for the launch of Discovery Card. In 2005, he was appointed as Chief Executive Officer of Discovery Health; a position he held until his move to the UK in 2010. He is currently the Chief Executive Officer of VitalityHealth in the UK. He sits on the Health Committee of the Association of British Health Insurers.

Herschel Mayers (56)

▲✱ **Chief Executive Officer, VitalityLife**
BSc (Hons), FIA, FASSA

Herschel qualified as an actuary in 1986 and is a Fellow of the Institute of Actuaries. He joined Liberty Life after qualifying, and as a member of their Executive Committee, served as the Head of Individual and Group Business, Underwriting and Systems, Technology, Product Development, and Finance. Herschel joined Discovery in 2000 as the Managing Director of Discovery Life. In 2001, he was appointed to the Board of the Life Offices Association (LOA) and he currently serves on the Board of the Association for Savings and Investment South Africa (previously LOA). In January 2006, Herschel was appointed as Chief Executive Officer of Discovery Life and Discovery Invest. He held this position until December 2015.

Dr Ayanda Ntsaluba (56)

▲✱ **Group Executive Officer**
MBChB, MSc (Lond), FCOG (SA)

Before joining Discovery in 2011, Ayanda served as Director General of the Department of International Relations and Cooperation. Before this, he was Director General of the Department of Health. A qualified obstetrician and gynaecologist, Ayanda completed further tertiary education in the fields of health policy planning, international relations, and business at eminent universities, including Harvard University, the University of London, and the Moscow Institute of Social Science. He has served on a number of statutory bodies, including the Medical Research Council (SA) and the Health Professions Council of South Africa. Ayanda plays an instrumental role in Discovery's overall strategic planning, particularly within the healthcare system and in Discovery's international expansion strategy.

Alan Pollard (47)

▲✱ **Chief Executive Officer, The Vitality Group**
BSc (Hons), FIA, FASSA

Alan, a qualified actuary, joined Discovery in 1994 and was Head of Research and Development where he was responsible for the design and development of Discovery Health products. From 2005, he served as Chief Executive Officer of Discovery Vitality until relocating in 2012 to serve as Chief Executive Officer of The Vitality Group in the US.

John Robertson (68)

▲✱ **Group Chief Information Officer**
BCom, CTA, CA(SA), HDipTax

John joined Discovery in 1993 and was responsible for information technology strategy, systems development, information technology infrastructure, and finance. He is currently responsible for technology infrastructure services that support Discovery Group companies in South Africa and internationally. He is also responsible for corporate applications, shared services and facilities.

Barry Swartzberg (51)

▲✱ **Chief Executive Officer, Discovery Partner Markets**
BSc, FFA, ASA, FASSA, CFP

Barry was co-founder of Discovery in 1992 and was involved in developing the Discovery concept. After Discovery Health was launched, he was involved in setting up the administration and systems infrastructure for the company. Following that, he served as Marketing Director and then Chief Executive Officer of Discovery Health (2000 to 2005). From 2005 to 2014, he was Executive Director leading the diversification of Discovery's operations both locally and internationally. He is currently CEO of Discovery Partner Markets which focuses on internationalising Discovery's unique intellectual property. He serves on the Boards of Discovery Limited, Discovery Insure, Vitality in the US, and Ping An Health in China.

▲ Executive Director	■ Prescribed Officer of the Board	▼ Chairperson of the Board	● Non-Executive Director	✱ Group Executive

Herman Bosman (47)

●

LLM (cum laude), CFA

Herman is the Chief Executive Officer of RMB Holdings and Rand Merchant Investment Holdings, having joined the companies in April 2014. Before this, he was Chief Executive Officer of Deutsche Bank South Africa (2006 to 2013) and Head of Corporate Finance at Rand Merchant Bank (2000 to 2006). In these capacities, Herman acted as professional adviser to the Discovery Executive Team on numerous occasions since 1999. Herman also serves on the Board of Governors at the University of Johannesburg, is a Director of OUTsurance, RMI Investment Managers, Endeavor South Africa and Business and Arts South Africa.

Dr Brian Brink (64)

● **(Independent)**

BSc (Med), MBBCh, DMed (Hon)

Brian retired as Chief Medical Officer of Anglo American plc at the end of 2014. He was awarded an honorary doctorate in medicine by the University of the Witwatersrand in recognition of his contribution to the private sector response to HIV and AIDS in South Africa. He has been closely associated with The Global Fund to Fight AIDS, Tuberculosis, and Malaria since its inception in 2002. Brian is a respected thought leader on the role of the private sector in improving health in developing countries, with a particular interest in strengthening health systems in resource-poor settings. He serves on a number of NGO Boards in the field of health and human rights.

Sonja De Bruyn Sebotsa (44)

● **(Independent)**

LLB (Hons), MA, SFA,
Harvard Executive Programme

Sonja is the founder and Principal Partner of Identity Partners, an investment firm which makes equity investments, carries out advisory work, and provides finance for SMEs through the Identity Development Fund. Sonja's areas of study include law, business, and economics. Until 2007, she was an Executive Director of Women's Development Bank (WDB) Investment Holdings where she led the structuring of several of its investment transactions. Before this, she was a Vice President in the investment banking division of Deutsche Bank, where she worked in Mergers and Acquisitions and Corporate Finance in South Africa and the UK.

Steven Epstein (73)

●

JD (Columbia University Law School),
BA (Tufts University)

Steven is the founder and Senior Partner of Epstein Becker & Green, one of the largest US-based health law firms that support clients in redundant practice on issues that range from health policy and strategic partnering to complex compliance issues. He sits on the Board of The Vitality Group and a number of healthcare companies. For over 30 years, he has played a unique role in establishing the concept that healthcare organisations need a dedicated form of legal representation.

Monty Hilkowitz (76)

▼ ● **(Independent)**

FIA

Monty worked for Southern Life Association and Swiss Re before joining Liberty Life in 1971, where he was appointed Managing Director in 1978. He was appointed Chief Executive Officer of Westpac Life in Australia in 1986. Monty has been self-employed since 1989 and has been involved in investment management, financial services, and insurance interests in several countries. He is currently a Director of Acuvest, a specialist financial services company in Ireland and serves as Chairperson of Pioneer International. Monty is Chairperson of the Discovery Board of Directors.

Faith Khanyile (49)

●

BA Econ, MBA (Finance), HDIP Tax,
Executive Leadership Programme

Faith is a founding member and the CEO of WDB Investment Holdings (WDBIH). She has extensive experience in financial services, corporate and investment banking, and strategy development. She held various senior and executive roles with Standard Bank, Corporate & Investment Bank (2001 to 2013). She was responsible for strategy, relationship and business development, and served on their Executive and Credit Committees. Before joining Standard Bank, Faith was with Brait Private Equity and seconded to start and manage WDBIH (1995 to 2000). She completed a BA Economics degree with Honors at Wheaton College, USA, has an MBA (Finance) from Bentley Graduate School of Business, and completed an HDIP Tax. She also participated in the Columbia University Executive Leadership Programme in 2007 and was awarded the Doctor of Law by Wheaton College in May 2016.

Vincent Maphai (64)

● **(Independent)**

BA, BA (Hons), M Phil, D Phil, Advanced Management Programme
(Harvard University)

Vincent was the Director of Corporate Affairs and Transformation at SAB. Previously, he was the Southern African Chairperson of BHP Billiton. He has accumulated experience of 20 years in the academic profession, and 15 years as a senior executive in the private sector. Vincent has served on the Boards of various companies as Non-executive Chairperson, including the SABC and the Presidential Review Commission into the restructuring of the public sector. He currently holds an academic position at Williams College in Massachusetts. Vincent is the Chairperson of the Discovery Foundation.

Tito Mboweni (57)

● **(Independent)**

BA Economics and Political Science (NUL),
MA Development Economics (UEA),
Diploma in International Business
Diplomacy (Georgetown University)

Tito is the former Governor of the Reserve Bank of South Africa (1999 to 2009) and also Chairperson of the Committee of Central Bank Governors. He is the former Deputy Head of the ANC's Department of Economic Policy (1990 to 1994) and the Head of the ANC Policy Department (1994 to 1998). Tito currently serves as Chairperson of the Board of Nampak Ltd, SacOil Holdings Ltd, and Accelerate Property Fund, as well as African Center for Economic Transformation. He is an Advisor for Goldman Sachs International and a member of the Advisory Board for Total Oil Marketing's Strategic Consultative Committee for Africa and Middle East, a Non-executive Director for PPC Ltd and is South Africa's Representative to the BRICS New Development Bank's Board of Directors as a Non-executive Director. In December 2012, he was elected to the ANC's National Executive Committee, and is a member of its Economic Transformation, Social Transformation, Finance and Fundraising, and Free State Province sub-committees. On the community side, he is a member of the Thabo Mbeki Foundation Council of Advisors and Chairperson and Trustee of the Fundraising Committee for the Nelson Mandela Children's Hospital. He was appointed as the Chairman of the Board of the Tourism Business Council of South Africa in August 2016.

