

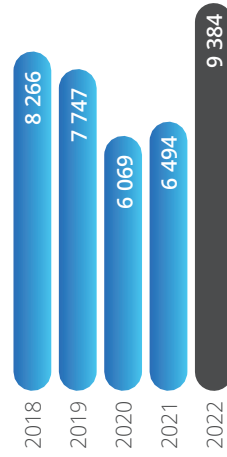


AUDITED RESULTS

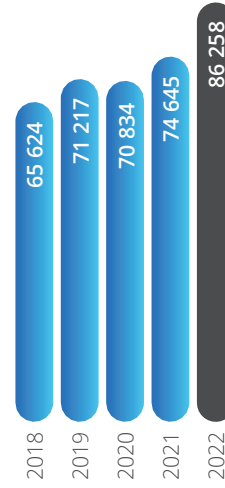
for the year ended 30 June 2022



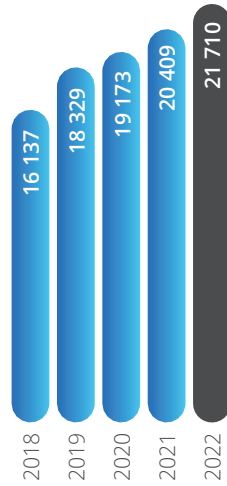
NORMALISED PROFIT FROM OPERATIONS
(R million)



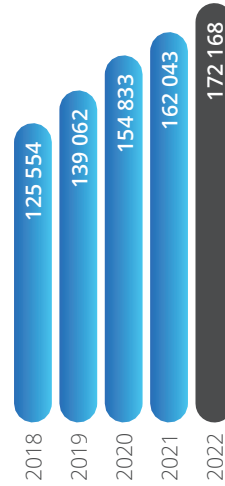
EMBEDDED VALUE
(R million)



CORE NEW BUSINESS API
(R million)



GROSS INFLOWS UNDER MANAGEMENT
(R million)





COMMENTARY

The Group delivered a strong operating performance from the established operations and remained resilient in a challenging macro-economic environment. The organisation's drive for growth manifested through Discovery Bank and in the ongoing evolution of its global healthcare model, notably with the establishment of Amplify Health. In addition, the Vitality Shared-value business model continued to demonstrate its relevance and ability to deliver value to clients and Discovery across all aspects of the value chain as well as to broader society. This supports continued investment in the model.

The operating environment for the full year ended 30 June 2022 was characterised by two significant factors: Firstly, the evolution of COVID-19, as the emergency phase of the pandemic has passed, with conditions in most markets normalising, except for Asia which was affected by severe lockdowns and restrictions. Secondly, considerable geo-political polarisation and macro-economic volatility, caused by a combination of the COVID-19 pandemic, Ukraine conflict, and supply-side constraints. This resulted in higher inflation, increased interest rates as well as currency and market volatility.

In light of this, the Group focused on a pivot to growth based on three strategies:

- (1) Achieving robust performance and strong competitive positioning of businesses within the South Africa ("SA") Composite, United Kingdom ("UK") Composite and Vitality Global, by successfully navigating the latter stages of the COVID-19 period; continuing to invest in the Vitality Shared-value business model; and ensuring excellent execution and operational delivery.
- (2) Driving new business initiatives to scale, led by Discovery Bank and initiatives within Vitality Group, notably Amplify Health, and streamlining some initiatives so the Group is well positioned for strong growth, and ensuring spend on new initiatives reverts to the Group's long-term guidance of 10% of operating profit.
- (3) Ensuring capital and business strength and discipline with high levels of liquidity and solvency and a commensurate reduction in the Group's financial leverage ratio.

STRONG OPERATIONAL PERFORMANCE HIGHLIGHTS THE RESILIENCE AND RELEVANCE OF THE MODEL IN A COMPLEX ENVIRONMENT

For the year ended 30 June 2022, normalised operating profit increased by 45% to R9 384 million and normalised headline earnings increased by 71% to R5 816 million. Core new business annualised premium income (API) increased by 6% to R21 710 million, with particularly strong growth from the SA and UK Composites, and persistency that continued to exceed expectations in all businesses. Continued strong progress in Discovery Bank saw the investment in new initiatives at 18%¹ of normalised operating profit, compared with 24% in the previous period.

Normalised headline earnings per share (basic) increased by 71% to 885.5 cents and headline earnings per share (basic) increased by 74% to 792.4 cents, both positively impacted by mark-to-market foreign currency gains. Within headline earnings, the negative effect of higher long-term interest rates in SA was partly offset by the benefit of higher long-term interest rates in the UK. A portion of the full benefit in the UK, after hedge effects, was recognised as an increase in discretionary margins.

The Group continued to navigate the COVID-19 pandemic across its global operations in the reporting period, with mortality risk in SA having had the largest impact on the prior year profit. The reporting period included the end of the Delta variant third wave of the COVID-19 pandemic in SA and the highly infectious, but less virulent Omicron variant, for which the previously raised COVID-19 provisions for the Group's life insurance operations were adequate. As the emergency phase of the pandemic has passed, the focus has shifted to incorporating the longer-term implications of COVID-19 and future mortality progression, resulting in significant overall strengthening of the mortality and morbidity bases in the life insurance operations in the June 2022 actuarial review by R2.6 billion.

¹ As a percentage of established and emerging normalised profit from operations

COMMENTARY *continued*

In this context, the SA and UK Composites delivered strong growth in normalised operating profit and new business, while the operating performance of Vitality Global reflected the specific dynamics of the impact of COVID-19 on the Asian markets. The following table provides a summary of the performance:

	Normalised profit from operations, current period, in ZAR million	% change (Current period vs prior period)	Core new business API*, current period, in ZAR million	% change (Current period vs prior period)
Discovery Health	3 600	5	7 292	20
Discovery Life	4 028	200	2 543	12
Discovery Invest	1 204	11	2 920	7
Discovery Insure	(162)	(165)	1 246	(3)
SA Composite (excluding new initiatives)²	8 679	41	14 257	15
VitalityHealth	1 328	39	1 738	27
VitalityLife	671	4	1 256	10
UK Composite (excluding new initiatives)	1 999	25	2 994	19
Vitality Group (Insurance and Vitality Health International (VHI))	473	13	1 398*	10*
Ping An Health Insurance (25% interest)	338	(18)	2 883	(15)
Vitality Global (excluding new initiatives)	811	(2)	4 281*	(8)*
Discovery Bank	(990)	10 (reduction in spend)		
Other new initiatives (Excluding Bank) ¹	(1 115)	14 (increase in spend)	1 576	(25)
Normalised profit from operations²	(2 105)	2	1 576	(25)¹
Core new business API²	9 384	45		
Core new business API²			21 710	6

* Core new business API excludes Discovery Health (DH) take-on of new closed schemes and gross revenue for Vitality Group

1. Refer to normalised profit from operations regional disclosure for regional composition of new initiative spend; Core API for other new initiatives includes Umbrella Funds, Discovery Insure commercial and VitalityInvest – new business was impacted by the lumpy nature of Umbrella Fund sales which grew strongly in the prior period

2. Includes SA Vitality: normalised profit from operations includes R9 million (prior period: R43 million); core new business API includes R256 million (prior period: R24 million)



DRIVING NEW BUSINESS INITIATIVES TO SCALE AND STREAMLINING SOME INTERESTS, SO NEW INITIATIVES SPEND REVERTS TO THE GROUP'S LONG-TERM GUIDANCE OF 10% OF OPERATING PROFIT

The Group is emerging from a cycle of intense organic investment into new initiatives, dominated by the investment in Discovery Bank, which has seen excellent high-quality growth over the period. The period saw increased investment in Vitality Health International, particularly for the establishment of Amplify Health, as announced on 15 February 2022, and the build-out over the year. There has also been continued investment in the other large-scale new initiatives, such as V1, the platform to scale the globalisation of the Vitality Shared-value model.

Additionally, the Group streamlined some new initiatives with a focus on those businesses expected to generate significant value. In addition to reviewing its stake in AIA Health in Australia, the Group decided to exit the UK investment market given the structural change in market conditions, mainly driven by significant margin compression. Despite VitalityInvest making good progress over the period, the decision was taken based on the time and resources needed to accumulate the necessary assets under management (AUM) for the business to turn to profitability and the AUM needed to generate material long-term value for the Group.

CAPITAL AND BUSINESS STRENGTH AND DISCIPLINE WITH ROBUST LIQUIDITY AND SOLVENCY

Discovery generated a strong return on opening embedded value (RoEV) of 14.8%, benefiting from particularly favourable lapse experience and the impact of a significant strengthening of the future mortality and morbidity basis. Liquidity and solvency remained robust across the Group, despite paying R3.7 billion in COVID-19 claims in the reporting period in SA, gross of reinsurance. The financial leverage ratio improved to 23.8% , well below the internally set guidance threshold of 28%.

The overall resilience ensured continued focus on and progress in the market-specific strategies and objectives of the Group, which are:

1. **South Africa:** To be the perfect composite model, number 1 in our chosen segments in every industry, and Discovery Bank pivoting to growth as the composite-maker within SA.
2. **United Kingdom:** To have best-in-breed products across businesses and operating as a fully integrated composite business with a seamless One Vitality client journey; and to have a successful entry into motor insurance.
3. **Vitality Global (incorporating Vitality Group and Ping An Health Insurance):** To be the foremost provider of health and wellness intellectual property, powered by the right combination of technology and analytics – accelerating the growth of global insurers by attracting and engaging clients.

BUSINESS-SPECIFIC PERFORMANCE

South Africa

The SA composite's normalised operating profit increased by 41% to R8 679 million and new business by 15% to R14 257 million, excluding new initiatives. The results were driven by a strong recovery from Discovery Life, and robust performances from Discovery Health and Discovery Invest, while Discovery Insure was negatively impacted by claims related to severe weather, combined with considerable supply-side inflation related to the cost of repairing motor vehicles. Discovery Bank constitutes the largest investment into new initiatives and invested further in product innovations and digital capabilities, as the Bank evolves into a composite-maker in the retail Discovery ecosystem.

Discovery Bank

Discovery Bank's operating loss for the financial year was R990 million, 10% lower than the previous financial year. The Bank continues to expand its current client base, with 470 220 clients (331 000 in the prior period) and 1 023 790 accounts (versus 649 000 in June 2021), which represents a significant milestone for the Bank. Retail deposits grew by 30% to R10.6 billion and advances grew 14% to R4.3 billion. New business volumes continued to be strong, achieving more than 800 average daily new-to-Bank sales (vs 500 in June 2021), showing significant progress toward a medium-term target of 1 000 sales per day and 1 000 000 clients by 2026. The Bank has also continued to attract high quality clients, resulting in high levels of average non-interest revenue (NIR) and a low credit loss ratio of 1.56%.

Discovery Health

Discovery Health's (DH) normalised operating profit increased by 5% to R3 600 million and core new business API increased by 20% to R7 292 million. Non-medical scheme retail products (FlexiCare, Gap Cover and Healthy Company) also continued to demonstrate strong growth, with total lives increasing by 37% to c.263 000 lives and revenue increasing by 7% to R1 224 million.

Discovery Health Medical Scheme (DHMS) delivered an excellent performance: the high new business levels seen in the first half of the financial year continued, with DHMS showing net growth of more than 24 000 lives over the full financial year, growing DHMS market share to 57.6% of open medical scheme beneficiaries. DHMS's new joiner profile has been healthier, with both a lower average age and a lower chronic condition ratio than the rest of the open industry, boding favourably for existing members and scheme sustainability. DHMS remains in a strong financial position, with an unaudited solvency of 36% as at June 2022. DHMS's pricing strategy continues to protect its members by balancing short-term affordability with long-term sustainability. Considering the deferred contribution increase strategy, DHMS members paid lower contributions than the rest of the industry in both 2021 and 2022; with contribution levels matched to expected future medical inflation.



Discovery Life

Discovery Life's (DL) results recovered strongly from the prior period, with normalised earnings of R4 028 million up 200%. This was driven by positive overall experience, COVID-19 experience consistent with provision modelling, and prudent expense management. New business increased by 12% to R2.5 billion, driven by strong Automatic Contribution Increases (ACIs) with the DL new business margin at 5.3%. The embedded value (including Discovery Invest) increased by 10.5%, further highlighting the strong positive operational experience, in particular good persistency offsetting a worse-than-expected morbidity claims experience. Discovery Life paid R3.7 billion in COVID-19 claims, gross of reinsurance, in the reporting period, with all identified individual life insurance COVID-19 claims sufficiently covered by the associated provision. The business has strengthened the mortality and morbidity basis for future longer-term effects of COVID-19. The financial position remains robust with a solvency ratio of 174% and strong internal liquidity buffers.

Discovery Invest

Discovery Invest's normalised operating profit increased by 11% to R1 204 million and new business increased 7% to R2 920 million. Total assets under administration (AuA) grew by 4% to R122 billion, assets under management (AUM) increased by 7% to R81.1 billion, and linked funds in Discovery funds remained high at 80%. Net flows increased by 2% to R5.75 billion, with growth constrained by higher than anticipated guaranteed plan maturities and lower market levels over the second half of the reporting period, resulting in a 4.6% reduction in AuA from December 2021 to June 2022. Discovery Invest recently launched Cogence, SA's first Shared-value Discretionary Fund Manager to drive better retirement outcomes. The partnership with BlackRock leverages its Aladdin Wealth™ Technology to manage the investment risk with Vitality managing the demographic risk.