▲ Executive Director	■ Prescribed Officer of the Board	▼ Chairperson of the Board	● Non-Executive Director	* Group Executive

BOARD OF DIRECTORS continued

for the year ended 30 June 2016

Les Owen (67)

● **(Independent)**
BSc (Hons), FIA, FPMI

Les is a qualified actuary with over 40 years of experience in the UK and Asia Pacific insurance markets. He was the Group Chief Executive of AXA Asia Pacific Holdings Limited (2000 to 2006) and Chief Executive of AXA Sun Life in the UK (1995 to 1999). Les brings extensive experience and expertise in international insurance markets to the Board. He is a Non-executive Director of Computershare Ltd and Royal Mail plc. Les joined the Board of Discovery in 2007 and is Chairperson of the Discovery Limited Audit Committee and the Risk and Compliance Committee.

Sindi Zilwa (49)

● **(Independent)**
BCompt (Hons), CTA, CA(SA), Advanced Taxation Certificate (SA), Advanced Diploma in Financial Planning (UOFS), Advanced Diploma in Banking (RAU)

Sindi is the Chief Executive Officer of Nkonki, a chartered accountancy firm. She received the Businesswoman of the Year Award from the Executive Women's Club in 1998, and in 2008, the Woman of Substance Award by the African Women Chartered Accountants Forum. In 2014, she received an Overall Professional Woman of the Year by SAPSA and in 2016, she was acknowledged as the Outstanding CEO of the Black Audit Firm's Award. She serves on the Boards of Aspen, Metrofile, and Gijima. In 2013, she authored her first book, *ACE Model-Winning Formula for Audit Committees* which is used by the Institute of Directors to train Audit Committee members, and has recently published *Creating Effective Boards and Committees*.

Group Executive

Anton Ossip (42)

*** CEO Discovery Insure**
BEconSc (cum laude), FIA, FASSA

Anton has played a critical role in the development of Discovery Insure since joining in July 2011. Before joining Discovery, he occupied a range of executive positions at Alexander Forbes over 13 years. Anton was CEO of Risk and Insurance, CEO of Alexander Forbes Insurance and CEO of AF Financial Services. His broad expertise across the disciplines of short-term and long-term insurance, as well as financial services, has played a key part in the evolution of Discovery Insure. Anton has been a Director of the South Africa Actuarial Development Programme since June 2010, a Board member of the South African Insurance Association since 2012 and he was past president of the Insurance Institute of South Africa.

Dr Shrey Viranna (41)

*** CEO Discovery Vitality**
MbCHB

Shrey holds an MbCHB degree from the Nelson Mandela School of Medicine and has worked as a doctor in various South African public health institutions. He served briefly in the military, managing clinics for the South African National Defence Force. Before being appointed CEO of Discovery Vitality, he led the Discovery Health Services Division, developing the corporate wellness offering, HealthyCompany, as well as Discovery HomeCare, a home-based nursing care programme. Before joining Discovery, he was a partner at McKinsey & Company where he led the Sub-Saharan Africa Healthcare Practice. Shrey has been published on a number of healthcare topics relevant to Sub-Saharan Africa and has advised Ministers and senior officials in the region. He has an established community service record and has advised NPOs and NGOs on healthcare for children.

Group Executive and Prescribed Officers of the Board

Dr Jonathan Broomberg (55)

■ * CEO Discovery Health
MBBCh, BA (Hons), MSc, PhD

Jonathan studied medicine at the University of the Witwatersrand and then read Philosophy, Politics and Economics at Balliol College in the United Kingdom. He completed MSc and PHD degrees in Health Economics at the London School of Hygiene and Tropical Medicine. Jonathan joined Discovery Health in 2005 as Head of Strategy and was appointed CEO in 2010. Prior to joining Discovery Health, he managed private equity and venture capital investments in the healthcare and education sectors. Jonathan also spent several years in academic research and consultancy in health economics and policy, and served as a special advisor to Dr Nkosozana Dlamini Zuma, South Africa's Minister of Health between 1994 and 1999. Alongside his private sector interests, he maintains active engagement in South African and global public health affairs. He is also a Director of Soul City Institute, a member of the Council of the University of the Witwatersrand, and a Trustee of the Discovery Foundation.

Kenny Rabson (48)

■ * CEO Discovery Invest
BSc FIA, FASSA

Kenny joined Discovery in 2000 as a founding member of Discovery Life. He was responsible for all actuarial functions in Discovery Life and Discovery Invest, with particular focus on product development and strategy of these companies. Kenny was appointed as CEO of Discovery Invest in January 2016. Before joining Discovery, he worked at Liberty Life in their corporate valuations area, performing the annual valuations and analysis of surplus work. He qualified as an actuary through the Institute of Actuaries in the UK in 1994 and moved to Liberty's product development area where he established his skills in product development. This culminated in Kenny establishing Liberty's linked investment product company in 1997.

Dr Penny Moumakwa (52)

■ * Head of Discovery People and Sustainable Development
MbCHB

Penny joined Discovery in 2005 and has held various leadership positions. She is currently the Head of Human Resources, Enterprise Development and Social Responsibility for Discovery, and is a director of Discovery Health. She is also a member of the Board of Witkoppen Clinic and African Health Placements. Penny qualified as a medical doctor in 1987 and worked in both the public and private sectors as a clinician until 1996.

▲ Executive Director | ■ Prescribed Officer of the Board | ▼ Chairperson of the Board | ● Non-Executive Director | * Group Executive

ANNEXURE 3

GROUP REMUNERATION POLICY

In line with our values of **great people and liberating the best in our people**, Discovery aims to be an employer of choice, with a firm belief that the long-term success of our organisation is directly linked to the calibre of our people and the working environment we create.

Remuneration policy

Discovery's remuneration policy is intended to recruit and retain employees whose values are aligned to our culture and core purpose. We aim to create an environment that motivates high performance to ensure employees positively contribute to our strategy and business objectives.

Our philosophy is to follow a flexible approach that recognises differences in individual performance, value and contribution to the organisation. A robust performance management practice ensures equitable and competitively benchmarked pay levels, with incentives for agreed performance outcomes.

The key principles that underpin our reward policy, reward structures and individual rewards are:

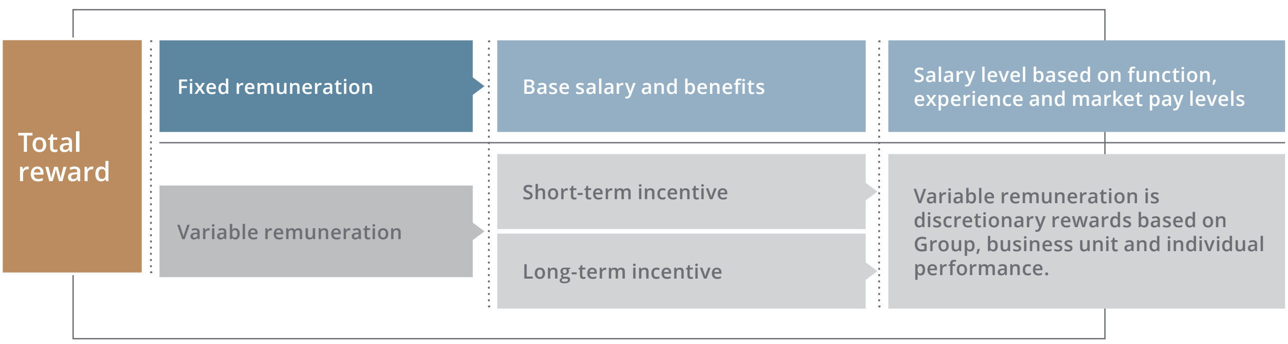
- We offer pay packages that are competitive in the market to attract and retain the right people
- Pay for performance is at the heart of our remuneration philosophy – exceptional performance is recognised and rewarded
- We believe in pay that is fair and we conduct regular internal and external salary surveys to ensure fairness and consistency across the businesses
- We are non-discriminatory – all remuneration policies and practices are free from unfair discrimination based on race, gender, age, religion, marital status and ethnic or social origin
- Our remuneration packages include both financial and non-financial components
- Our short-term incentive schemes are designed to encourage, recognise and reward performance and allow sufficient flexibility to respond to different business needs. They are not a function of a guaranteed package
- Our remuneration policy assists managers to make educated and defendable pay decisions
- Individual performance appraisals identify talent at all levels in the business and enable fair and competitive pay
- Pay designs comply with all tax and regulatory requirements.

Remuneration structure

Our remuneration structure supports the successful execution of our strategy by:

- Attracting, motivating and retaining quality employees
- Encouraging and rewarding employees to achieve or exceed the objectives of the business
- Aligning the economic interest of employees with those of other stakeholders
- Striving for the appropriate mix between fixed and variable pay for our employees, depending on their roles.

The diagram below shows the composition of our total reward offering. The elements of this diagram are explained in the sections that follow.



Fixed remuneration

The purpose and key components of our general reward arrangements are summarised below:

Element	Purpose	Detail
Base salary	To attract and retain employees.	Our aim is to remain competitive and we therefore use international remuneration benchmarks for employees in our international operations. We take into account the 50th percentile of the financial services market and pay above market average where required to attract the best talent, especially for critical skills. Increases take effect on 1 July each year and are based on individual performance and market inflation.
Compulsory benefits	To encourage retirement savings and to cater for unforeseen life events.	Pension and provident fund plans, disability and death cover, and medical insurance, are compulsory benefits.
Optional benefits	To enhance the package available to employees.	Access to Discovery crèche and gym.

Variable remuneration

We provide incentives to reward good performance. Variable remuneration comprises short-term and long-term incentives. All variable remuneration awards are discretionary.

Element	Purpose	Detail
Short-term incentive	To incentivise achievement of stipulated semi-annual and annual short-term objectives.	Individual awards are based on Group, business unit and individual performance (utilising both financial and non-financial metrics).
Long-term incentive	To incentivise the top 5% of employees (executive management and, by exception, senior management) to execute the long-term strategy of the Group successfully.	Individual allocations are based on overall individual performance. Incentive awards for performance are primarily linked to the share price and are intended to attract and retain talent.

GROUP REMUNERATION POLICY continued

for the year ended 30 June 2016

Short-term incentive awards

How we determine short-term incentive awards

In many business areas, incentives paid to employees relate directly to their function and are paid monthly, bi-annually or annually. These awards are based on individual performance.

For management (top 10% of total employees), short-term incentives are paid bi-annually in arrears in March and September each year and comprise two components (depending on management level):

1

A personal incentive linked to individual goals for each employee

2

A profit pool which allows executive management (top 2% of total employees) to share in profit if the Group's performance is above certain profit hurdles

Personal incentives

Individual performance is determined by:

- Setting performance criteria at the start of each period (annually for Executive Directors, six-monthly for management)
- Evaluating individual performance
- Determining variable pay based on individual performance.

For management, individual performance is moderated by the business unit's balanced scorecard. This contains financial and non-financial metrics and is based on short-term delivery.

September payout

The September payout is based on the audited results of the previous financial year.

March payout

The annual profit pools are based on a profit hurdle related to the change in operating profit of the Group. Thirty percent of the expected pool value is paid as a guaranteed drawdown following the interim results period.

The Remuneration Committee approves the overall incentive level and the Group profit pool level, and oversees the principles applied in allocating these incentives to business units and individuals. In each case, there is a threshold below which no incentive is paid. These thresholds are set strategically based on the business area and level.

Key performance areas for 2016 included:

	Metrics	
Insurgency and market leadership	New business API	15% – 20%
Comprehensive and differentiated products to meet complex consumer needs	Innovation	10% – 15%
Engagement in the Vitality programme	Active Rewards activations; Apple Watch activations; % of base earning >1 000 Fitness points	10% – 15%
Superior actuarial dynamics	Loss ratios; Lapse rates; Value of new business	10% – 20%
Exceptional service ecosystem	Member perception scores; Broker/franchise perception scores; Member-based research scores	10% – 20%
Financial excellence and superior returns	Growth in normalised profit from operations	10% – 35%
Diverse workforce	Employment equity	7.5% – 15%

The split between individual and profit-pool components for different levels of management:

Employee category % of total cost to company	Personal incentive	Profit pool
Executive Director	25%	50%
Prescribed Officer	25%	35%
General Manager	25%	15% – 25%
Deputy General Manager/Principal Specialist	20% – 30%	10%
Manager/Divisional Manager	15% – 20%	

Rewards for executive management

Based on achievements against various performance thresholds, components of short-term incentives paid in March 2015 and September 2015 relating to performance in the 2015 financial year, were as follows:

Chief Executive Officer (CEO)

The CEO, Adrian Gore, was awarded a bonus of 17.98% of his annual guaranteed cost to company (CTC) in respect of his individual component and 48.42% of his annual guaranteed CTC in respect of the profit pool.

Chief Financial Officer (CFO)

The CFO, Richard Farber, was awarded a bonus of 28.65% of his annual guaranteed CTC in respect of his individual component and 48.42% of his annual guaranteed CTC in respect of the profit pool.

Remaining South African Executive Directors

The remaining local Executive Directors were on average awarded a bonus of 18.48% of their annual guaranteed CTC in respect of their individual components and 48.42% of their annual guaranteed CTC in respect of the profit pool.

Prescribed Officers

Prescribed Officers were on average awarded a bonus of 37.02% of their annual guaranteed CTC in respect of their individual components and 24.2% of their annual guaranteed CTC in respect of the profit pool.

GROUP REMUNERATION POLICY continued

for the year ended 30 June 2016

Long-term incentive plans

The Group has several long-term incentive plans in place to encourage executive management, and by exception senior management (top 5% of total employees), to successfully execute the long-term strategy of the Group. For all long-term incentive plans, employment on vesting date is a condition of vesting.

A particular individual may be a participant in one or more of the plans detailed below.

Plan	Purpose	Detail
Phantom share-based incentive plan	This incentive plan for performance links directly to the Group's performance based on the share price. This is primarily intended to attract and retain critical employees.	▪ Overall individual performance and level is taken into account when the Remuneration Committee decides on each individual allocation ▪ The value of the annual allocation on the date of allocation is in the range of 18% to 36% of fixed remuneration. Each year the Remuneration Committee considers the previous year's allocations and current salary level in assessing the allocation ▪ Participants earn a cash bonus based on the allocation of the bonus scheme units, which in turn are linked to the performance of the Discovery share price ▪ Units are issued in September each year. The vesting of the units takes place in equal tranches over two, three, four and five years after allocation ▪ As the scheme is a phantom bonus scheme, there is no dilution created by these awards ▪ Discovery has implemented a programme to hedge against the economic risk linked to the share price based on the anticipated payout of the incentive. The phantom shares are subject to threshold performance criteria. This criteria is compound growth in normalised Headline Earnings Per Share (HEPS) exceeding a hurdle rate of CPI +1.5%.
Phantom option-based incentive plan	This incentive plan links directly to the Group's performance based on the growth in the share price. The plan is primarily intended to attract and retain critical employees.	▪ Overall individual performance and level is taken into account when the Remuneration Committee decides on each individual allocation ▪ The value of the annual allocation on the date of allocation is in the range of 12% to 24% of fixed remuneration. Each year the Remuneration Committee considers the previous year's allocations and current salary level in assessing the allocation ▪ Participants earn a cash bonus based on the allocation of the bonus scheme units, which in turn are linked to the growth in the Discovery share price ▪ Units are issued in September each year. The vesting of the units takes place in equal tranches over two, three, four and five years after allocation ▪ As the scheme is a phantom bonus scheme, there is no dilution created by these awards ▪ Discovery has implemented a programme to hedge out the economic risk linked to the share price based on the anticipated payout of the incentive. **2008 to 2011** Allocations were only made in the phantom share-based incentive plan. **From 2012** Allocations consisted of a fixed combination of the phantom share-based incentive plan and the phantom option-based incentive plan.

Plan	Purpose	Detail
Black economic empowerment staff share trust	The trust is intended to recruit and retain senior black talent.	Shares or options, or both, are allocated to attract or retain senior black employees who are highly skilled. The allocations are based on level of seniority. Vesting takes place in equal tranches over two, three, four and five years after allocation.
Start-up long-term incentive plan for new ventures	These plans are intended to attract and retain talent for our new businesses and to foster an owner-manager culture. These are restricted to executives in new ventures, such as Discovery Insure.	Allocation may be in the form of phantom shares or shares in the new entity. Performance criteria is a hurdle rate relating to value created over cost of capital. Vesting periods vary by plan.
Executive outperformance scheme	This scheme is intended to recognise and reward executives who contribute to the transformation of the business and the achievement of our 2018 ambition of "becoming the best insurance organisation in the world and a powerful force for social good". Restricted to the Group Executive Committee.	Individual performance criteria are linked to the 2018 ambition. Highly stretched measures have been set. Vesting of the units takes place in equal tranches over two, three and four years after allocation.