Discovery Insure

Discovery Insure (DI) made an operating loss of R162 million, a 165% decrease from the prior year operating profit. The operating loss was driven predominantly by adverse weather events including the April 2022 KwaZulu-Natal floods, which led to a R66 million net impact, combined with motor parts inflation dramatically exceeding CPI. The result was further impacted by an increase in power surge-related claims during the period. Gross written premium grew by 13% to R4 762 million, despite lower new business levels, as DI was quick to implement strategic actions to manage the impact of the business experience, while also improving the overall client risk profile.

COMMENTARY *continued*

United Kingdom

The UK Composite's normalised operating profit increased by 28% to £98.7 million (R1 999 million, up 25%) and new business by 22% to £148 million (R2 994 million, up 19%), excluding new initiatives. Earned premiums increased by 8% to £893 million (R18 094 million, up 5%), while total lives covered increased by 12% to 1.56 million. The Group decided to exit the UK investment market through VitalityInvest, despite its progress over the period, mainly driven by significant margin compression in the industry.

VitalityHealth

VitalityHealth's (VH) normalised operating profit grew by 43% to £66 million (up 39% to R1 328 million). While claims increased during the period, these remained below pre-COVID-19 levels and their severity and cost were less than expected. The result also benefited from the acceleration of financial reinsurance repayments in the prior period. The sales performance over the period was excellent, with new business increasing by 30% to £86 million (up 27% to R1 738 million). Standout areas included the D2B strategy, with the channel delivering 61% growth in total, and the direct channel, which continued to perform strongly with 15% growth. Earned premiums grew by 9% to £560 million (R11 344 million, up 6%) driven by strong retention levels, and total lives grew by 15% to 839 000. After new business acquisition costs and investment in developing the business, VH generated £32 million (R648 million) cash. VH continues to transform the way that healthcare is delivered, as seen by the increase in the use of primary care services, and the growth in scale and utilisation of digitised services.

VitalityLife

VitalityLife's (VL) normalised operating profit grew by 7% to £33.1 million (R671 million, up 4%). New business increased by 13% to £62 million (R1 256 million, up 10%), with VL improving its position to fifth in market share for new business for Q1 2022. The continued strong retention performance, following strategic interventions in prior years, was key in delivering 7% higher earned premiums, to £333 million (up 4% to R6 750 million), while lives covered grew by 9% to 722 000.

A significant milestone in the period was reaching agreement with Prudential on the Part VII transfer of the VitalityLife book, currently written on the Prudential balance sheet. The agreement effects an indefinite delay period to complete the Part VII transfer and results in reduced liquidity, matching and capital risk, as well as lower operational complexity with improved overall commercial terms.

Vitality Global

Ping An Health Insurance

Ping An Health Insurance's (PAH) profit from operations, represented by the Group's share of after-tax operating profit less Discovery's costs to support the business, was down by 18% to R338 million. PAH's pre-tax operating profit, excluding investment income and gains, increased by 30%, highlighting the strong operating performance over the period, curtailed by the decline in the China equity market. Total new business premiums reduced by 15% to R11.5 billion, given the restructured co-operation with Ping An Life, as described in the Group's interim reporting. However, new business premiums on PAH's own insurance licence increased by 6% to R8.9 billion, following increased development of PAH's own sales channels. PAH is delivering faster premium growth than the overall industry and the business has reached considerable scale and continues to be one of the most profitable and fastest growing insurers in the country, insuring over 28 million lives, with a comprehensive solvency ratio at 277.1%.



Vitality Group

Vitality Group's (VG) profit increased by 15% to US\$31 million (R473 million, up 13%). Earnings growth was impacted as the prior period benefited from a forex hedge gain, which was not repeated, offset in this period by income related to the delivery of an initial component of Vitality intellectual property, related to the Amplify Health transaction. Earnings were also impacted by weaker Vitality-integrated sales in some key Asian markets, adversely impacted by COVID-19 lockdowns in the current period. Revenue growth remained resilient, with fee income growing 22% to US\$100.4 million (R1.5 billion) and insurance partners' Vitality-integrated premiums growing by 10% to US\$1.4 billion (R21.7 billion). The period also saw Vitality expand to 35 markets by the end of the reporting period, with Vitality membership from insurance partners increasing 25% to 3 million. Sumitomo Life Vitality in Japan reached a milestone of 1 million Vitality-linked policies sold since launching in 2018.

There has been significant investment within new initiatives in Vitality Health International, with a focus on expanding the Group's global health solutions business and maintaining global leadership in behaviourally led solutions. The largest investment over the period was into the Amplify Health joint venture with AIA, offering digital health solutions across Asia-Pacific. Additionally, the business launched shared-value health insurance products, which incorporate Vitality, to employer groups operating in multiple African countries beyond South Africa.

Prospects and dividend

Discovery's business model has proven to be highly relevant during the COVID-19 pandemic, with robust underlying growth trends continuing in most parts of the business. The Group is capitalising on its growth opportunities while ensuring operational resilience despite the challenging macro environment. The effect of rising inflation and interest rates globally, together with continued currency volatility, is expected to remain a feature of the reported results.

During the period, Discovery made a capital contribution to PAH of R1.5 billion. While this was initially funded by way of a bridge facility and internal resources, as previously reported, Discovery still anticipates raising a specific quantum of equity capital for this purpose in line with the disciplined framework of its capital plan.

While the Group's capital position remains robust, in light of the uncertain future impact of COVID-19 and the volatile global macro-economic environment, the Discovery Board has decided to retain its prior stated position and has decided not to declare an ordinary final dividend for the year ended 30 June 2022. The reintroduction of an ordinary dividend will be considered on an ongoing basis.

Notes to analysts

Any forecast financial information contained in this announcement has not been reviewed or reported on by the Company's external auditors.

Discovery has published supplemental unaudited information on the website. For this and other results information, visit <https://www.discovery.co.za/corporate/investor-relations> and go to Financial and annual reports.

On behalf of the Board

ME Tucker
Chairperson

A Gore
Group Chief Executive

Sandton
6 September 2022



STATEMENT OF FINANCIAL POSITION

at 30 June 2022

R million	Group Year ended June 2022 Audited	Group Year ended June 2021 Audited
Assets		
Goodwill	4 912	4 879
Intangible assets	6 539	6 371
Property and equipment	3 811	4 188
Assets arising from insurance contracts	56 645	50 483
Deferred acquisition costs	640	585
Assets arising from contracts with customers	1 549	1 248
Investment in equity-accounted investees	6 008	3 459
Deferred tax asset	4 455	3 948
Financial assets		
– Loans and advances to customers at amortised cost	3 944	3 361
– Investments at amortised cost	7 161	5 604
– Investments at fair value through profit or loss	141 494	130 937
– Derivative financial instruments at fair value through profit or loss	276	249
Insurance receivables, contract receivables and other receivables	13 113	10 533
Non-current assets held for sale	171	–
Current tax asset	220	391
Reinsurance contracts	511	445
Cash and cash equivalents	19 775	20 013
TOTAL ASSETS	271 224	246 694
Equity		
Capital and reserves		
Ordinary share capital and share premium	10 178	10 151
Perpetual preference share capital	779	779
Other reserves	3 621	1 935
Retained earnings	38 972	33 550
Equity	53 550	46 415
Non-controlling interest	5	4
TOTAL EQUITY	53 555	46 419
Liabilities		
Liabilities arising from insurance contracts	109 200	100 977
Liabilities arising from reinsurance contracts	13 192	12 525
Deferred tax liability	9 335	8 814
Contract liabilities to customers	944	776
Financial liabilities		
– Borrowings at amortised cost	20 584	19 493
– Other payables	15 123	14 904
– Deposits from customers	10 881	8 985
– Investment contracts at fair value through profit or loss	37 361	32 291
– Derivative financial instruments at fair value through profit or loss	202	826
Employee benefits	320	315
Current tax liability	527	369
TOTAL LIABILITIES	217 669	200 275
TOTAL EQUITY AND LIABILITIES	271 224	246 694

GROUP INCOME STATEMENT

for the year ended 30 June 2022

R million	Group Year ended June 2022 Audited	Group Year ended June 2021 Audited	% Change
Insurance premium revenue	58 782	55 935	
Reinsurance premiums	(8 262)	(7 729)	
Accelerated reinsurance premiums	-	(823)	
Net insurance premium revenue	50 520	47 383	7
Fee income from administration businesses	12 752	11 700	
Vitality income	3 495	3 340	
Net banking fee and commission income	645	480	34
Banking fee and commission income	853	633	
Banking fee and commission expense	(208)	(153)	
Net bank interest and similar income	318	241	32
Bank interest and similar income using the effective interest rate	811	627	
Bank interest and similar expense using the effective interest rate	(493)	(386)	
Investment income using the effective interest rate method	296	280	
Net fair value (losses)/gains on financial assets at fair value through profit or loss	(1 825)	11 891	
Other income	1 341	1 372	
Receipts arising from reinsurance contracts	-	500	
Net income	67 542	77 187	(12)
Net claims and policyholders' benefits	(30 900)	(28 178)	(10)
Claims and policyholders' benefits	(38 207)	(33 972)	
Insurance claims recovered from reinsurers	7 218	5 794	
Recapture of reinsurance	89	-	
Acquisition costs	(4 774)	(5 033)	
Marketing and administration expenses	(25 209)	(22 679)	
Amortisation of intangibles from business combinations	(59)	(66)	
Expected credit losses	(67)	(271)	
Recovery of expenses from reinsurers	2 859	2 773	
Net transfer to/from assets and liabilities under insurance contracts	(1 494)	(14 795)	
- change in assets arising from insurance contracts	5 786	545	
- change in assets arising from reinsurance contracts	63	56	
- change in liabilities arising from insurance contracts	(6 935)	(17 941)	
- change in liabilities arising from reinsurance contracts	(577)	1 755	
- economic assumption adjustments net of discretionary margins	169	790	
Fair value adjustment to liabilities under investment contracts	(40)	(3 634)	
Profit from operations	7 858	5 304	48
Finance costs	(1 658)	(1 648)	
Foreign exchange gains/(losses)	155	(389)	
Gain on dilution and disposal of equity-accounted investments	33	554	
Reversal of impairment/(Impairment) of equity-accounted investments	134	(149)	
Share of net profits from equity-accounted investments	422	523	
Profit before tax	6 944	4 195	66
Income tax expense	(1 465)	(975)	(50)
Profit for the year	5 479	3 220	70
Profit attributable to:			
- ordinary shareholders	5 422	3 157	
- preference shareholders	56	63	
- non-controlling interest	1	*	
	5 479	3 220	70
Earnings per share for profit attributable to ordinary shareholders of the company during the year (cents):			
- basic	825.5	480.7	72
- diluted	817.8	475.4	72

* Amount is less than R500 000.



GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2022

R million	Group Year ended June 2022 Audited	Group Year ended June 2021 Audited
Profit for the year	5 479	3 220
Items that are or may be reclassified subsequently to profit or loss:		
Currency translation differences	467	(1 576)
Cash flow hedges	309	260
– unrealised gains	322	360
– tax on unrealised gains	(2)	(25)
– gains recycled to profit or loss	(10)	(90)
– tax on recycled gains	(1)	15
Share of other comprehensive income from equity-accounted investments	601	(312)
– change in fair value of debt instruments at fair value through other comprehensive income	17	15
– currency translation differences	584	(327)
Other comprehensive income/(losses) for the year, net of tax	1 377	(1 628)
Total comprehensive income for the year	6 856	1 592
Attributable to:		
– ordinary shareholders	6 799	1 529
– preference shareholders	56	63
– non-controlling interest	1	*
Total comprehensive income for the year	6 856	1 592

* Amount is less than R500 000.

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2022

R million	Attributable to equity holders of the Company			
	Share capital and share premium	Preference share capital	Share-based payment reserve	Investment reserve ¹
Year ended 30 June 2022				
At beginning of the year	10 151	779	489	18
Total comprehensive income for the year	-	56	-	17
Profit for the year	-	56	-	-
Other comprehensive income	-	-	-	17
Transactions with owners	27	(56)	309	-
Share issue	443	-	-	-
Increase in treasury shares	(443)	-	-	-
Delivery of treasury shares	27	-	(17)	-
Employee share option schemes:				
- Value of employee services	-	-	326	-
Dividends paid to preference shareholders	-	(56)	-	-
At end of the year	10 178	779	798	35
Year ended 30 June 2021				
At beginning of the year	10 148	779	195	3
Total comprehensive income for the year	-	63	-	15
Profit for the year	-	63	-	-
Other comprehensive income/(loss)	-	-	-	15
Transactions with owners	3	(63)	294	-
Share issue	907	-	-	-
Increase in treasury shares	(907)	-	-	-
Delivery of treasury shares	3	-	(36)	-
Employee share option schemes:				
- Value of employee services	-	-	330	-
Dividends paid to preference shareholders	-	(63)	-	-
At end of the year	10 151	779	489	18

¹ This relates to fair value adjustments on those equity instruments designated at fair value through other comprehensive income (FVOCI) and those debt instruments measured at FVOCI, in terms of IFRS 9 Financial Instruments.

* Amount is less than R500 000.



Attributable to equity holders of the Company

Foreign currency translation reserve	Hedging reserve	Retained earnings	Total	Non- controlling interest	Total
1 772	(344)	33 550	46 415	4	46 419
1 051	309	5 422	6 855	1	6 856
-	-	5 422	5 478	1	5 479
1 051	309	-	1 377	-	1 377
-	-	-	280	-	280
-	-	-	443	-	443
-	-	-	(443)	-	(443)
-	-	-	10	-	10
-	-	-	326	-	326
-	-	-	(56)	-	(56)
2 823	(35)	38 972	53 550	5	53 555
3 675	(604)	30 353	44 549	4	44 553
(1 903)	260	3 157	1 592	*	1 592
-	-	3 157	3 220	*	3 220
(1 903)	260	-	(1 628)	-	(1 628)
-	-	40	274	-	274
-	-	-	907	-	907
-	-	-	(907)	-	(907)
-	-	40	7	-	7
-	-	-	330	-	330
-	-	-	(63)	-	(63)
1 772	(344)	33 550	46 415	4	46 419

GROUP STATEMENT OF CASH FLOWS

for the year ended 30 June 2022

R million	Group Year ended June 2022 Audited	Group Year ended June 2021 Audited
Cash flow from operating activities	3 597	10 407
Cash generated by operations	18 475	19 485
Purchase of investments held to back policyholder liabilities	(56 588)	(54 661)
Proceeds from disposal of investments held to back policyholder liabilities	38 411	38 709
Working capital changes	2 468	6 972
	2 766	10 505
Dividends received	600	303
Interest received	2 824	2 513
Interest paid	(1 412)	(1 197)
Taxation paid	(1 181)	(1 717)
Cash flow from investing activities	(4 704)	(6 740)
Purchase of financial assets	(32 878)	(32 569)
Proceeds from disposal of financial assets	31 482	27 828
Purchase of property and equipment	(275)	(277)
Proceeds from disposal of property and equipment	25	21
Purchase of software and other intangible assets	(1 567)	(1 587)
Proceeds from disposal of software and other intangible assets	2	-
Acquisition of business net of cash	-	(25)
Additional investment in equity-accounted investments	(1 593)	(240)
Dividends from equity-accounted investments	100	109
Cash flow from financing activities	518	(590)
Dividends paid to preference shareholders	(56)	(63)
Proceeds from borrowings	3 261	1 839
Repayment of borrowings	(2 687)	(2 366)
Net (decrease)/ increase in cash and cash equivalents	(589)	3 077
Cash and cash equivalents at beginning of the year	20 013	17 909
Exchange gains/(losses) on cash and cash equivalents	195	(973)
Cash and cash equivalents including bank overdraft at end of the year	19 619	20 013
Reconciliation to Statement of Financial Position		
Cash and cash equivalents	19 775	20 013
Bank overdraft included in borrowings at amortised cost	(156)	-
Cash and cash equivalents at end of the year	19 619	20 013



ADDITIONAL DISCLOSURE

at 30 June 2022

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.

R million (audited)	30 June 2022			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments mandatorily at fair value through profit or loss:				
– Equity portfolios	54 271	3 677	-	57 948
– Debt portfolios	46 672	920	-	47 592
– Money market portfolios ¹	-	14 680	-	14 680
– Multi-asset portfolios ¹	-	21 274	-	21 274
Derivative financial instruments at fair value:				
– used as cash flow hedges	-	17	-	17
– not designated as hedging instruments	-	259	-	259
Total financial assets	100 943	40 827	-	141 770
Non-Financial Assets				
Non-current assets held of sale	-	-	171	171
Total non-financial assets	-	-	171	171
Financial liabilities				
Investment contracts at fair value through profit or loss	-	37 361	-	37 361
Derivative financial instruments at fair value:				
– used as cash flow hedges	-	56	-	56
– not designated as hedging instruments	-	146	-	146
Total financial liabilities	-	37 563	-	37 563

¹ During the year under review, management had reassessed the observability of significant inputs into fair value determination of money markets and, multi-asset portfolios. Management determined these are classified at level 2. The prior period was restated accordingly.

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

ADDITIONAL DISCLOSURE *continued*
at 30 June 2022

FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *continued*

R million (audited) Restated	30 June 2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments mandatorily at fair value through profit or loss:				
- Equity portfolios	40 530	2 832	-	43 362
- Debt portfolios	34 845	1 640	-	36 485
- Money market portfolios	-	17 253	-	17 253
- Multi-asset portfolios	-	33 837	-	33 837
Derivative financial instruments at fair value:				
- used as cash flow hedges	-	28	-	28
- not designated as hedging instruments	-	221	-	221
Total financial assets	75 375	55 811	-	131 186
Financial liabilities - not designated as hedging instruments				
Investment contracts at fair value through profit and loss				
Derivative financial instruments at fair value:				
- used as cash flow hedges	-	461	-	461
- not designated as hedging instruments	-	365	-	365
Total financial liabilities	-	33 117	-	33 117

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 performed 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 verify that 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 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.



ADDITIONAL DISCLOSURE *continued*
at 30 June 2022

EXCHANGE RATES USED IN THE PREPARATION OF THESE RESULTS

	USD	GBP	RMB
30 June 2022			
- Average	15.22	20.25	2.35
- Closing	16.47	20.00	2.46
30 June 2021			
- Average	15.42	20.74	2.32
- Closing	14.28	19.74	2.21

SEGMENTAL INFORMATION

for the year ended 30 June 2022

R million	SA Health	SA Life	SA Invest
Income statement			
Insurance premium revenue	189	15 041	14 499
Reinsurance premiums	-	(3 523)	-
Net insurance premium revenue	189	11 518	14 499
Fee income from administration businesses	7 910	-	2 834
Vitality income	-	-	-
Net banking fee and commission income	-	-	-
Banking fee and commission income ⁴	-	-	-
Banking fee and commission expense	-	-	-
Net bank interest and similar income	-	-	-
Bank interest and similar income using the effective interest rate	-	-	-
Bank interest and similar expense using the effective interest rate	-	-	-
Investment income earned on assets backing policyholder liabilities	-	3	-
Net fair value gains/(losses) on financial assets at fair value through profit or loss	10	485	913
Other income	1 241	12	-
Finance charge on negative reserve funding	-	-	-
Inter-segment funding ¹	-	(628)	628
Net income	9 350	11 390	18 874
Net claims and policyholders' benefits	(49)	(9 222)	(12 260)
Claims and policyholders' benefits	(49)	(14 013)	(12 260)
Insurance claims recovered from reinsurers	-	4 791	-
Recapture of reinsurance	-	-	-
Acquisition costs	(27)	(1 605)	(1 144)
Expected credit losses	-	-	-
Marketing and administration expenses	-	-	-
- depreciation and amortisation	(106)	(7)	(11)
- derecognition of intangible assets and property and equipment	-	-	-
- other expenses	(5 568)	(2 147)	(1 156)
Recovery of expenses from reinsurers	-	-	-
Transfer from assets/liabilities under insurance contracts	-	-	-
- change in assets arising from insurance contracts	-	5 299	-
- change in assets arising from reinsurance contracts	-	11	-
- change in liabilities arising from insurance contracts	-	662	(3 247)
- change in liabilities arising from reinsurance contracts	-	(351)	-
Fair value adjustment to liabilities under investment contracts	-	(2)	148
Share of net profits from equity-accounted investments	-	-	-
Reversal of impairment of equity accounted investment	-	-	-
Normalised profit/(loss) from operations	3 600	4 028	1 204
Economic assumptions adjustments net of discretionary margins and interest rate derivative	-	(651)	-
Economic assumptions adjustments net of discretionary margins	-	(651)	-
Fair value losses on VitalityLife interest rate derivative	-	-	-
Investment income earned on shareholder investments and cash	37	11	38
Intercompany investment income	-	-	-
Net fair value gains/(losses) on financial assets at fair value through profit or loss	-	51	27
Gains from dilution of equity accounted investments	-	-	-
Initial expenses related to Prudential Book transfer	-	-	-
Covid-19 vaccination programme	-	-	-
Amortisation of intangibles from business combinations	-	-	-
Market rentals related to Head Office building adjusted for finance costs and depreciation	-	-	-
Finance costs ⁵	(1)	25	-
Intercompany finance costs	(297)	-	-
Foreign exchange gains	4	25	37
Profit before tax	3 343	3 489	1 306
Income tax expense	(951)	(718)	(438)
Profit for the year	2 392	2 771	868

¹ The inter-segment funding of R628 million reflects a notional allocation of interest earned on the negative reserve backing policyholders' funds of guaranteed investment products and hence is transferred to Discovery Invest.

² This segment relates to SA Insure - Personal lines.

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

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



SA Insure ²	SA Vitality	SA Bank	UK Health	UK Life	All other segments	Segment total	IFRS reporting adjustments ³	IFRS total
4 657 (103)	-	-	11 299 (1 556)	6 750 (3 600)	7 035 (168)	59 470 (8 950)	(688) 688	58 782 (8 262)
4 554 15	-	-	9 743 30	3 150 -	6 867 1 975	50 520 12 764	- (12)	50 520 12 752
-	2 338	-	392	227	538	3 495	-	3 495
-	-	633	-	-	12	645	-	645
-	-	853 (220)	-	-	-	853 (208)	-	853 (208)
-	-	318	-	-	-	318	-	318
-	-	811 (493)	-	-	-	811 (493)	-	811 (493)
118 1	- 1	-	9 (52)	27 (1 390)	7 (1 195)	164 (1 227)	(164) (598)	- (1 825)
-	-	-	32	-	56	1 341	-	1 341
-	-	-	-	1 368	-	1 368	(1 368)	-
-	-	-	-	-	-	-	-	-
4 688 (3 029)	2 339 -	951 -	10 154 (4 331)	3 382 (877)	8 260 (1 132)	69 388 (30 900)	(2 142) -	67 246 (30 900)
(3 151) 122	-	-	(5 652) 1 321	(2 231) 1 265	(1 346) 214	(38 702) 7 713	495 (495)	(38 207) 7 218
-	-	-	-	89	-	89	-	89
(702) -	(111) -	- (67)	(963) -	(1 884) -	294 -	(6 142) (67)	1 368 -	(4 774) (67)
(60) (18)	(12) -	(277) -	(458) (1)	(63) (14)	(739) (17)	(1 733) (50)	(169) -	(1 902) (50)
(988) -	(2 207) -	(1 597) -	(4 091) 1 041	(2 047) 1 818	(3 032) -	(22 833) 2 859	(424) -	(23 257) 2 859
-	-	-	-	3 606	(101)	8 804	(3 018)	5 786
1 (41)	- -	- -	40 (65)	11 (17)	1 (4 488)	64 (7 196)	(1) 261	63 (6 935)
-	-	-	-	(3 244)	-	(3 595)	3 018	(577)
-	-	-	-	-	42	188	(228)	(40)
(13) -	- -	- -	2 -	- -	474 134	463 134	(41) -	422 134
(162) -	9 -	(990) -	1 328 -	671 567	(304) -	9 384 (84)	(1 376) 253	8 008 169
-	-	-	-	820 (253)	-	169 (253)	- 253	169 -
-	28	-	-	8	18	140	156	296
-	-	-	-	5	913	918	(918)	-
-	-	-	-	(454)	(1)	(377)	377	-
19	-	-	-	-	14	33	-	33
-	-	-	-	(182)	-	(182)	182	-
-	-	-	-	-	(157)	(157)	157	-
(41)	-	-	-	-	(59)	(100)	41	(59)
-	-	-	-	-	(158)	(158)	158	-
-	-	-	(6)	(104)	(1 290)	(1 376)	(282)	(1 658)
-	-	-	(4)	(230)	(396)	(927)	927	-
-	-	-	-	-	89	155	-	155
(184) 43	37 (30)	(990) 218	1 318 (285)	281 224	(1 331) 147	7 269 (1 790)	(325) 325	6 944 (1 465)
(141)	7	(772)	1 033	505	(1 184)	5 479	-	5 479

4 The banking fee and commission income consists of R389 million revenue which passes over time and interchange revenue of R464 million is recognised at a point in time.

5 Finance costs in Discovery Life includes a reversal of interest payable to the South African Revenue Services provided for in the prior year.