Remuneration Committee governance

The Discovery Board of Directors is ultimately responsible for the remuneration policy. To assist the Board in fulfilling its responsibilities, it has appointed and mandated a Remuneration Committee, which consists of Non-Executive Directors and is advised by an independent expert.

The primary objective of the Remuneration Committee is to provide input and to approve the reward strategy. It is responsible for:

- Ensuring alignment with Discovery's overall remuneration philosophy
- Ensuring alignment with the latest governance standards
- Reviewing annual salary increase parameters
- Reviewing and approving all short-term and long-term incentive structures and monitoring overall liability
- Approving and reporting to the Board on all remuneration elements for the CEO and Executive Directors
- Reviewing remuneration packages for executive management, including heads of control functions (Heads of risk, compliance and internal audit functions)
- Reviewing the total quantum, Director allocation and vesting criteria if applicable in the phantom share scheme
- Regularly reviewing incentive schemes to ensure continued contribution to shareholder value
- Recommending the base for Non-Executive Directors' fees to the Board for shareholder approval.

The Remuneration Committee may, at its sole discretion, waive or amend the performance criteria for variable remuneration should extraordinary circumstances arise.

The Remuneration Committee has delegated certain of its functions to the Internal Remuneration Committee (comprising the Executive Directors and Prescribed Officers). This latter body is responsible for:

- Detailed analysis and development of research-based recommendations to the Remuneration Committee
- The remuneration packages of management and employees in general (with the exception of Directors) in line with the policy
- Supervising the increase process and reporting any anomalies to the Remuneration Committee.

The Remuneration Committee uses the services of a number of advisers to assist in tracking market trends related to all levels of employees, including PE Corporate Services, Khokhela Consulting (Mabili Reward), PwC's Remchannel, 21st Century Pay Solutions, Mercer Consulting (South Africa) (Pty) Ltd and Vasdex Associates.

Remuneration Committee membership

Jan Durand resigned as Chairperson of the Remuneration Committee on 13 January 2016. Other Remuneration Committee members are Monty Hilkowitz and Herman Bosman. Sonja De Bruyn Sebotsa was appointed as Chairperson of the Remuneration Committee on 25 August 2016. The Remuneration Committee met four times during the past financial year and attendance was as follows:

	27 August 2015	20 October 2015	26 November 2015	27 June 2016
H Bosman	√	√	√	√
JJ Durand (Chairperson)	√	√	X	N/A
MI Hilkowitz	√	√	√	√

All Remuneration Committee members have the relevant skills and experience to perform their duties. The majority of Remuneration Committee members have no business or other relationships that could materially interfere with their independent judgement. The Remuneration Committee members are also members of key oversight committees to monitor risk trends across the Group.

The Chairperson of the Internal Remuneration Committee, Barry Swartzberg, and members of executive management, also attend the meetings by invitation. Executive Directors are not allowed to participate in discussions regarding their own remuneration, nor are they entitled to a vote at the meetings. T Slabbert (until her resignation as a Non-Executive Director on 22 October 2015) and B Olivier (independent remuneration expert), who both have experience in this area, attended the Remuneration Committee meetings by invitation.

Remuneration of Executive Directors

Evaluation of Executive Directors' Performance

The performance of the Executive Directors is based on:

1. Business performance
2. Transformation
3. Innovation
4. Achievement of strategic initiatives for the year.

Quantitative elements have predetermined measures while qualitative elements are linked to strategic objectives.

This is determined in advance each year and is agreed to by the Remuneration Committee.

The Remuneration Committee monitors the correlation between remuneration and profitability, as well as variability of pay, over time.

Terms of employment

All Executive Directors are employed on employment contracts that can be cancelled by between one month's and three months' notice by either the executive or the company.

Non-Executive Directors

Non-Executive Directors receive a combination of fixed and meeting fees for their participation on the Board and Board Committees. Non-Executive Directors do not receive annual incentive awards.

The Board proposes the fees of Non-Executive Directors, following a recommendation from the Remuneration Committee. The fees are reviewed annually by taking into consideration the individual's responsibilities and Board Committee membership. The Chairperson is not present when his remuneration is reviewed. In addition, from time to time, the fees are benchmarked to other local and international financial services companies and companies with similar market capitalisations. This ensures that fees remain competitive. Recommendations are made to the Board for consideration.

The Board member fee structure has two components:

1. A retainer
2. A Board or Board Committee meeting attendance fee.

The Chairperson of the Board receives an all-inclusive retainer and does not receive any other fees or a retainer for attendance at Board or Committee meetings.

Following recommendations from the Remuneration Committee, the Board proposes the fees for Non-Executive Directors for shareholder approval.

Fee structure for 2016 and proposed structure for 2017

R million	Proposed 2016/2017	2015/2016
Retainer for the Chairperson of the Board	R3 834 000	R3 600 000
SA-based Board retainer	R172 210	R161 700
SA-based Board attendance fees	R28 755 per meeting	R27 000 per meeting
SA-based committee Chairperson retainer	R212 470	R199 500
SA-based committee member's retainer	R123 000	R115 500
SA-based committee Chairperson attendance fees	R24 600 per meeting	R23 100 per meeting
SA-based committee member's attendance fee	R15 655 per meeting	R14 700 per meeting
US-based Board retainer	USD38 660	USD37 720
US-based Board attendance fee	USD6 405 per meeting	USD6 250 per meeting
UK-based Board retainer	GBP29 420	GBP28 700
UK-based Board attendance fee	GBP4 940 per meeting	GBP4 820 per meeting
UK-based committee Chairperson retainer	GBP27 840	GBP27 160
UK-based committee Chairperson attendance fee	GBP2 730 per meeting	GBP2 665 per meeting
UK-based committee member retainer	GBP8 405	GBP8 200
UK-based committee member attendance fee	GBP1 160 per meeting	GBP1 130 per meeting
Non-resident Director travel allowance	USD2 640 per return leg	USD2 575 per return leg

The proposed fees for Non-Executive Directors for the 2017 financial year are based on an increase of 6.5% for fees in Rand and 2.5% for fees in US Dollars and Pounds.

Terms for Non-Executive Directors

There is no limitation on the number of times a Non-Executive Director may stand for re-election. Proposals for re-election are based on individual performance and contribution, which is reviewed by the Board.

GROUP REMUNERATION POLICY continued

for the year ended 30 June 2016

Directorate

2016 Remuneration and fees

Payments to Directors for the year ended 30 June 2016 for services rendered are as follows:

R'000	Services as Directors	Basic salary	Perfor-mance bonus	Phantom scheme bonus	Provident fund contributions	Other benefits[1]	Total
EXECUTIVE							
A Gore	–	5 898	3 690	7 852	845	257	18 542
R Farber	–	3 789	3 035	7 710	190	116	14 840
HD Kallner	–	3 822	2 920	8 820	191	114	15 867
NS Koopowitz[2]	–	17 646	9 572	35 211	697	506	63 632
HP Mayers[3]	–	11 214	7 454	8 664	1 228	310	28 870
Dr A Ntsaluba	–	3 409	2 664	12 132	536	182	18 923
A Pollard[4]	–	6 318	2 774	10 015	155	240	19 502
JM Robertson	–	3 355	2 337	7 932	682	58	14 364
B Swartzberg	–	4 065	2 981	7 710	479	116	15 351
Sub-total	–	59 516	37 427	106 046	5 003	1 899	209 891
PRESCRIBED OFFICERS							
Dr J Broomberg	–	3 851	2 381	7 483	256	118	14 089
K Rabson	–	3 473	2 305	7 570	343	255	13 946
Dr P Moumakwa	–	2 714	1 680	6 702	271	79	11 446
Sub-total	–	10 038	6 366	21 755	870	452	39 481
NON-EXECUTIVE							
MI Hilkowitz	3 600	–	–	–	–	–	3 600
Dr BA Brink	891	–	–	–	–	–	891
HL Bosman[5]	1 153	–	–	–	–	–	1 153
SE De Bruyn Sebotsa	924	–	–	–	–	–	924
JJ Durand[6]	439	–	–	–	–	–	439
SB Epstein[7]	1 243	–	–	1 792	–	–	3 035
F Khanyile[8]	276	–	–	–	–	–	276
Dr TV Maphai	817	–	–	–	–	–	817
TT Mboweni	444	–	–	–	–	–	444
AL Owen[9]	3 697	–	–	–	–	–	3 697
T Slabbert[8]	267	–	–	–	–	–	267
SV Zilwa	1 214	–	–	–	–	–	1 214
Sub-total	14 965	–	–	1 792	–	–	16 757
Total	14 965	69 554	43 793	129 593	5 873	2 351	266 129
Less: paid by subsidiaries	(14 965)	(69 554)	(43 793)	(129 593)	(5 873)	(2 351)	(266 129)
Paid by holding company	–	–	–	–	–	–	–

1 *"Other benefits" comprise medical aid contributions, travel and other allowances.*
2 *Salary and incentives are paid in GBP.*
3 *Salary paid in GBP from January 2016. Prior to that paid in rand.*
4 *Salary and incentives are paid in USD.*
5 *Director's fees for services rendered by HL Bosman were paid to Rand Merchant Insurance Holdings Limited.*
6 *Director's fees for services rendered by JJ Durand were paid to Remgro Limited.*
7 *Included in Director's fees for SB Epstein is USD100 000 for services rendered as a Director of TVG Inc. Directors' fees are paid in USD.*
8 *Directors' fees for services rendered by T Slabbert and F Khanyile were paid to WDB Investment Holdings Proprietary Limited.*
9 *Director's fees are paid in GBP.*

2015 Remuneration and fees

Payments to Directors for the year ended 30 June 2015 for services rendered are as follows:

R'000	Services as Directors	Basic salary	Performance bonus	Phantom scheme bonus	Provident fund contributions	Other benefits[1]	Total
EXECUTIVE							
A Gore	–	4 288	3 831	4 480	643	206	13 448
R Farber	–	3 618	2 977	4 480	181	102	11 358
HD Kallner	–	3 645	3 115	3 984	182	104	11 030
NS Koopowitz[2]	–	14 232	7 658	17 857	787	441	40 975
HP Mayers	–	6 999	5 393	4 480	735	259	17 866
Dr A Ntsaluba	–	3 209	3 055	7 429	561	163	14 417
A Pollard[3]	–	4 852	1 979	4 720	120	184	11 855
JM Robertson	–	3 244	2 794	4 480	650	7	11 175
B Swartzberg	–	3 420	3 240	4 480	579	106	11 825
Sub-total	–	47 507	34 042	56 390	4 438	1 572	143 949
PRESCRIBED OFFICERS							
Dr J Broomberg	–	3 613	2 522	11 551	271	103	18 060
K Rabson	–	3 176	2 432	3 763	397	241	10 009
Dr P Moumakwa	–	2 557	1 822	3 641	255	80	8 355
Sub-total	–	9 346	6 776	18 955	923	424	36 424
NON-EXECUTIVE							
MI Hilkowitz	3 000	–	–	–	–	–	3 000
Dr BA Brink	718	–	–	–	–	–	718
HL Bosman[4]	918	–	–	–	–	–	918
JJ Durand[5]	696	–	–	–	–	–	696
SB Epstein[6]	4 772	–	–	953	–	–	5 725
Dr TV Maphai	778	–	–	–	–	–	778
TT Mboweni	314	–	–	–	–	–	314
AL Owen[7]	2 658	–	–	–	–	–	2 658
SE De Bruyn Sebotsa	684	–	–	6 176	–	–	6 860
T Slabbert[8]	584	–	–	–	–	–	584
SV Zilwa	1 044	–	–	–	–	–	1 044
Sub-total	16 166	–	–	7 129	–	–	23 295
Total	16 166	56 853	40 818	82 474	5 361	1 996	203 668
Less: paid by subsidiaries	(16 166)	(56 853)	(40 818)	(82 474)	(5 361)	(1 996)	(203 668)
Paid by holding company	–	–	–	–	–	–	–

1 *"Other benefits" comprise medical aid contributions, travel and other allowances.*
2 *Salary and incentives are paid in GBP.*
3 *Salary and incentives are paid in USD.*
4 *Directors' fees for services rendered by HL Bosman were paid to Rand Merchant Insurance Holdings Limited.*
5 *Directors' fees for services rendered by JJ Durand were paid to Remgro Limited.*
6 *Included in Directors' fees for SB Epstein is USD100 000 for services rendered as a Director of TVG Inc. Directors' fees are paid in USD.*
7 *Directors' fees are paid in GBP.*
8 *Directors' fees for services rendered by T Slabbert were paid to WDB Investment Holdings Proprietary Limited.*

GROUP REMUNERATION POLICY continued

for the year ended 30 June 2016

Directors' participation in share incentive schemes

Discovery's Executive Directors and Prescribed Officers participate in the various share incentive schemes offered by the Group. Their participation is disclosed below. Refer to Group Annual Financial Statements note 33.1 of the Discovery Limited annual financial statements for a detailed description of the various schemes offered.

Discovery Limited phantom share scheme

Directors' and Prescribed Officers' participation as at 30 June 2016:

Executive Directors and Prescribed Officers	Outstanding shares	Date granted	Strike price R	Final vesting date	Value at 30 June 2016 R
J Broomberg	10 350	30/09/2011	–	30/09/2016	1 267 875
	8 630	30/09/2012	–	30/09/2017	1 057 175
	25 890	30/09/2012	54.75	30/09/2017	1 791 734
	8 920	30/09/2013	–	30/09/2018	1 092 700
	17 840	30/09/2013	84.76	30/09/2018	769 088
	39 554	01/07/2013	–	30/06/2017	4 794 353
	10 967	30/09/2014	–	30/09/2019	1 343 458
	21 934	30/09/2014	97.89	30/09/2019	773 587
	8 433	30/09/2015	–	30/09/2020	1 033 043
	16 866	30/09/2015	134.94	30/09/2020	430 137
R Farber	11 125	30/09/2011	–	30/09/2016	1 362 813
	9 277	30/09/2012	–	30/09/2017	1 136 433
	27 830	30/09/2012	54.75	30/09/2017	1 925 958
	10 194	30/09/2013	–	30/09/2018	1 248 765
	20 388	30/09/2013	84.76	30/09/2018	878 958
	36 325	01/07/2013	–	30/06/2017	4 402 977
	12 534	30/09/2014	–	30/09/2019	1 535 415
	25 068	30/09/2014	97.89	30/09/2019	884 119
	31 870	30/09/2015	–	30/09/2020	3 904 075
	63 739	30/09/2015	134.94	30/09/2020	1 625 549
A Gore	11 125	30/09/2011	–	30/09/2016	1 362 813
	9 277	30/09/2012	–	30/09/2017	1 136 433
	27 830	30/09/2012	54.75	30/09/2017	1 925 958
	15 291	30/09/2013	–	30/09/2018	1 873 148
	30 582	30/09/2013	84.76	30/09/2018	1 318 437
	32 112	01/07/2013	–	30/06/2017	3 892 232
	18 801	30/09/2014	–	30/09/2019	2 303 123
	37 601	30/09/2014	97.89	30/09/2019	1 326 144
	14 456	30/09/2015	–	30/09/2020	1 770 860
	28 913	30/09/2015	134.94	30/09/2020	737 374
HD Kallner	11 125	30/09/2011	–	30/09/2016	1 362 813
	9 277	30/09/2012	–	30/09/2017	1 136 433
	27 830	30/09/2012	54.75	30/09/2017	1 925 958
	10 194	30/09/2013	–	30/09/2018	1 248 765
	20 388	30/09/2013	84.76	30/09/2018	878 958
	54 488	01/07/2013	–	30/06/2017	6 604 466
	55 441	30/09/2014	–	30/09/2019	6 791 523
	110 882	30/09/2014	97.89	30/09/2019	3 910 680
	9 638	30/09/2015	–	30/09/2020	1 180 655
	19 275	30/09/2015	134.94	30/09/2020	491 574
NS Koopowitz	80 521	01/07/2013	–	30/06/2017	9 759 933