SEGMENTAL INFORMATION *continued*

for the year ended 30 June 2021

R million	SA Health	SA Life	SA Invest
Income statement			
Insurance premium revenue	294	13 711	14 824
Reinsurance premiums	1	(3 262)	-
Accelerated reinsurance repayment	-	-	-
Net insurance premium revenue	295	10 449	14 824
Fee income from administration businesses	7 540	-	2 401
Vitality income	-	-	-
Net banking fee and commission income	-	-	-
Banking fee and commission income ⁴	-	-	-
Banking fee and commission expense	-	-	-
Net bank interest and similar income	-	-	-
Bank interest and similar income using the effective interest rate	-	-	-
Bank interest and similar expense using the effective interest rate	-	-	-
Investment income earned on assets backing policyholder liabilities	-	10	-
Net fair value gains/(losses) on financial assets at fair value through profit or loss	6	637	9 172
Other income	968	3	-
Finance charge on negative reserve funding	-	-	-
Inter-segment funding ¹	-	(714)	714
Receipts arising from reinsurance contracts	-	500	-
Net income	8 809	10 885	27 111
Net claims and policyholders' benefits	(129)	(8 113)	(12 252)
Claims and policyholders' benefits	(129)	(11 949)	(12 252)
Insurance claims recovered from reinsurers	-	3 836	-
Acquisition costs	(40)	(1 540)	(1 056)
Expected credit losses	-	-	-
Marketing and administration expenses	-	-	-
- depreciation and amortisation	(118)	(7)	(11)
- derecognition of intangible assets and property and equipment	(26)	-	-
- impairment of intangible assets	(15)	-	-
- other expenses	(5 058)	(2 027)	(1 031)
Recovery of expenses from reinsurers	-	-	-
Transfer from assets/liabilities under insurance contracts	-	-	-
- change in assets arising from insurance contracts	-	3 433	-
- change in assets arising from reinsurance contracts	-	33	-
- change in liabilities arising from insurance contracts	-	(206)	(11 054)
- change in liabilities arising from reinsurance contracts	-	(1 115)	-
Fair value adjustment to liabilities under investment contracts	-	(2)	(623)
Share of net profits from equity-accounted investments	-	-	-
Impairment of equity accounted investment	-	-	-
Normalised profit/(loss) from operations	3 423	1 341	1 084
Economic assumptions adjustments net of discretionary margins and interest rate derivative	-	(411)	-
Economic assumptions adjustments net of discretionary margins	-	(411)	-
Fair value losses on VitalityLife interest rate derivative	-	-	-
Investment income earned on shareholder investments and cash	39	14	40
Intercompany investment income	-	-	-
Net fair value gains/(losses) on financial assets at fair value through profit or loss	-	138	(28)
Restructuring costs	-	-	-
Gains from dilution of equity accounted investments	-	-	-
Initial expenses related to Prudential Book transfer	-	-	-
Transaction costs related to VitalityLife interest rate derivatives	-	-	-
Covid-19 vaccination programme	-	-	-
Amortisation of intangibles from business combinations	-	-	-
Market rentals related to Head Office building adjusted for finance costs and depreciation	-	-	-
Finance costs ⁵	(1)	(26)	-
Intercompany finance costs	(268)	-	-
Foreign exchange (losses)/gains	(6)	3	(25)
Profit before tax	3 187	1 059	1 071
Income tax expense	(894)	(364)	(331)
Profit for the year	2 293	695	740

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

² This segment relates to SA Insure – Personal lines.

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

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



SA Insure ²	SA Vitality	SA Bank	UK Health	UK Life	All other segments	Segment total	IFRS reporting adjustments ³	IFRS total
4 091 (66)	-	-	11 075 (1 839)	6 466 (3 354)	6 351 (86)	56 812 (8 606)	(877) 877	55 935 (7 729)
-	-	-	(823)	-	-	(823)	-	(823)
4 025	-	-	8 413	3 112	6 265	47 383	-	47 383
16	-	2	28	-	1 724	11 711	(11)	11 700
-	2 295	21	240	230	554	3 340	-	3 340
-	-	464	-	-	16	480	-	480
-	-	633	-	-	-	633	-	633
-	-	(169)	-	-	16	(153)	-	(153)
-	-	214	-	-	-	214	27	241
-	-	627	-	-	-	627	-	627
-	-	(413)	-	-	-	(413)	27	(386)
111	-	-	-	9	9	139	(139)	-
14	-	83	29	(792)	1 358	10 507	1 384	11 891
-	-	312	60	-	10	1 353	19	1 372
-	-	-	-	769	-	769	(769)	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	500	-	500
4 166	2 295	1 096	8 770	3 328	9 936	76 396	511	76 907
(2 270)	-	-	(3 894)	(837)	(683)	(28 178)	-	(28 178)
(2 269)	-	-	(5 219)	(1 962)	(761)	(34 541)	569	(33 972)
(1)	-	-	1 325	1 125	78	6 363	(569)	5 794
(599)	(61)	-	(942)	(1 719)	174	(5 783)	750	(5 033)
-	-	(271)	-	-	-	(271)	-	(271)
(70)	(13)	(246)	(447)	(57)	(669)	(1 638)	(210)	(1 848)
(6)	-	-	-	-	(18)	(50)	-	(50)
-	(1)	-	(5)	-	(40)	(61)	-	(61)
(937)	(2 177)	(1 673)	(3 297)	(1 831)	(2 598)	(20 629)	(91)	(20 720)
-	-	-	912	1 861	-	2 773	-	2 773
-	-	-	-	(6 143)	76	(2 634)	3 179	545
-	-	-	13	10	-	56	-	56
(47)	-	-	(155)	(17)	(6 436)	(17 915)	(26)	(17 941)
-	-	-	-	6 049	-	4 934	(3 179)	1 755
-	-	-	-	-	(255)	(880)	(2 754)	(3 634)
13	-	-	(2)	-	512	523	-	523
-	-	-	-	-	(149)	(149)	-	(149)
250	43	(1 094)	953	644	(150)	6 494	(1 820)	4 674
-	-	-	-	(108)	-	(519)	1 309	790
-	-	-	-	1 201	-	790	-	790
-	-	-	-	(1 309)	-	(1 309)	1 309	-
-	39	-	-	3	14	149	131	280
-	-	-	-	7	809	816	(816)	-
-	-	-	-	139	(471)	(222)	222	-
-	-	-	-	(33)	-	(33)	33	-
537	-	-	-	-	17	554	-	554
-	-	-	-	(187)	-	(187)	187	-
-	-	-	-	(4)	-	(4)	4	-
-	-	-	-	-	(42)	(42)	42	-
-	-	-	-	-	(66)	(66)	-	(66)
-	-	-	-	-	(228)	(228)	228	-
-	-	-	(7)	(65)	(1 192)	(1 291)	(357)	(1 648)
-	-	-	(6)	(236)	(315)	(825)	825	-
-	-	-	-	-	(361)	(389)	-	(389)
787	82	(1 094)	940	160	(1 985)	4 207	(12)	4 195
(207)	(24)	334	(149)	363	285	(987)	12	(975)
580	58	(760)	791	523	(1 700)	3 220	-	3 220

4 The banking fee and commission income consists of R272 million of revenue which passes over time while the interchange revenue of R361 million is recognised at a point in time.

REVIEW OF GROUP RESULTS

for the year ended 30 June 2022

ADDITIONAL INFORMATION

Normalised profit from operations

The following table shows the main components of the normalised profit from operations for the year ended 30 June 2022

R million	South Africa			United Kingdom		
	June 2022	June 2021	% Change	June 2022	June 2021	% Change
Discovery Health	3 600	3 423	5	-	-	-
Discovery Life	4 028	1 341	200	-	-	-
Discovery Invest	1 204	1 084	11	-	-	-
Discovery Vitality	9	43	(79)	-	-	-
VitalityHealth	-	-	-	1 328	953	39
VitalityLife	-	-	-	671	644	4
Normalised profit from established businesses	8 841	5 891	50	1 999	1 597	25
Discovery Insure (Personal lines)	(162)	250	(165)	-	-	-
Vitality Group Insurance ¹	-	-	-	-	-	-
Ping An Health ¹	-	-	-	-	-	-
Normalised profit/(loss) from emerging businesses ²	(162)	250	(165)	-	-	-
Discovery Bank	(990)	(1 094)	10	-	-	-
Other new initiatives ^{1,3}	(232)	(288)	19	(518)	(233)	(122)
Normalised loss from new initiatives	(1 222)	(1 382)	12	(518)	(233)	(122)
Normalised profit from operations⁴	7 457	4 759	57	1 481	1 364	9

1 Included in 'All other segments' in the Segmental information.

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

3 Other new initiatives include costs of start-up businesses and expenses incurred to investigate, research and develop new products and markets. Start-up costs include costs in relation to a commercial offering in Discovery Insure, an Umbrella Fund offering in Discovery Invest and the Vitality1 platform being a leading behavioural change platform enabling shared-value insurance and financial services products across the Discovery Group. Certain unallocated heads costs are also included in this segment. The segment also includes VitalityInvest.

4 This amount can be further analysed by referring to the Normalised profit from operations as per the Segment Total in the Segmental information.



Vitality Global			Total		
June 2022	June 2021	% Change	June 2022	June 2021	% Change
-	-	-	3 600	3 423	5
-	-	-	4 028	1 341	200
-	-	-	1 204	1 084	11
-	-	-	9	43	(79)
-	-	-	1 328	953	39
-	-	-	671	644	4
-	-	-	10 840	7 488	45
-	-	-	(162)	250	(165)
473	417	13	473	417	13
338	411	(18)	338	411	(18)
811	828	(2)	649	1 078	(40)
-	-	-	(990)	(1 094)	10
(365)	(457)	20	(1 115)	(978)	(14)
(365)	(457)	20	(2 105)	(2 072)	(2)
446	371	20	9 384	6 494	45

REVIEW OF GROUP RESULTS *continued* for the year ended 30 June 2022

ADDITIONAL INFORMATION *continued* Earnings, Headline earnings and Normalised Headline Earnings

R million	Group Year ended June 2022 Audited	Group Year ended June 2021 Audited	% Change
Earnings per share (cents):			
- basic	825.5	480.7	72
- diluted	817.8	475.4	72
Headline earnings per share (cents):			
- basic	792.4	454.7	74
- diluted	785.0	449.7	75
Normalised headline earnings per share (cents):			
- basic	885.5	518.7	71
- diluted	877.3	512.9	71
Number of shares used in calculation			
Weighted number of shares in issue ('000)	656 901	656 710	
Diluted weighted number of shares ('000)	663 082	664 073	

For the year ended 30 June 2022, the headline earnings and normalised headline earnings reconciliations have been amended to enhance the presentation thereof. The presentation of the prior period has been restated accordingly to enable comparability.

HEADLINE EARNINGS RECONCILIATION

Headline earnings per share is disclosed per the JSE Listings Requirements and is calculated in accordance with the circular titled Headline Earnings issued by SAICA, as amended from time to time. Headline earnings per share is based on the net profit after tax attributable to ordinary shareholders adjusted for items of a capital nature and the weighted average number of ordinary shares in issue.

R million	Group year ended 30 June 2022 Audited			Group year ended 30 June 2021 Audited			% Change
	Gross	Tax	Net	Gross	Tax	Net	
Profit attributable to the ordinary shareholders			5 422			3 157	72
Adjusted for:							
- gain on disposal of intangible assets	(131)	29	(102)	-	-	-	
- loss on derecognition of intangible assets	37	(5)	32	39	(8)	31	
- loss on derecognition of property and equipment	13	(1)	12	11	(2)	9	
- loss/(gain) on disposal of property and equipment	3	-	3	(3)	1	(2)	
- impairment of intangible assets	-	-	-	44	(3)	41	
- impairment of property and equipment	-	-	-	17	(2)	15	
- adjustments attributable to equity-accounted investments:							
- gain on dilution and disposal of equity-accounted investments	(33)	4	(29)	(554)	140	(414)	
- (reversal of impairment)/impairment of equity-accounted investments ¹	(134)	-	(134)	149	-	149	
Headline earnings			5 204			2 986	74

¹ impairment reversal was supported by a firm offer to purchase the equity-accounted investment and a change in intention resulting in reclassification of the investments as held for sale.



REVIEW OF GROUP RESULTS *continued* for the year ended 30 June 2022

ADDITIONAL INFORMATION *continued*

Earnings, Headline earnings and Normalised Headline Earnings *continued*

NORMALISED HEADLINE EARNINGS RECONCILIATION

Normalised headline earnings is calculated per Discovery's policy as set out in the Accounting Policies at the end of the results announcement.

R million	Group year ended 30 June 2022 Audited			Group year ended 30 June 2021 Audited			
	Gross	Tax	Net	Gross	Tax	Net	% Change
Headline earnings			5 204			2 986	74
Adjusted for:							
Economic assumption adjustments net of discretionary margins and interest rate derivatives	84	(74)	10	519	(136)	383	
– gain on economic assumption adjustments net of discretionary margins	(169)	(26)	(195)	(790)	112	(678)	
– loss on fair value changes on VitalityLife interest rate derivative, excl time value of swaption	253	(48)	205	1 309	(248)	1 061	
Loss/(gain) on fair value changes in the time value of swaption contract in VitalityLife	454	(87)	367	(139)	26	(113)	
Other	233	2	235	407	(257)	150	
– amortisation of intangible assets arising from business combinations	59	(13)	46	66	(13)	53	
– gain on disposal of intangible asset ¹	131	(29)	102	-	-	-	
– recognition of deferred tax assets on assessed losses not recognised in previous periods	-	(14)	(14)	-	(152)	(152)	
– loss/(gain) on fair value changes on foreign exchange contracts not designated as hedges	2	(1)	1	304	(85)	219	
– restructuring costs	-	-	-	33	(6)	27	
– transaction costs related to the VitalityLife interest rate derivative	-	-	-	4	(1)	3	
– increase or decrease in deferred tax balances resulting from use of different tax rates on items that were excluded from normalised headline earnings	-	59	59	-	-	-	
– adjustment attributable to equity-accounted investments: amortisation of intangible assets arising from business combinations	41	-	41	-	-	-	
Normalised headline earnings			5 816			3 406	71

¹ Gain realised from the delivery of intellectual property to Amplify Health. (Refer to 'Other significant items in these results' for more details.)

REVIEW OF GROUP RESULTS *continued* for the year ended 30 June 2022

OTHER SIGNIFICANT ITEMS IN THESE RESULTS

Provision and reserves for expected COVID-19 impact

At 30 June 2021, Discovery had reserved R3.1 billion, for both future claims and lapses as a result of the COVID-19 pandemic. This estimation reflected management's best estimate of the impact as at 30 June 2021 and comprised of provisions in Discovery Life and VitalityLife and unearned premium reserves in VitalityHealth. Due to the utilisation of the available discretionary margin, some of these provisions were accounted for against the discretionary margins in accordance with IFRS and Discovery's accounting policy, while the remainder was recognised in profit or loss in prior years.

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

COVID-19 is expected to transition into an endemic phase considering high immunity of the population in the Discovery client base. Given this transition, the impact on financial metrics is expected to be less material compared to the early waves of the COVID-19 pandemic. Allowance for the remaining short-term and long-term impacts has been incorporated into business as usual reserving for insurance contracts.

The movement in the COVID-19 provision and reserves for the year ended 30 June 2022 is as follows:

R million	June 2022	June 2021
At beginning of the period	3 080	3 442
- Provisions	2 800	2 729
- Unearned premium reserve	280	713
Movements:		
- Unwinding, utilisation and release of provisions	(2 798)	(1 886)
- Provisions made during the period, including in respect of new business	-	2 177
- Net movement in unearned premium reserve	(280)	(433)
- Other	(2)	(220)
At end of the period	-	3 080
- Provisions	-	2 800
- Unearned premium reserve	-	280

Amplify Health

On 15 February 2022, it was announced that Discovery and AIA Group Limited ("AIA") have reached agreement to establish a new health InsurTech business, named "Amplify Health" in which Discovery owns a 25% equity interest. The partnership will operate as a joint venture ("JV") in certain defined parts of Asia.

Amplify Health's vision is to be Asia's leading digital health technology and integrated solutions business, transforming how individuals, corporates, payors and providers experience and manage health insurance and healthcare delivery, improving the health and wellness outcomes of patients and communities across Asia. The JV combines Discovery and AIA's distinctive and complementary strengths, bringing together Discovery's market-proven health insurance technology systems and assets and its Vitality technology platform and assets with AIA's market-leading businesses, brand, distribution platform and decades of well-established execution capabilities across Asia.

Subsequent to the announcement and prior to the financial year-end, the transaction agreements were finalised and Amplify Health commenced initial activities. The impact on the results of the Group for the year under review consists of recognition of income on delivery of an initial component of certain intellectual property by Vitality Global into the Amplify Health arrangement amounting to R131 million, expensing of initial legal and related set-up costs of R109 million as well as immaterial equity-accounted losses and revenue for services.



REVIEW OF GROUP RESULTS *continued* for the year ended 30 June 2022

Ping An Health capital contribution

As announced in the 30 June 2021 and 31 December 2021 results announcements, the Group contributed R1.5 billion additional capital to Ping An Health during the year under review. This capital contribution represents the Group's proportionate contribution in respect of its 24.99% shareholding and the combined additional capital should be sufficient to support the business growth and regulatory requirements for the foreseeable future.

VitalityInvest

As explained in the commentary to these results, a strategic review of new initiatives led to a decision to change the strategy with regard to VitalityInvest in the UK and to effectively exit the business. This resulted in accelerated write-off of various capitalised systems and intangible assets as well as assets arising from insurance contracts related to that business, with a pre-tax impact of approximately R280 million.

Derivative instruments - VitalityLife business

As previously disclosed in the financial year ended 30 June 2020, VitalityLife, as a long-term insurer in the UK, has significant exposure to long term interest rate risk and in particular exposure to lower long term interest rates and yields. In that year, VitalityLife implemented interest rate risk mitigation strategies to protect itself against further declines in long term interest rates by entering into derivative contracts. This strategy continues to ensure, that the VitalityLife business operated well within its pre-determined risk appetite.

As explained at the time, the derivative instruments comprise of an interest rate swap which swaps exposure to variable interest rates in return for fixed interest rates originally referenced to 25 year UK swap curve. During the year under review, this has been restructured to be referenced to the 50 year swap curve to better match the exposure. In addition, the structure also included put swap options (payer swaptions) which were acquired to provide Discovery participation in the benefit should interest rates increase above a certain level. These swaptions have a given exercise date and therefore are required to be replaced from time to time as has been done in the past. During the year under review the existing swaption contract was realised and replaced with a new extended swaption at premium of GBP14 million maturing in 2024.

Reference to UK Life Segmental information, set out on page 19, for the year under review, the net gain recognised in the profit or loss amounts to R567 million, consisting of economic assumption adjustments amounting to R820 million, less net fair value losses on interest rate derivatives of R253 million (including fair value losses on the swap contracts and intrinsic value gains of the swaption contract). Against this net gain of R567 million within the UK Life Segmental should be seen the net fair value write-off of the time value of the swaption contract of R454 million (largely representing the opening time value of the sold swaption contract as at the beginning of the financial year). On this basis, the effective net gain recognised in profit or loss resulting from economic assumptions, including all hedge impacts amounts to R113 million (2021: R31 million).

The impacts of the mark-to-market revaluation of these derivative positions at reporting date are included in profit or loss for the reporting period. When presenting "Normalised" measures, these impacts, as well as any impact recognised through profit or loss resulting from economic assumption changes net of discretionary margins, are excluded from "normalised" results as explained in our policy on the presentation of normalised measures.

Claims experience from civil unrest July 2021

In compliance with JSE Listings requirements, it is confirmed that the claims arising from the July 2021 unrest in both personal lines and business lines of Discovery Insure were fully settled from the SASRIA fund, with no loss to Discovery.

April 2022 floods in KwaZulu-Natal

In compliance with the JSE Listings requirements, we report that Discovery Insure received gross claims from policyholders in excess of R150 million in respect of personal line clients and R47 million in respect of business insurance as a result of the KwaZulu-Natal floods in April 2022. The net impact on profit or loss after allowing for reinsurance recoveries and reinstatement premiums was R78 million.

REVIEW OF GROUP RESULTS *continued* for the year ended 30 June 2022

OTHER SIGNIFICANT ITEMS IN THESE RESULTS *continued*

Borrowings at amortised cost

R million	Reference	June 2022	June 2021
Borrowing from banks and listed debt		16 308	15 230
– United Kingdom borrowings	I.	3 122	3 764
– South African borrowings	II.	13 186	11 466
Bank overdraft in underlying liabilities of consolidated Unit Trusts		156	–
Lease liabilities		4 120	4 263
– 1 Discovery Place		3 373	3 388
– Other lease liabilities		747	875
Total borrowings at amortised cost		20 584	19 493

I. UNITED KINGDOM BORROWINGS

Facility amount GBP million	Variable rate ¹	Capital repayment and maturity date	Carrying value GBP (Rand) million			
			June 2022		June 2021	
			GBP	R	GBP	R
80	SONIA + 2.73% ²	Instalments – 31 July 2023	42	847	73	1 435
34	SONIA + 1.31% ^{2,3}	At maturity – 19 October 2022	14	276	26	512
100	SONIA + 2.38% ²	At maturity – 31 July 2023	100	1 999	89	1 817
214			156	3 122	188	3 764

¹ SONIA – Daily Sterling Overnight Index Average, which has replaced Libor as part of Interest Rate reform in the United Kingdom.

² Interest payable quarterly in arrears.

³ This is a revolving credit facility.

Total finance cost in respect of the UK borrowings for the year ended 30 June 2022 was GBP 2.9 million (R59 million) (2021: GBP 4.6 million (R95 million)).



REVIEW OF GROUP RESULTS *continued* for the year ended 30 June 2022

OTHER SIGNIFICANT ITEMS IN THESE RESULTS *continued*

Borrowings at amortised cost *continued*

II. SOUTH AFRICAN BORROWINGS

CREDIT RATING

In April 2022 Moody's Investors Service ("Moody's") reaffirmed Discovery Limited's Global scale long-term issuer rating of Ba3 and the national scale long-term issuer rating at A1.za. The outlook changed to stable from negative, aligned to the outlook of the country.

DISCOVERY LIMITED

Facility amount R million	Variable rate	Interest rate per annum	Capital repayment and maturity date	Carrying value R million	
				June 2022	June 2021
Listed DMTN ⁴					
500	3-month Jibar + 161 bps	9.71% ^{1,3}	At maturity – 21 November 2022	503	503
500	3-month Jibar + 205 bps	6.30% ^{1,3}	At maturity – 21 August 2023	503	503
200	-	10.46% ²	At maturity – 21 November 2024	202	202
800	3-month Jibar + 191 bps	10.31% ^{1,3}	At maturity – 21 November 2024	805	804
1 200	3-month Jibar + 191 bps	9.21% ^{1,3}	At maturity – 21 November 2024	1 217	1 220
700	3-month Jibar + 180 bps	10.29% ^{1,3}	At maturity – 21 August 2026	704	703
300	3-month Jibar + 180 bps	9.40% ^{1,3}	At maturity – 21 November 2026	303	302
792	3-month Jibar + 173 bps	-	At maturity – 21 May 2027	792	-
226	3-month Jibar + 180 bps	-	At maturity – 21 May 2029	226	-
Unlisted DMTN ^{4,5}					
1 100	-	8.92% ³	At maturity – 10 March 2023	1 104	1 103
2 500	-	9.62% ³	At maturity – 22 February 2025	2 520	2 519
Other					
1 000	3-month Jibar + 245 bps	10.28% ^{1,3}	At maturity – 2 March 2023	1 003	999
500	3-month Jibar + 86 bps	5.85%	At maturity – 30 June 2022	-	659
1 400	3-month Jibar + 125bps ³	-	At maturity – 12 October 2022	702	-
11 718				10 584	9 517

1 The interest rate has been fixed through interest rate swaps.

2 Interest is payable semi-annually in arrears.

3 Interest payable quarterly in arrears.

4 DMTN refers to the R10 billion Discovery Domestic Medium Term Note (DMTN) program registered in 2017.

5 During the financial year ended 30 June 2020, Discovery Limited refinanced R3.6 billion bank syndicated loans through the issue of unlisted DMTN notes. The notes, although underwritten by a bank until maturity, are structured to enable short-term issuances into the commercial paper market on an ongoing basis.

REVIEW OF GROUP RESULTS *continued* for the year ended 30 June 2022

OTHER SIGNIFICANT ITEMS IN THESE RESULTS *continued* BORROWINGS AT AMORTISED COST *continued*

DISCOVERY CENTRAL SERVICES

Facility mount R million	Interest rate per annum	Capital repayment and maturity date	Carrying value R million	
			June 2022	June 2021
1 400	10.60% ¹	At maturity – 20 December 2023	1 417	1 423
650	11.56% ²	Various – final 29 October 2027	494	526
691	3-month Jibar + 1.9%	At maturity – 30 June 2027	691	–
1 500	3-month Jibar + 1.45%	At maturity – 8 June 2024	–	–
4 241			2 602	1 949

¹ Interest payable quarterly in arrears.

² Instalments of interest and capital is monthly.

Total finance costs in respect of South African borrowings and related hedges for the year ended 30 June 2022 was R932 million (2021: R872 million).

CAPITAL MANAGEMENT, FINANCIAL LEVERAGE RATIO AND COVENANTS

The Group's capitals is defined as capital and reserves attributable to shareholders as presented on the consolidated statement of financial position. The Group's objectives when managing capital are:

- To comply with the statutory capital requirements required by the regulators of the insurance markets where the Group operates (refer to Capital section of the directors' report for the statutory capital requirements).
- To maintain a capital buffer in excess of the statutory capital requirements in order to reduce the risk of breaching the statutory requirement in the event of deviations from the main assumptions affecting the Group's insurance businesses.
- To ensure that sufficient capital is available to fund the Group's working capital and strategic capital requirements.
- To achieve an optimal and efficient capital funding profile; and
- To consider capital management needs both in the short-term and over a five-year planning horizon.

Discovery has a Finance and Capital Committee that ensures alignment in strategic financial management between the centre and subsidiaries within South Africa, UK and US. The committee is the governance body for all capital allocation activities across the Group.

A range of capital raising options are available to manage the capital structure of the Group, which includes the issue of new shares, debt, reinsurance arrangements and other hybrid instruments.