Executive Directors and Prescribed Officers	Outstanding shares	Date granted	Strike price R	Final vesting date	Value at 30 June 2016 R
HP Mayers	11 125	30/09/2011	–	30/09/2016	1 362 813
	9 277	30/09/2012	–	30/09/2017	1 136 433
	27 830	30/09/2012	54.75	30/09/2017	1 925 958
	10 194	30/09/2013	–	30/09/2018	1 248 765
	20 388	30/09/2013	84.76	30/09/2018	878 958
	51 945	01/07/2013	–	30/06/2017	6 296 257
	12 534	30/09/2014	–	30/09/2019	1 535 415
	25 068	30/09/2014	97.89	30/09/2019	884 119
	9 638	30/09/2015	–	30/09/2020	1 180 655
	19 275	30/09/2015	134.94	30/09/2020	491 574
A Ntsaluba	9 277	30/09/2012	–	30/09/2017	1 136 433
	27 830	30/09/2012	54.75	30/09/2017	1 925 958
	10 194	30/09/2013	–	30/09/2018	1 248 765
	20 388	30/09/2013	84.76	30/09/2018	878 958
	44 317	01/07/2013	–	30/06/2017	5 371 632
	12 534	30/09/2014	–	30/09/2019	1 535 415
	25 068	30/09/2014	97.89	30/09/2019	884 119
	9 638	30/09/2015	–	30/09/2020	1 180 655
	19 275	30/09/2015	134.94	30/09/2020	491 574
A Pollard	11 125	30/09/2011	–	30/09/2016	1 362 813
	3 092	30/09/2012	–	30/09/2017	378 770
	9 276	30/09/2012	54.75	30/09/2017	641 951
	3 440	30/09/2013	–	30/09/2018	421 400
	6 881	30/09/2013	84.76	30/09/2018	296 661
	38 747	01/07/2013	–	30/06/2017	4 696 509
	4 178	30/09/2014	–	30/09/2019	511 805
	8 356	30/09/2014	97.89	30/09/2019	294 706
	3 213	30/09/2015	–	30/09/2020	393 593
	6 425	30/09/2015	134.94	30/09/2020	163 858
K Rabson	10 350	30/09/2011	–	30/09/2016	1 267 875
	8 630	30/09/2012	–	30/09/2017	1 057 175
	25 890	30/09/2012	54.75	30/09/2017	1 791 734
	8 920	30/09/2013	–	30/09/2018	1 092 700
	17 840	30/09/2013	84.76	30/09/2018	769 088
	40 967	01/07/2013	–	30/06/2017	4 965 580
	10 967	30/09/2014	–	30/09/2019	1 343 458
	21 934	30/09/2014	97.89	30/09/2019	773 587
	30 665	30/09/2015	–	30/09/2020	3 756 463
	61 330	30/09/2015	134.94	30/09/2020	1 564 111
JM Robertson	11 125	30/09/2011	–	30/09/2016	1 362 813
	9 277	30/09/2012	–	30/09/2017	1 136 433
	27 830	30/09/2012	54.75	30/09/2017	1 925 958
	10 194	30/09/2013	–	30/09/2018	1 248 765
	20 388	30/09/2013	84.76	30/09/2018	878 958
	39 958	01/07/2013	–	30/06/2017	4 843 275
	12 534	30/09/2014	–	30/09/2019	1 535 415
	25 068	30/09/2014	97.89	30/09/2019	884 119
	9 638	30/09/2015	–	30/09/2020	1 180 655
	19 275	30/09/2015	134.94	30/09/2020	491 574

GROUP REMUNERATION POLICY continued

for the year ended 30 June 2016

Directors' participation in share incentive schemes continued

Discovery Limited phantom share scheme continued

Executive Directors and Prescribed Officers	Outstanding shares	Date granted	Strike price R	Final vesting date	Value at 30 June 2016 R
B Swartzberg	11 125	30/09/2011	–	30/09/2016	1 362 813
	9 277	30/09/2012	–	30/09/2017	1 136 433
	27 830	30/09/2012	54.75	30/09/2017	1 925 958
	10 194	30/09/2013	–	30/09/2018	1 248 765
	20 388	30/09/2013	84.76	30/09/2018	878 958
	36 325	01/07/2013	–	30/06/2017	4 402 977
	12 534	30/09/2014	–	30/09/2019	1 535 415
	25 068	30/09/2014	97.89	30/09/2019	884 119
	9 638	30/09/2015	–	30/09/2020	1 180 655
	19 275	30/09/2015	134.94	30/09/2020	491 574
P Moumakwa	10 350	30/09/2011	–	30/09/2016	1 267 875
	8 630	30/09/2012	–	30/09/2017	1 057 175
	25 890	30/09/2012	54.75	30/09/2017	1 791 734
	8 920	30/09/2013	–	30/09/2018	1 092 700
	17 840	30/09/2013	84.76	30/09/2018	769 088
	29 524	01/07/2013	–	30/06/2017	3 578 642
	10 967	30/09/2014	–	30/09/2019	1 343 458
	21 934	30/09/2014	97.89	30/09/2019	773 587
	8 433	30/09/2015	–	30/09/2020	1 033 043
	16 866	30/09/2015	134.94	30/09/2020	430 137

The Vitality Group Inc. phantom share plan

Executive Directors' and Prescribed Officers' participation as at 30 June 2016:

Directors and Prescribed Officers	Outstanding shares	Date granted	Exercise price USD	Final vesting date	Value at 30 June 2016 USD
SB Epstein	53 571	01/10/2013	0.75	01/10/2016	40 178
	111 112	01/10/2014	0.75	01/10/2017	83 334
	120 000	01/10/2015	0.75	01/10/2018	90 000
A Pollard	145 455	01/10/2012	0.75	01/10/2016	109 091
	292 585	01/10/2013	0.75	01/10/2017	219 439
	469 221	01/10/2014	0.75	01/10/2018	351 916
	346 287	01/10/2015	0.75	01/10/2019	259 715

The VitalityHealth and VitalityLife phantom share schemes

Executive Directors' and Prescribed Officers' participation as at 30 June 2016:

Directors and Prescribed Officers	Outstanding shares	Date granted	Exercise price GBP	Final vesting date	Value at 30 June 2016 GBP
NS Koopowitz	19 978	2015	154.13	2019	153 960
	19 873	2015	–	2019	515 466
	15 919	01/11/2013	–	31/10/2017	443 280
HP Mayers	19 978	2016	154.13	31/12/2018	153 960

Black Economic Empowerment share scheme

Executive Directors' and Prescribed Officers' participation as at 30 June 2016:

Directors and Prescribed Officers	Outstanding shares	Date granted	Exercise price R	Final vesting date	Value at 30 June 2016 R
A Ntsaluba	50 000	30/09/2011	–	30/09/2016	6 125 000

ANNEXURE 4

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Interests, maintained by Discovery in accordance with the provisions of section 30(4)(d) of the Companies Act, directors and prescribed officers of Discovery have disclosed the following interest in the ordinary shares of the Company at 30 June:

Directors and prescribed officers	Direct beneficial	Indirect beneficial	Total 2016	Direct beneficial	Indirect beneficial	Total 2015
SE De Bruyn Sebotsa	78 095	–	78 095	85 595	–	85 595
R Farber	139 576	–	139 576	247 276	–	247 276
A Gore	–	49 618 784	49 618 784	–	50 220 524	50 220 524
HD Kallner	138 398	–	138 398	183 398	–	183 398
NS Koopowitz	250 000	852 764	1 102 764	–	1 102 764	1 102 764
HP Mayers	81 948	8 449 550	8 531 498	341 948	8 449 550	8 791 498
A Ntsaluba	85 164	–	85 164	60 164	–	60 164
A Pollard	1 453 099	–	1 453 099	1 633 099	–	1 633 099
JM Robertson	1 404 439	3 390 812	4 795 251	1 404 439	3 390 812	4 795 251
B Swartzberg	3 384 227	22 279 011	25 663 238	3 484 227	22 279 011	25 763 238
Dr J Broomberg	200 842	–	200 842	240 842	–	240 842
K Rabson	–	825 000	825 000	–	925 000	925 000
Dr P Moumakwa	13 284	–	13 284	13 284	–	13 284
H Bosman	–	77 027	77 027	–	77 027	77 027
Dr BA Brink	30 004	–	30 004	35 004	–	35 004
SB Epstein	19 250	–	19 250	19 250	–	19 250
Dr TV Maphai	1 864	1 429 784	1 431 648	149	1 410 784	1 410 933
AL Owen	33 747	–	33 747	33 747	–	33 747
SV Zilwa	–	34 780	34 780	73 355	–	73 355
	7 313 937	86 957 512	94 271 449	7 855 777	87 855 472	95 711 249

There has been no change in the directors' interests in Discovery Limited's shares between 30 June 2016 and the date of publication of this report.

ANNEXURE 5

ANALYSIS OF SHAREHOLDERS

at 30 June 2016

	Number of shareholders	%	Number of shares	%
SHAREHOLDER SPREAD				
1 – 1 000 shares	25 727	74.25	7 811 814	1.21
1 001 – 10 000 shares	7 478	21.58	20 579 385	3.18
10 001 – 100 000 shares	1 139	3.29	32 091 752	4.96
100 001 – 1 000 000 shares	230	0.66	68 432 931	10.57
1 000 001 shares and over	73	0.22	518 512 064	80.08
	34 647	100.00	647 427 946	100.00
DISTRIBUTION OF SHARES				
Black Economic Empowerment			48 872 597	7.53
Charity			694 377	0.11
Corporate holding			162 066 569	24.96
Custodians			5 223 658	0.80
Exchange-traded fund			4 994 539	0.77
Foreign government			999 020	0.15
Hedge fund			2 593 076	0.40
Insurance companies			7 473 944	1.15
Investment trusts			3 606 185	0.56
Local authority			253 154	0.04
Medical Aid Scheme			130 008	0.02
Other managed funds			15 909 572	2.45
Pension funds			86 632 674	13.65
Private investor			130 412 720	20.08
Sovereign wealth			24 596 955	3.79
Trading position			12 953 900	1.99
Unit trusts and mutual funds			114 584 609	17.64
University			197 625	0.03
Venture capital			195 816	0.03
Remainder			25 036 948	3.85
			647 427 946	100.00
PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	26	0.07	360 547 336	55.69
– Directors of the Company	15	0.04	91 800 675	14.18
– Empowerment*	5	0.01	50 636 490	7.82
– Own holdings	1	0.00	680 268	0.11
– Key management personnel	3	0.01	1 039 126	0.16
Strategic holdings (more than 5%)	2	0.01	216 390 777	33.42
Public shareholders	34 621	99.93	286 880 610	44.31
	34 647	**100.00**	**647 427 946**	**100.00**

* *Included in empowerment are 1 431 648 shares that are held by a director of Discovery Limited.*

	Number of shares	%
BENEFICIAL SHAREHOLDERS' HOLDING OF 5% OR MORE		
Rand Merchant Insurance Holdings Limited	161 944 576	25.01
A Gore	49 553 312	7.65
Government Employees Pension Fund	49 618 784	7.66
FIL Limited	36 440 332	5.63

ANNEXURE 6

SHARE CAPITAL AND SHARE PREMIUM

for the year ended 30 June 2016

Ordinary share capital and share premium

R million	Issued: Share capital	Issued: Share premium	Treasury shares: Discovery Health	Treasury shares: BEE share trust	Treasury shares: BEE transaction partners	Total outstanding
At 1 July 2014	1	2 652	(14)	(50)	(7)	2 582
Share movements:						
– rights issue	*	5 000	–	–	–	5 000
– treasury shares delivered	–	–	–	*	–	*
Share issue costs	–	(94)	–	–	–	(94)
At 30 June 2015	1	7 558	(14)	(50)	(7)	7 488
Share movements:						
– treasury shares delivered	–	817	–	*	–	817
– treasury shares purchases	–	3	–	(6)	(2)	(5)
Share issue costs	–	*	–	–	–	*
At 30 June 2016	1	8 378	(14)	(56)	(9)	8 300

** Amount is less than R500 000*

Number of shares	Issued	Treasury shares: Discovery Health	Treasury shares: BEE share trust	Treasury shares: BEE transaction partners	Total outstanding
At 1 July 2014	591 872 390	(680 268)	(1 560 796)	(15 496 251)	574 135 075
Share movements:					
– rights issue	55 555 556	–		(814 770)	54 740 786
– treasury shares delivered	–	–	122 580	–	122 580
At 30 June 2015	647 427 946	(680 268)	(1 438 216)	(16 311 021)	628 998 441
Share movements:					
– treasury shares delivered	–	–	154 104	15 129 467	15 283 571
– treasury shares purchases	–	–	(40 000)	(19 000)	(59 000)
At 30 June 2016	647 427 946	(680 268)	(1 324 112)	(1 200 554)	644 223 012

The total authorised number of ordinary shares is 1 billion (2015: 1 billion), with a par value of 0.1 cent per share.

SHARE CAPITAL AND SHARE PREMIUM continued

for the year ended 30 June 2016

Refinancing of BEE transaction by a BEE partner

In December 2005, Discovery concluded a BEE transaction pursuant to which 38 725 909 shares were issued to a consortium of BEE parties. 14 226 181 of these shares were issued to the Discovery Foundation (The Foundation) being one of the BEE consortium members, at R0.001 each, for an initial period of 10 years (initial period). The difference between the market value of the ordinary shares issued to the BEE parties and the subscription consideration, represented an outstanding funded amount provided by Discovery shareholders (funded amount). These shares were treated as treasury shares.

"At the end of the initial period,

- Discovery had the right to repurchase such number of ordinary shares at R0.001 per share that would provide Discovery with a notional return of the funded amount.
- In order for the Foundation to retain the full number of Discovery shares originally issued to them, the Foundation then had the right to simultaneously acquire from Discovery, at the then thirty-day volume-weighted average price per Discovery share, the same number of shares repurchased by Discovery.

The initial period expired in December 2015 and resulted in the following transactions:

- Discovery repurchased 5 666 134 Discovery shares held by The Foundation at a price of R0.001 per Discovery share.
- The issue to The Foundation by Discovery of 5 666 134 new Discovery shares at a price of R144.22 per Discovery share (representing the 30 day VWAP to 9 December 2015). This increased Share Capital and Share Premium by R817.2 million.

"Treasury shares have been decreased by 14 226 181 shares for this transaction.

Rights issue

In the prior financial year, Discovery raised capital by way of an underwritten renounceable rights issue. This resulted in an increase in capital of R5 billion. Costs of R94 million were incurred in respect of the rights issue and were written-off against share premium. Shares in issue increased by 55 555 556 shares to 647 427 946 shares.

Preference share capital

R million	Group 2016	Group 2015
Authorised		
40 000 000 A no par value preference shares		
20 000 000 B preference shares of R100 each	2 000	2 000
20 000 000 C no par value preference shares		
	2 000	2 000
Issued		
8 000 000 class B preference shares of R100 each	800	800
Share issue costs	(21)	(21)
At 30 June	779	779

The B preference shares are non-compulsory, non-cumulative, non-participating, non-convertible, voluntarily redeemable preference shares and were issued at a coupon rate of 85% of prime rate. With the introduction of dividend withholding tax on 1 April 2012, the coupon rate on the preference shares was increased to 100% of the prime rate.

FORM OF PROXY

Discovery Limited
(Registration number: 1999/007789/06)
ISIN: ZAE000022331 Share code: DSY
(the Company)

This form of proxy is only for use by:

1. Registered shareholders who have not yet dematerialised their shares in the Company.
2. Registered shareholders who have already dematerialised their shares in the Company and are registered in their own names in the Company's sub-register.*

For use by registered shareholders of the Company at the seventeenth Annual General Meeting (AGM) of the Company to be held in the Auditorium, Ground Floor, 155 West Street Sandton on Tuesday, 29 November 2016 at 14h00.

Each shareholder entitled to attend and vote at the AGM is entitled to appoint one or more proxy or proxies (who need not be a shareholder of the Company) to attend, participate in and speak and vote in place of that shareholder at the AGM, and at any adjournment thereof.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own-name" registration, must not complete this form of proxy but should contact their Central Securities Depository Participant (CSDP) or broker in the manner and time stipulated in their agreement, in order to furnish them with their voting instructions or to obtain the necessary letter of authority to attend the AGM, in the event that they wish to attend the AGM.

Please note the following:

- The appointment of your proxy may be suspended at any time to the extent that you choose to act directly and in person in the exercise of your rights as a shareholder at the AGM.
- The appointment of the proxy is revocable; and you may revoke the proxy appointment by – (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and the Company.

Kindly note that, meeting participants (including a proxy or proxies) are required in terms of section 63(1) of the Companies Act No. 71 of 2008 as amended (Companies Act) to provide reasonably satisfactory identification before being entitled to attend or participate in the AGM. Forms of identification include a green bar-coded identification document or identification card issued by the South African Department of Home Affairs, a driver's licence or a valid passport.

A proxy may not delegate his/her authority to act on behalf of a shareholder of the Company to another person.