REVIEW OF GROUP RESULTS *continued* for the year ended 30 June 2022

OTHER SIGNIFICANT ITEMS IN THESE RESULTS *continued* CAPITAL MANAGEMENT, FINANCIAL LEVERAGE RATIO AND COVENANTS *continued*

FINANCIAL LEVERAGE RATIO

As part of the capital management process, the Group monitors its capital structure utilising the Financial Leverage Ratio ("FLR"). This ratio is calculated as total debt¹ divided by total debt plus total equity. The Group's strategy is to maintain a prudent FLR of 28% per the Group Risk Appetite statement. However, the 28% is merely a risk appetite indicator, and does not necessarily indicate any form of a breach in terms of regulatory or covenant restrictions. The table below summarises the FLR as at 30 June.

R million	June 2022	June 2021
– Borrowings at amortised cost	16 464	15 230
– Guaranteed deposit facilities	300	800
Total debt and guarantees	16 764	16 030
Total equity	53 555	46 419
Financial leverage ratio %	23.8%	25.7%

¹ Excluding all IFRS 16 lease liabilities of R4 120 million (June 2021: R4 263 million).

The FLR at 30 June 2022 is in line with Discovery's risk appetite.

REVIEW OF GROUP RESULTS *continued* for the year ended 30 June 2022

OTHER SIGNIFICANT ITEMS IN THESE RESULTS *continued* CAPITAL MANAGEMENT, FINANCIAL LEVERAGE RATIO AND COVENANTS *continued*

CAPITAL

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

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

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

	JUNE 2022		June 2021	
	Statutory capital requirements	Cover	Statutory capital requirements	Cover
Discovery Life	R20 322 million	1.7 times	R17 647 million	1.8 times
Discovery Insure	R1 138 million	1.2 times	R 1 079 million	1.8 times
Vitality Health	GBP 117.2 million (R2 344 million)	1.5 times	GBP 105.6 million (R2 084 million)	1.6 times
Vitality Life	GBP 297.1 million (R5 943 million)	2.1 times	GBP 225.5 million (R4 451 million)	2.4 times

PING AN HEALTH (PAH) CAPITAL

As described above, Discovery made a capital contribution of R1.5 billion to PAH in proportion to Discovery's 24.99% shareholding. While this has been funded in the interim by way of a bridge facility and internal resources, it had been indicated that in terms of the capital management principles applied, such capital requirements by associates and subsidiaries are typically funded by way of capital issuance at Discovery Limited level. Given that the final regulatory approval by the Chinese Banking and Insurance Regulatory Commission was prolonged, the capital continues to be funded as set out above. However, it remains the intention to replace the funding with a capital issuance of only this amount if and when markets are conducive.

PART VII TRANSFER DEFERRAL

Subsequent to the disclosure in the interim results and prior to the financial year-end, Discovery and the Prudential Assurance Company ("PAC") have finalised the agreement to a long-term deferral of the transfer of the initial Vitality Life back-book of business originally written on the PAC license that was to be transferred to the Vitality Life Limited license ("the Part VII transfer"). The agreement is such that the Part VII transfer is now deferred for the long-term with options to extend further and for all intents and purposes should be viewed as an indefinite deferral. This extension is capital efficient and has a positive effect on the Group's long-term funding plan, is at reduced cost beyond March 2023 (the previously intended date of transfer) and resulted in a positive impact to the Group's embedded value.



REVIEW OF GROUP RESULTS *continued* for the year ended 30 June 2022

OTHER SIGNIFICANT ITEMS IN THESE RESULTS *continued* CAPITAL MANAGEMENT, FINANCIAL LEVERAGE RATIO AND COVENANTS *continued*

DEBT COVENANTS

The following are the key debt covenant ratios and their proximity to minimum requirements as per the contractual financial covenants.

Debt covenant and explanation	Minimum requirement	June 2022	June 2021
Group Debt to EBITDA Ratio: – Group debt is contractually defined and means the aggregate consolidated financial indebtedness of the Group and excludes items such as the 1 Discovery Place (1 DP) lease and includes guarantees issued to third parties. – EBITDA is contractually defined and specifically includes items such as dividends from associates, rental paid on 1DP and excludes items deemed extraordinary, such as economic assumption adjustments, and specified FinRe arrangements.	Less than 2.5 times	1.83	2.31
Group financial indebtedness to embedded value – Group financial indebtedness is as per Group Debt in the calculation	Less than 30% of Group Embedded value	20.3%	22.6%
Discovery Life Statutory Capital Requirement (SCR)	SCR cover must be more than 1.1	1.74 times	1.83 times
Group embedded value	Greater than R30 billion	ZAR 86 258 million	ZAR 74 645 million
New business embedded value must not be negative.	Positive value of new business for 3 consecutive 6-month periods	June 2022: R1 124 million Dec 2021: R937 million June 2021: R946 million	June 2021: R946 million Dec 2020: R945 million June 2020: R726 million

REVIEW OF GROUP RESULTS *continued* for the year ended 30 June 2022

OTHER SIGNIFICANT ITEMS IN THESE RESULTS *continued*

Consolidation of Discovery Unit Trusts

Unit trusts which the Group controls in terms of IFRS 10 are consolidated into Discovery's results for accounting purposes, which results in the recognition of the underlying assets and liabilities of each of the funds.

Assets and liabilities of these unit trusts increased by R1 883 million respectively, compared to the prior financial year, with movements in the following line items on the Group's Statement of Financial Position:

Changes in assets

- Investments at fair value through profit or loss increased by R1 687 million.
- Cash and cash equivalents decreased by R304 million.
- Insurance receivables, contract receivables and other non-financial receivables increased by R435 million.
- Other assets increased by R15 million.

Changes in liabilities

- Investment contracts at fair value through profit or loss increased by R1 933 million.
- Other liabilities decreased by R100 million.

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

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

- Purchase of investments held to back policyholder liabilities includes cash outflows of R30 009 million.
- Proceeds from the disposal of investments held to back policyholder liabilities includes cash inflows of R29 661 million.

Material transactions with related parties

DISCOVERY LONG-TERM INCENTIVE PLAN TRUST

At the annual general meeting held on 28 November 2019, the shareholders approved the establishment of the Discovery Long-Term Incentive Plan Trust (Trust) with the purpose, inter-alia, to subscribe, purchase and/or otherwise acquire and hold Discovery ordinary shares from time to time for the benefit of the share-based payment plan for employees, in accordance with the requirements of the Trust. During December 2021, 3 194 870 (December 2020: 7 477 865) new shares were issued by Discovery Limited to the Trust (December 2020: representing the allocation over the prior two years) at a value of R443 million (December 2020: R907 million), with a par value of 0.01 cents per share. While held in the Trust, these shares are treated as treasury shares and not treated as issued, for accounting purposes.

Major customers and other Discovery entities not part of Discovery Group

DISCOVERY HEALTH MEDICAL SCHEME ("DHMS")

Discovery Health administers DHMS and provides managed care services for which it charges an administration fee and a managed healthcare fee respectively. These fees are determined on an annual basis and approved by the trustees of DHMS. The fees totalled R6 804 million for the year ended 30 June 2022 (2021: R6 403 million). Discovery offers the members of DHMS access to the Vitality programme.



REVIEW OF GROUP RESULTS *continued* for the year ended 30 June 2022

OTHER SIGNIFICANT ITEMS IN THESE RESULTS *continued*

Shareholder information

DIRECTORATE

Changes to the Board of Discovery Limited from 1 July 2021 to the date of this announcement are as follows:

- Ms M Hlahla has been appointed as an independent non-executive director with effect from 15 August 2021. Ms M Hlahla is a member of the Audit Committee, Remuneration Committee as well as the Social and Ethics Committee. Ms Hlahla's appointment strengthens the independence and business skills of the Board and Committees.
- Ms SE De Bruyn, an independent non-executive director, retired, effective 24 November 2021. This is in line with the Company's board's rotation and succession planning. Ms De Bruyn has served as an independent non-executive director of the Company since 2005 and has served as the chairperson of the Remuneration Committee and as a member of the Audit Committee. Ms De Bruyn has also retired as a non-executive director of Discovery Life Limited, Discovery Health (Pty) Ltd and Discovery Vitality (Pty) Ltd.
- Dr BA Brink, an independent non-executive director, retired, effective 24 November 2021. This is in line with the Company's board's rotation and succession planning. Dr Brink has served as an independent non-executive director of the Company since 2004 and has served as a member of the Treating Customers Fairly Sub-committee, Social and Ethics Committee as well as the Risk and Compliance Committee. Dr Brink has also retired as a non-executive director of Discovery Health (Pty) Ltd and Discovery Vitality (Pty) Ltd.
- Ms B van Kralingen has been appointed as an independent non-executive director with effect from 7 April 2022. Ms B van Kralingen's appointment strengthens the experience of the Board's global business experience, technology and artificial intelligence expertise.
- Ms F Khanyile, an independent non-executive director, has been appointed as Chairperson of the Remuneration Committee following the retirement of Ms SE De Bruyn.
- Mr T Mboweni has been appointed as an independent non-executive director with effect from 5 May 2022. Mr Mboweni is a member of the Risk and Compliance Committee and the Remuneration Committee as well as a non-executive director of Discovery Life Limited. Mr Mboweni's appointment brings a wealth of experience in finance, economics, and business advisory within emerging markets.

DIVIDEND AND CAPITAL

INTERIM DIVIDENDS PAID IN RESPECT OF THE 2022 FINANCIAL YEAR

The following interim dividends were paid during the current period:

- B preference share dividend of 355.75342 cents per share (284.60274 cents net of dividend withholding tax), paid on 14 March 2022.
- No ordinary share dividends were declared.

REVIEW OF GROUP RESULTS *continued* for the year ended 30 June 2022

OTHER SIGNIFICANT ITEMS IN THESE RESULTS *continued*

Shareholder information *continued*

FINAL DIVIDEND DECLARATION IN RESPECT OF THE 2022 FINANCIAL YEAR

B PREFERENCE SHARE CASH DIVIDEND DECLARATION:

On 1 September 2022, the directors declared a final gross cash preference share dividend of 382.26027 cents (305.80822 cents net of dividend withholding tax) per B preference share for the period 1 January 2022 to 30 June 2022, payable from the income reserves of the Company. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

The issued preference share capital at the declaration date is 8 million B preference shares. The salient dates for the dividend will be as follows:

Last day of trade to receive a dividend	Tuesday, 20 September 2022
Shares commence trading "ex" dividend	Wednesday, 21 September 2022
Record date	Friday, 23 September 2022
Payment date	Monday, 26 September 2022

B Preference share certificates may not be dematerialised or rematerialised between Wednesday, 21 September 2022 and Friday, 23 September 2022, both days inclusive.

ORDINARY SHARE CASH DIVIDEND DECLARATION:

Despite the Group's robust capital position, due to the uncertainty initially caused by COVID-19 on the demographic and economic environment in SA combined with the volatile global macro-economic environment, the Discovery Board has decided to retain its prior stated position during the pandemic and has decided not to declare an ordinary final dividend for the year ended 30 June 2022. The reintroduction of an ordinary dividend will be considered on an ongoing basis.



OTHER SIGNIFICANT ITEMS IN THESE RESULTS *continued*

Accounting policies

NORMALISED HEADLINE EARNINGS

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

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

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

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

In addition, specified items may be included in NHEPS that may otherwise have been excluded if the income is considered part of Discovery's normal operations. For example 'gains on disposal of intellectual property', if the sale arises from the monetisation of intellectual property rights where such monetisation is considered to be a core part of the business's operations or strategy towards value creation.

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

REVIEW OF GROUP RESULTS *continued* for the year ended 30 June 2022

OTHER SIGNIFICANT ITEMS IN THESE RESULTS *continued*

Basis of preparation

STATEMENT OF COMPLIANCE

Discovery Limited is a company incorporated in South Africa.

The summary consolidated financial statements for the year ended 30 June 2022 consolidate the results of Discovery and its subsidiaries (together the Group) and equity account the Group's interest in associates and joint ventures.

The annual results comprise the condensed consolidated statement of financial position at 30 June 2022, condensed consolidated income statement, condensed consolidated statement of other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the year ended 30 June 2022 and selected explanatory notes.

The summary consolidated financial results are prepared in accordance with the JSE Limited Listings and Debt Listings Requirements, International Financial Reporting Standards (IFRS) including IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council as well as the requirements of the South African Companies Act 71 of 2008. The accounting policies adopted are consistent with the accounting policies applied in the prior annual financial statements.

Amendments to standards effective from 1 July 2021 do not have a material effect on the Group's annual results. These annual results do not include all the notes typically included in the annual financial statements and should therefore be read in conjunction with the Group audited consolidated annual financial statements for the year ended 30 June 2022.

Audit

The summary consolidated financial statements are extracted from audited information, but are not audited. The consolidated annual financial statements for the year ended 30 June 2022 have been audited by the Group's independent auditors PricewaterhouseCoopers Inc. and KPMG Inc., who expressed an unmodified opinion thereon.

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

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



EMBEDDED VALUE STATEMENT

for the year ended 30 June 2022

The embedded value of Discovery consists of the following components:

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

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

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

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

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

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

The VitalityLife embedded value has been adjusted to allow for the agreement with Prudential in May 2022 to defer the transfer of the VitalityLife business on the Prudential licence to the Vitality Life Limited licence ("the Part VII transfer").

The 30 June 2022 embedded value results and disclosures were subjected to an external review.

EMBEDDED VALUE STATEMENT *continued* for the year ended 30 June 2022

TABLE 1: GROUP EMBEDDED VALUE

R million	30 June 2022	30 June 2021	% change
Shareholders' funds	53 555	46 419	15
Adjustment to shareholders' funds from published basis ¹	(39 764)	(34 184)	16
Adjusted net worth ²	13 791	12 235	13
Value of in-force covered business before cost of required capital	76 077	67 175	13
Cost of required capital	(3 610)	(4 765)	24
Discovery Limited embedded value	86 258	74 645	16
Number of shares (millions)	657.0	656.8	
Embedded value per share	R131.29	R113.65	16
Diluted number of shares (millions)	668.3	665.1	
Diluted embedded value per share ³	R129.07	R112.23	15

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 R20.00/GBP (June 2021: R19.74/GBP).

R million	30 June 2022	30 June 2021
Life net assets under insurance contracts	(24 793)	(20 675)
Vitality Life Limited net assets under insurance contracts	(8 608)	(7 703)
VitalityHealth financial reinsurance asset	(3 021)	(2 353)
VitalityHealth and Vitality Health Insurance Limited deferred acquisition costs (net of deferred tax)	(450)	(407)
VitalityLife receivable relating to the Unemployment Cover benefit (net of deferred tax)	(11)	(12)
Goodwill relating to the acquisition of Standard Life Healthcare and the Prudential joint venture	(2 475)	(2 442)
Intangible assets (net of deferred tax) in covered businesses	(864)	(830)
Net preference share capital	(779)	(779)
Reversal of 1 Discovery Place IAS 17 financial lease accounting	1 170	975
Equity settled share based payment provision adjustment	67	42
	(39 764)	(34 184)

For the prior period, the "Vitality Life Limited net assets under insurance contracts" included an adjustment for the Discovery funded VitalityLife business on the Prudential licence net assets under insurance contracts. From 30 June 2022, the Discovery funded VitalityLife business on the Prudential licence net assets under insurance contracts are no longer eliminated in the embedded value because the Discovery funding was settled as part of the agreement to delay the Part VII transfer in the period, aligning the financial operation of all VitalityLife business on the Prudential licence.

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



EMBEDDED VALUE STATEMENT *continued* for the year ended 30 June 2022

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

R million	30 June 2022	30 June 2021
Shareholders' funds	53 555	46 419
Adjustment to shareholders' funds	(39 764)	(34 184)
Adjusted net worth	13 791	12 235
Excess of available capital over adjusted net worth	35 342	30 718
Available capital	49 133	42 953
Required capital	39 318	32 699
Excess available capital	9 815	10 254

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

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

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

R million	30 June 2022	30 June 2021
Health and Vitality	1 000	973
Life and Invest	25 403	22 059
VitalityHealth	3 164	2 847
VitalityLife	9 751	6 820
Total required capital	39 318	32 699

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

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

EMBEDDED VALUE STATEMENT *continued* for the year ended 30 June 2022

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 2022			
Health and Vitality	24 528	(479)	24 049
Life and Invest ¹	32 073	(1 509)	30 564
VitalityHealth ²	10 658	(583)	10 075
VitalityLife ²	8 818	(1 039)	7 779
Total	76 077	(3 610)	72 467
at 30 June 2021			
Health and Vitality	22 503	(422)	22 081
Life and Invest ¹	27 777	(1 183)	26 594
VitalityHealth ²	8 230	(462)	7 768
VitalityLife ²	8 665	(2 698)	5 967
Total	67 175	(4 765)	62 410

1 Included in the Life and Invest value of in-force covered business is R1 734 million (June 2021: R1 675 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 R20.00/GBP (June 2021: R19.74/GBP).

TABLE 3: GROUP EMBEDDED VALUE EARNINGS

R million	30 June 2022	30 June 2021
Embedded value at end of period	86 258	74 645
Less: embedded value at beginning of period	(74 645)	(70 834)
Increase in embedded value	11 613	3 811
Net change in capital ¹	(10)	(7)
Dividends paid	56	63
Transfer to hedging reserve	(309)	(260)
Employee share option schemes	(326)	(330)
Embedded value earnings	11 024	3 277
Annualised return on opening embedded value	14.8%	4.6%

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



EMBEDDED VALUE STATEMENT *continued* for the year ended 30 June 2022

TABLE 4: COMPONENTS OF GROUP EMBEDDED VALUE EARNINGS

R million	Net worth	Cost of required capital	Value of in-force covered business	Year ended 30 June 2022	Year ended 30 June 2021
				Embedded value	Embedded value
Total profit from new business (at point of sale)	(4 657)	(309)	7 027	2 061	1 891
Profit from existing business					
▪ Expected return	4 317	148	2 334	6 799	6 421
▪ Change in methodology and assumptions ¹	3 093	1 480	(3 706)	867	(5 556)
▪ Experience variances	202	(102)	3 024	3 124	4 917
Impairment, amortisation and fair value adjustment ²	(52)	-	-	(52)	(14)
Increase in goodwill and intangibles	(418)	-	-	(418)	(336)
Other initiative costs ³	(860)	-	24	(836)	(288)
Non-recurring expenses	(130)	-	-	(130)	(85)
Acquisition costs ⁴	(41)	-	-	(41)	(40)
Finance costs	(2 318)	-	-	(2 318)	(2 104)
Foreign exchange rate movements ⁵	1 034	(62)	199	1 171	(2 316)
Other ⁶	(16)	-	-	(16)	(8)
Return on shareholders' funds ⁷	813	-	-	813	795
Embedded value earnings	967	1 155	8 902	11 024	3 277

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

² This item reflects the amortisation of the intangible assets reflecting the banking costs, Cambridge Mobile Telematics system spend and capital expenditure in VitalityInvest and Discovery Group Europe Limited. The prior period comparatives include the amortisation of the intangible asset raised under the PrimeMed acquisition, which has since been dissolved.

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

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

⁵ This item includes foreign exchange gains / (losses) emerging through the income statement, in addition to translation impacts on the cost of required capital and value of in-force.

⁶ This item includes, among other items, the tax benefits or losses that will emerge as the VitalityHealth DAC and intangible software assets amortise or increase.

⁷ The return on shareholders' funds is shown net of tax and management charges.

EMBEDDED VALUE STATEMENT *continued*
for the year ended 30 June 2022

TABLE 5: EXPERIENCE VARIANCES

R million	Health and Vitality		Life and Invest		VitalityHealth		VitalityLife		Total
	Net worth	Value of in-force	Net worth	Value of in-force	Net worth	Value of in-force	Net worth	Value of in-force	
Renewal expenses	218	-	(3)	2	(239)	-	(22)	-	(44)
Lapses and surrenders ¹	18	235	(123)	770	-	486	(218)	433	1 601
Mortality and morbidity ²	-	-	(401)	49	563	-	(26)	-	185
Policy alterations ¹	-	64	(437)	426	-	-	8	(2)	59
Backdated cancellations	-	-	-	-	-	-	-	-	-
Premium and fee income	152	-	115	121	398	-	(14)	156	928
Economic ³	-	-	(19)	(150)	-	-	(6)	-	(175)
Commission	-	-	-	-	(43)	-	-	-	(43)
Tax ⁴	47	-	353	(282)	(16)	-	183	-	285
Reinsurance	-	-	-	-	65	-	(195)	74	(56)
Maintain modelling term ⁵	-	298	-	98	-	76	-	-	472
Vitality benefits	11	-	-	-	-	-	6	-	17
Other ⁶	(21)	(1)	(4)	(26)	89	-	(237)	95	(105)
Total	425	596	(519)	1 008	817	562	(521)	756	3 124

1 For Life and Invest, the combined lapse and surrender experience and policy alterations experience is relative to assumptions which include an allowance for a short-term stress previously set in response to deteriorating experience from COVID-19 related impacts. For VitalityLife, large favourable variances from lower lapses were partially offset by lower in-period commission clawbacks.

2 The mortality and morbidity experience for Life and Invest reflects a strain mainly due to increased morbidity experience. All confirmed COVID-19 claims were offset against the provision previously set and have been in line with expectation. For VitalityHealth, while claim incidence was at normal levels, claims severity was lower than assumed for the period under review due predominantly to clinical risk management interventions. There continue to be material uncertainties about future claims severity, with potential increases resulting from delayed treatments or undiagnosed disease during the pandemic.

3 The experience for Life and Invest arises largely due to a significant fall in asset values in the Invest business close to the end of the financial period, partially offset by higher than expected inflation related increases on premium and benefit increases in Life.

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

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

6 The key Other experience relates to cash flow timing variances in Life and Invest, profits and losses from companies within the VitalityHealth and VitalityLife segments which are not part of covered business, including the net impact of the VitalityLife swaption program, excluding gains or losses from the hedge which are included in the economic assumption changes item.



EMBEDDED VALUE STATEMENT *continued* for the year ended 30 June 2022

TABLE 6: METHODOLOGY AND ASSUMPTION CHANGES

R million	Health and Vitality		Life and Invest		VitalityHealth		VitalityLife		Total
	Net worth	Value of in-force	Net worth	Value of in-force	Net worth	Value of in-force	Net worth	Value of in-force	
Modelling changes ¹	-	-	(26)	(320)	-	149	589	351	743
Expenses ²	-	(808)	(49)	(173)	-	-	(189)	(19)	(1 238)
Lapses ³	-	57	-	(142)	-	1 642	(254)	270	1 573
Mortality and morbidity ⁴	-	-	-	(2 192)	-	(254)	10	(414)	(2 850)
Benefit changes	-	83	-	-	-	-	-	-	83
Vitality	-	-	-	-	-	-	-	-	-
Tax ⁵	-	274	(354)	594	-	-	-	112	626
Economic assumptions ⁶	-	527	(31)	(252)	-	(634)	922	(154)	378
Premium and fee income ^{4,7}	-	(314)	-	1 966	-	-	-	-	1 652
Reinsurance and financing ⁸	-	-	2 452	(2 423)	-	(30)	22	14	35
Other	-	-	1	(136)	-	-	-	-	(135)
Total	-	(181)	1 993	(3 078)	-	873	1 100	160	867

1 For Life and Invest, certain corrections were made to the modelled long-term projection of fee income and interest income. For VitalityHealth, the item includes a correction to the in-force data. For VitalityLife, the item reflects the deferral of the Part VII transfer of policies from the Prudential, which predominately includes a reduced cost of capital.

2 For Health and Vitality and Life and Invest, the renewal expenses assumption was updated to reflect an increase in budgeted expenses.

3 For Life, a provision was raised for the expected continued pressure on policy alterations experience over the short-term. For VitalityHealth, the lapse item reflects the increase in the annuity factor assumption. For VitalityLife, the lapse item includes a reduction in the term policy book's lapse assumptions.

4 For Life and Invest, the combined impact of the mortality and morbidity assumption change and the premium and fee income assumption change reflects the impact of a basis strengthening for endemic COVID-19 impacts as well as other short- and long-term experience components, partially offset by higher future expected premiums. For VitalityHealth, this item reflects an update to the valuation assumptions for the gross margin, as well as a release of a COVID-19 related stress provision. For VitalityLife, this item includes an increase in the term policy book's mortality assumptions.

5 This item largely reflects the reduction of the South African corporate tax rate from 28% to 27%. For Life and Invest, this item also reflects the impact of allocation changes between tax funds, resulting in a change in current and deferred tax items.

6 For Life and Invest and Health and Vitality, the economic assumptions item relates to the impact of updating the assumptions relative to the Johannesburg Stock Exchange ("JSE") nominal and real yield risk-free curves at 30 June 2022. For Life and Invest this item also includes the impact of updating exchange rate assumptions. For VitalityLife the item includes the impact of updating the assumptions relative to the Solvency II yield curves and the IFRS interest rates, offset by the net change in the interest rate hedge.

7 For Health and Vitality, the premium and fee income item relates to discounts offered to in-house schemes.

8 For Life and Invest, the reinsurance and financing item primarily relates to the impact of financing arrangements, where the future expected cash flows arising from part of the negative reserves are monetised to match other positive policy liabilities.