I/We (please print) ______________________________ (name)

of ______________________________ (address)

______________________________ (contact number)

being the holder(s) of ______________________________ ordinary shares in the Company, hereby appoint (see instruction 1 overleaf):

1. ______________________________ or failing him/her,

2. ______________________________ or failing him/her,

3. the Chairperson of the AGM,

as my/our proxy to attend, participate in and speak and vote for me/us and on my/our behalf or to abstain from voting at the AGM which will be held for the purposes of considering and, if deemed fit, passing the resolutions to be passed thereat, with or without modification, and at any adjournment thereof, in accordance with the instructions as follows (see note 2 and instruction 2 overleaf):

Insert the number of votes exercisable (one vote per share)

	For	Against	Abstain
Ordinary Resolutions			
1. Consideration of Annual Financial Statements			
2. Re-appointment of External Auditor			
3. Election of independent Audit Committee			
3.1 Mr Les Owen			
3.2 Ms Sindi Zilwa			
3.3 Ms Sonja De Bruyn Sebotsa			
4. Re-election of Directors			
4.1 Dr Vincent Maphai			
4.2 Mr Tito Mboweni			
4.3 Mr Les Owen			
4.4 Ms Sonja De Bruyn Sebotsa			
5. Approval of Group remuneration policy			
6. Directors' authority to take all such actions necessary to implement the aforesaid ordinary resolutions and the special resolutions mentioned below.			
7. General authority to issue preference shares			
7.1 To give the directors the general authority to allot and issue 10 000 000 A Preference Shares			
7.2 To give the directors the general authority to allot and issue 12 000 000 B Preference Shares			
7.3 To give the directors the general authority to allot and issue 20 000 000 C Preference Shares			
Special Resolutions			
1. Approval of non-executive directors' remuneration – 2016/2017			
2. General authority to repurchase shares in terms of the JSE Listings Requirements			
3. Authority to provide financial assistance in terms of section 44 and 45 of the Companies Act			
4. Amendments to the Company's Memorandum of Incorporation in respect of Issues of Shares			
5. Amendments to the Company's Memorandum of Incorporation in respect of Fractions of Shares			

Note: Insert an "X" in the relevant spaces above or the number of votes exercisable (one vote per share) according to how you wish your votes to be cast. An "X" in the relevant spaces above indicates the maximum number of votes exercisable. If you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of shares held in respect of which you wish to vote (see instruction 3 overleaf).

Signed at ______________________________ on ______________________________ 2016.

Signature/s ______________________________

Assisted by me (where applicable) ______________________________

Please read the summary of the rights in respect of proxy appointments established by section 58 of the Companies Act, notes and instructions overleaf.

*See explanatory note 3 overleaf.

NOTES TO THE FORM OF PROXY

Summary of shareholders rights in respect of proxy appointments as contained in section 58 of the Companies Act

Please note that in terms of section 58 of the Companies Act:

- This form of proxy must be in writing, dated and signed by the shareholder appointing the proxy.
- You may appoint an individual as a proxy, including an individual who is not a shareholder of the Company, to participate in, and speak and vote at, the AGM, on your behalf.
- Your proxy may delegate his/her authority to act on your behalf to another person, subject to any restriction set out in this form of proxy.
- This form of proxy must be delivered to the Company, or to the Company's transfer secretaries, Computershare Investor Services Proprietary Limited, before your proxy exercises any of your voting rights as a shareholder at the AGM. Any form of proxy not received by the Company or the Company's transfer secretaries must be handed to the Chairperson of the AGM before your proxy may exercise any of your voting rights as a shareholder at the AGM.
- The appointment of your proxy or proxies will be suspended at any time to the extent that you choose to act directly in person in the exercise of any of your rights as a shareholder at the AGM.
- The appointment of your proxy is revocable unless you expressly state otherwise in this form of proxy.
- As the appointment of your proxy is revocable, you may revoke the proxy appointment by – (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy and to the Company. Please note that the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to act on your behalf as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered to the proxy and the Company as aforesaid.
- If this form of proxy has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the MOI to be delivered by the Company to you must be delivered by the Company to you or your proxy or proxies, if you have directed the Company to do so, in writing, and paid any reasonable fees charged by the Company for doing so.
- Your proxy is entitled to exercise, or abstain from exercising, any voting rights of yours without direction at the AGM, except to the extent that this form of proxy provides otherwise.
- The appointment of your proxy remains valid only until the end of the AGM or any adjournment or postponement thereof, unless it is revoked by you before then on the basis set out above.

Explanatory notes

1. A shareholder entitled to attend and vote at the AGM is entitled to appoint one or more proxy or proxies to attend, participate in and speak and vote in his/her stead at the AGM. A proxy need not be a shareholder of the Company. Satisfactory identification must be presented by any person wishing to attend the AGM, as set out in the notice of AGM (to which this form of proxy is included).
2. Every shareholder present in person or by proxy and entitled to vote at the AGM of the Company shall, on a show of hands, have one vote only, irrespective of the number of shares such shareholder holds, but in the event of a poll, each shareholder shall be entitled to one vote in respect of each ordinary share in the Company held by him/her.
3. Shareholders who have dematerialised their shares in the Company and are registered in their own names are shareholders who appointed Computershare Custodial Services as their Central Securities Depository Participant (CSDP) with the express instruction that their uncertificated shares are to be registered in the electronic subregister of shareholders in their own names.

Instructions on signing and lodging the form of proxy

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided overleaf, with or without deleting "the Chairperson of the AGM", but any such deletion must be initialled by the shareholder. Should this space be left blank, the Chairperson of the AGM will exercise the proxy. The person whose name appears first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's voting instructions to the proxy must be indicated by the insertion of an "X" or the number of votes exercisable by that shareholder in the appropriate spaces provided overleaf. An "X" in the appropriate box indicates the maximum number of votes exercisable by that shareholder. Failure to do so shall be deemed to authorise the proxy to vote or to abstain from voting at the AGM, as he/she thinks fit in respect of all the shareholder's exercisable votes. A shareholder or his/her proxy is not obliged to use all the votes exercisable by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the shareholder or by his/her proxy.
3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
4. Forms of proxy must be lodged with the Company at 155 West Street, Sandton, South Africa or posted to the Company at PO Box 786722, Sandton 2146, South Africa or lodged with the transfer secretaries of the Company, Computershare Investor Services Proprietary Limited, at 70 Marshall Street, Johannesburg, South Africa or posted to the transfer secretaries of the Company at PO Box 61051, Marshalltown 2107, South Africa, to be received by them not later than Friday, 25 November 2016 at 12h00 (South African time), being at least 48 hours before the AGM to be held at 14h00 on Tuesday, 29 November 2016 in accordance with clause 27.3.2 of the MOI. Any forms of proxy not received by this time must be handed to the Chairperson of the AGM immediately prior to the commencement of the AGM.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries of the Company or waived by the Chairperson of the AGM.
6. The completion and lodging of this form of proxy shall not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy or proxies appointed in terms hereof, should such shareholder wish to do so.
7. Where two or more persons are registered as the holders of any security they shall be deemed to hold that security jointly, and any one of the joint holders of any security conferring a right to vote on any matter may vote either personally or by proxy, at any meeting in respect of that security, as if he were solely entitled to exercise that vote, and if more than one of those joint holders is present at any such meeting, either personally or by proxy, the joint holder , who tenders a vote (including an abstention) and whose name stands in the securities register before the other joint holders whom are present, in person or by proxy, shall be the joint holder who is entitled to vote in respect of that security.
8. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this form of proxy must be initialled by the signatory/ies.
9. The Chairperson of the AGM may reject or accept any form of proxy which is completed other than in accordance with these instructions provided that he is satisfied as to the manner in which a shareholder wishes to vote.
10. A proxy may not delegate his/her authority to act on behalf of the shareholder of the Company, to another person.

ADMINISTRATION

Discovery Limited's directors and prescribed officers

The following were directors of the Company during the current and prior financial year:

Executive directors

A Gore (Chief executive officer)
R Farber (Financial director)
HD Kallner
NS Koopowitz
HP Mayers
Dr A Ntsaluba
A Pollard
JM Robertson
B Swartzberg

Non-executive directors

MI Hilkowitz (Chairperson)
HL Bosman
Dr BA Brink
SE De Bruyn Sebotsa
JJ Durand (resigned 13 January 2016)
SB Epstein
F Khanyile (appointed 22 October 2015)
Dr TV Maphai
TT Mboweni
AL Owen
T Slabbert (resigned 22 October 2015)
SV Zilwa

Prescribed officers

Dr J Broomberg
K Rabson
Dr P Moumakwa

Sponsors

Rand Merchant Bank
(A division of FirstRand Bank Limited)
1 Merchant Place, Cnr Fredman Drive and Rivonia Road, Sandton 2196

Transfer secretaries

Computershare Investor Services Proprietary Limited
(Registration number: 2004/003647/07)
Ground Floor, 70 Marshall Street, Johannesburg 2001
PO Box 61051, Marshalltown 2107

Auditors

PricewaterhouseCoopers Inc.
2 Eglin Road, Sunninghill 2157

Company Secretary

MJ Botha

Registered office

155 West Street, Sandton 2146
PO Box 786722, Sandton 2146
Tel: (011) 529 2888 Fax: (011) 539 8003

Discovery Limited

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

www.discovery.co.za

STUDIO 5

Discovery

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