EMBEDDED VALUE STATEMENT *continued*
for the year ended 30 June 2022

TABLE 7: EMBEDDED VALUE OF NEW BUSINESS

R million	30 June 2022	30 June 2021	% Change
Health and Vitality			
Present value of future profits from new business (at point of sale)	958	789	
Cost of required capital	(30)	(24)	
Present value of future profits from new business (at point of sale) after cost of required capital	928	765	12
New business annualised premium income ¹	4 185	3 704	13
Life and Invest			
Present value of future profits from new business (at point of sale) ²	795	825	
Cost of required capital	(90)	(82)	
Present value of future profits from new business (at point of sale) after cost of required capital	705	743	(5)
New business annualised premium income ³	2 995	2 947	2
Annualised profit margin ⁴	3.0%	3.0%	
Annualised profit margin excluding Invest business	5.3%	5.7%	
VitalityHealth⁵			
Present value of future profits from new business (at point of sale)	398	143	
Cost of required capital	(81)	(61)	
Present value of future profits from new business (at point of sale) after cost of required capital	317	82	287
New business annualised premium income ⁶	1 648	1 263	30
Annualised profit margin ⁴	2.6%	0.9%	
VitalityLife⁷			
Present value of future profits from new business (at point of sale)	219	396	
Cost of required capital	(108)	(95)	
Present value of future profits from new business (at point of sale) after cost of required capital	111	301	(63)
New business annualised premium income	882	871	1
Annualised profit margin ⁴	1.4%	4.1%	



EMBEDDED VALUE STATEMENT *continued* for the year ended 30 June 2022

1 Health new business annualised premium income is the gross contribution to the medical schemes. The new business annualised premium income shown above excludes premiums in respect of members who join an existing employer where the member has no choice of medical scheme, as well as premiums in respect of new business written during the period but only activated after 30 June 2022.

The total Health and Vitality new business annualised premium income written over the period was R7 548 million (June 2021: R6 103 million).

2 Included in the Life and Invest embedded value of new business is R55 million (June 2021: R53 million) in respect of investment management services provided on off balance sheet investment business.

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

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

The new business annualised premium income of R2 995 million (June 2021: R2 947 million) (single premium APE: R1 421 million (June 2021: R1 490 million)) shown above excludes automatic premium increases and servicing increases in respect of existing business. The total new business annualised premium income written over the period, including automatic premium increases of R1 801 million (June 2021: R1 414 million) and servicing increases of R668 million (June 2021: R640 million), was R5 464 million (June 2021: R5 001 million) (single premium APE: R1 492 million (June 2021: R1 569 million)). Single premium business is included at 10% of the value of the single premium.

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

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

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

6 VitalityHealth new business is defined as individuals and employer groups which incepted during the reporting period. The new business annualised premium income shown above has been adjusted to exclude premiums in respect of members who join an existing employer group after the first month, as well as premiums in respect of new business written during the period but only activated after 30 June 2022.

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

EMBEDDED VALUE STATEMENT *continued* for the year ended 30 June 2022

BASIS OF PREPARATION

TABLE 8: EMBEDDED VALUE ECONOMIC ASSUMPTIONS

	30 June 2022	30 June 2021
Beta coefficient	0.75	0.75
Equity risk premium (%)	3.5	3.5
Risk discount rate (%)		
– Health and Vitality ¹	14.375	13.125
– Life and Invest ¹	14.875	13.625
– VitalityHealth	5.016	3.462
– VitalityLife	4.997	3.263
Rand / GBP exchange rate		
Closing	20.00	19.74
Average	20.25	20.74
Margin over Expense inflation to derive Medical inflation (%)		
South Africa	3.00	3.00
Expense inflation (%) ²		
South Africa		
– Health and Vitality	7.85	6.14
– Life and Invest	7.74	6.23
United Kingdom	3.50	2.50
Pre-tax investment return (%)		
South Africa		
– Cash ¹	10.75	9.50
– Life and Invest bonds ³	12.25	11.00
– Health and Vitality bonds ³	11.75	10.50
– Equity ¹	15.75	14.50
United Kingdom		
– VitalityHealth risk-free rate	2.39	0.84
– VitalityLife risk-free rate	2.37	0.64
– VitalityLife IFRS interest rate	2.92	1.80
– VitalityLife investment return	2.00	1.44
Long-term corporation tax rate (%)		
South Africa	27	28
United Kingdom	25	25
VitalityHealth Assumptions		
– Margin (net of tax and cost of capital) (%) ⁴	12.00	12.00
– Annuity Factor	7.00	6.18
Projection term		
– Health and Vitality	20 years	20 years
– Discovery Life – VIF	40 years	40 years
– Group Life	20 years	20 years
– VitalityLife	No cap	No cap
– VitalityHealth ⁵	20 years	20 years

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

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

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

⁴ The VitalityHealth margin (net of tax and cost of capital) remains unchanged at 12.00%. The assumption change noted in Table 6 to reduce the gross margin assumption at 30 June 2022 has been largely offset by the release of the stress provision present in the gross margin assumption at 30 June 2021.

⁵ The VitalityHealth projection term of 20 years is used in the derivation of the Annuity Factor.



EMBEDDED VALUE STATEMENT *continued* for the year ended 30 June 2022

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

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

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

The VitalityHealth assumptions were derived from internal experience.

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

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

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

The South African investment return assumptions for Life, Invest, Health and Vitality were set relative to the publicly available JSE risk-free nominal yield curve.

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

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

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

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

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

EMBEDDED VALUE STATEMENT *continued* for the year ended 30 June 2022

Sensitivity to the embedded value assumptions

The risk discount rate uses the CAPM approach with specific reference to the Discovery beta coefficient. As beta values reflect the historic performance of share prices relative to the market they may not allow fully for non-market related and non-financial risk. Investors may want to form their own view on an appropriate allowance for these risks which have not been modelled explicitly. The sensitivity of the embedded value and the embedded value of new business at 30 June 2022 to changes in the risk discount rate is included in the tables below.

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

TABLE 9: EMBEDDED VALUE SENSITIVITY

R million	Health and Vitality		
	Adjusted net worth ²	Value of in-force	Cost of required capital
Base	13 791	24 528	(479)
Impact of:			
Risk discount rate +1%	13 791	23 170	(518)
Risk discount rate - 1%	13 791	26 029	(436)
Lapses - 10%	13 519	25 328	(502)
Interest rates - 1% ¹	12 588	24 451	(463)
Equity and property market value - 10%	13 797	24 528	(479)
Equity and property return +1%	13 791	24 528	(479)
Renewal expenses - 10%	13 905	27 047	(443)
Mortality and morbidity - 5%	14 039	24 528	(479)
Projection term +1 year	13 791	24 833	(484)

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	Cost of required capital
Base	958	(30)
Impact of:		
Risk discount rate +1%	881	(33)
Risk discount rate - 1%	1 042	(28)
Lapses - 10%	1 017	(33)
Interest rates - 1% ¹	966	(30)
Equity and property return +1%	958	(30)
Renewal expense - 10%	1 097	(29)
Mortality and morbidity - 5%	958	(30)
Projection term +1 year	975	(31)
Acquisition costs - 10%	986	(30)

¹ All economic assumptions were reduced by 1%.



Life and Invest		VitalityHealth		VitalityLife		Embedded value	% change
Value of in-force	Cost of required capital	Value of in-force	Cost of required capital	Value of in-force	Cost of required capital		
32 073	(1 509)	10 658	(583)	8 818	(1 039)	86 258	
28 971	(1 590)	10 075	(552)	8 216	(902)	80 661	(6)
35 768	(1 412)	11 303	(619)	9 501	(1 209)	92 716	7
35 174	(1 596)	11 899	(651)	9 462	(1 203)	91 430	6
32 584	(1 473)	11 303	(619)	8 875	(1 378)	85 868	-
31 466	(1 529)	10 658	(583)	8 818	(1 039)	85 637	(1)
32 487	(1 501)	10 658	(583)	8 818	(1 039)	86 680	-
32 722	(1 469)	11 435	(583)	9 024	(1 038)	90 600	5
34 309	(1 376)	12 331	(583)	9 187	(1 161)	90 795	5
32 181	(1 512)	10 757	(589)	8 818	(1 039)	86 756	1

Life and Invest		VitalityHealth		VitalityLife		Value of new business	% change
Value of new business	Cost of required capital	Value of new business	Cost of required capital	Value of new business	Cost of required capital		
795	(90)	398	(81)	219	(108)	2 061	
601	(95)	293	(76)	119	(91)	1 599	(22)
1 023	(84)	514	(88)	333	(131)	2 581	25
1 013	(95)	555	(91)	328	(141)	2 553	24
801	(88)	514	(88)	241	(174)	2 142	4
824	(89)	398	(81)	219	(108)	2 091	1
846	(87)	500	(81)	258	(103)	2 401	16
899	(82)	617	(81)	257	(101)	2 437	18
802	(90)	415	(81)	219	(108)	2 101	2
949	(90)	435	(81)	360	(108)	2 421	17

APPENDIX A

NEW BUSINESS ANNUALISED PREMIUM INCOME

for the year ended 30 June 2022

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

Core new business API increased by 6% for the year ended 30 June 2022 when compared to the same period in the prior year.

R million	Group June 2022 Unaudited	Group June 2021 Unaudited	% Change
Discovery Health ¹	7 292	6 079	20
Discovery Life	2 543	2 264	12
Discovery Invest	2 920	2 737	7
Discovery Insure	1 246	1 287	(3)
Discovery Vitality	256	24	967
VitalityHealth	1 738	1 367	27
VitalityLife	1 256	1 141	10
Ping An Health (24.99% interest) ²	2 883	3 396	(15)
Other new business ³	1 576	2 114	(25)
Core new business API of group	21 710	20 409	6
New Closed Schemes	-	374	(100)
New business API of Group including New Closed Schemes	21 710	20 783	4
Gross revenue Vitality Group ⁴	1 398	1 270	10
Combined total	23 108	22 053	5

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

² Given the restructuring of the co-operation with Ping An Life for business written in certain regions in China as part of the overall re-alignment of PAH to focus on growing high-quality own business, the core new business API measure reported for PAH sales for the year ended 30 June 2021 has been restated to R3 396 million from R3 938 million to reflect this re-alignment.

³ Other new businesses include the Umbrella Fund, Discovery Insure commercial and VitalityInvest

⁴ Vitality Group new business includes gross recurring and lump sum revenues earned by Vitality Group and specifically excludes revenue related to cost recoveries and rewards.

Calculation of New business API

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

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

- The timing of inclusion of the 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 table above, new business is included when the policy has been contractually committed.
- Inclusion of automatic premium increases and servicing increases on existing life policies - these are included in the table above but excluded in the embedded value API values disclosed.

Refer to the 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

for the year ended 30 June 2022

Gross inflows under management measures the total funds collected by Discovery. Gross inflows under management increased by 5% for the year ended 30 June 2022 when compared to the same period in the prior year.

R million	Group June 2022 Unaudited	Group June 2021 Unaudited	% Change
Discovery Health	97 190	90 651	7
Discovery Life	15 053	13 714	10
Discovery Invest	24 581	24 203	2
Discovery Insure	4 672	4 107	14
Discovery Vitality	2 338	2 295	2
VitalityHealth	11 753	11 403	3
VitalityLife	6 977	6 696	4
All other business	9 604	8 974	7
Gross inflows under management	172 168	162 043	6
Less collected on behalf of third parties	(95 098)	(88 827)	7
Discovery Health	(87 850)	(81 849)	7
Discovery Invest	(7 248)	(6 978)	4
Gross income of Group per segmental information	77 070	73 216	5
Gross income is made up as follows:			
- Insurance premium revenue	59 470	56 812	5
- Fee income from administration business	12 764	11 711	9
- Vitality Income	3 495	3 340	5
- Other income	1 341	1 353	(1)
Gross income of Group per segmental information	77 070	73 216	5

Transfer secretaries Computershare Investor Services Pty Limited

(Registration number: 2004/003647/07)

Rosebank Towers, 15 Biermann Avenue, Rosebank 2196

Private Bag X9000, Saxonwold, 2132

Sponsors and debt sponsors Rand Merchant Bank (A division of FirstRand Bank Limited)

Secretary and registered office NN Mbongo, Discovery Limited

(Incorporated in the Republic of South Africa)

(Registration number: 1999/007789/06)

Company tax reference number: 9652/003/71/7

JSE share code: DSY ISIN: ZAE000022331

JSE share code: DSBP ISIN: ZAE000158564

JSE company code: DSYI

1 Discovery Place, Sandton 2146 PO Box 786722, Sandton 2146

Tel: (011) 529 2888 Fax: (011) 539 8003

Directors ME Tucker (UK) (Chairperson), A Gore* (Group Chief Executive), HL Bosman, Dr BA Brink¹, SE de Bruyn¹, R Farber, WM Hlahla², HD Kallner*, FN Khanyile, NS Koopowitz*, D Macready, Dr TV Maphai, T Mboweni⁴, Dr A Ntsaluba*, A Pollard*, M Schreuder, B Swartzberg*, B van Kralingen³, DM Viljoen* (Financial Director), SV Zilwa

* *Executive.*

¹ *Retired effective 24 November 2021.*

² *Appointed effective 15 August 2021.*

³ *Appointed effective 7 April 2022.*

⁴ *Appointed effective 5 May 2022.*

Debt officer DM Viljoen

Annual financial results

– supervised by DM Viljoen CA(SA)

Embedded value statement

– prepared by P Bolink FASSA

– supervised by A Rayner FASSA, FIA



Discovery

+27 11 529 2888 | askthecfo@discovery.co.za | www.discovery.co.za



Subsidiaries of Discovery Limited are authorised financial services providers.