# Unaudited Interim Results

and cash dividend declaration
for the six months ended 31 December 2024

# Contents

Discovery Limited
Registration number 1999/007789/06

# COMMENTARY

Discovery Group achieved strong growth in the period ended 31 December 2024, with normalised operating profit up 27% to R7 020 million, headline earnings up 34% to R4 267 million and normalised headline earnings up 34% to R4 350 million. New business annualised premium income (API) declined 12% to R12 534 million, but increased 6% excluding the Sasolmed closed medical scheme take-on in the prior period.

## 1. GROUP OVERVIEW AND SALIENT RESULTS

### Salient Group results for the period ended 31 December 2024

The period under review was characterised by increased geo-political complexities. Global inflation rates have moderated, however, the easing of interest rates has been stalled by increased uncertainty around global policy shifts and trade tensions, with consumers and economic growth remaining constrained in many regions. In South Africa (SA), confidence increased following the positive election outcome, the programmes driving energy and logistics reforms, and the continued constructive engagement around the National Health Insurance (NHI) Act to facilitate a viable journey to universal healthcare coverage in SA. The fiscal environment in the United Kingdom (UK) remains constrained  with a knock-on impact of the National Health Service (NHS) backlogs keeping the demand for and utilisation of private medical insurance (PMI) elevated. China has continued to face macroeconomic and growth constraints, however, bond and equity markets delivered a strong performance over the period following some signs of stabilisation.

| | Unit | **31 December 2024** | 31 December 2023 | % Change |
|---|---|---|---|---|
| **Group earnings** | | | | |
| Normalised profit from operations[1] | R million | **7 020** | 5 536 | 27% |
| Normalised headline earnings[1] | R million | **4 350** | 3 256 | 34% |
| Headline earnings[1] | R million | **4 267** | 3 196 | 34% |
| Basic earnings per share[1] | Cents | **637.1** | 483.3 | 32% |
| Basic headline earnings per share[1] | Cents | **642.9** | 484.1 | 33% |
| Basic normalised headline earnings per share[1] | Cents | **655.4** | 493.1 | 33% |
| **Returns, cash conversion and dividends** | | | | |
| Normalised return on equity (RoE) | % | **15.0%** | 12.6% | +2.4% |
| Annualised return on embedded value (RoEV) | % | **19.0%** | 12.1% | +6.9% |
| Dividend per share | Cents | **87** | 65 | 34% |
| Cash conversion ratio[2] | % | **75%** | 75% | 0% |
| **Growth drivers** | | | | |
| Income from non-insurance business lines | R million | **3 181** | 2 786 | 14% |
| New business API[2] | R million | **12 534** | 14 278 | (12%)* |

| | | **31 December 2024** | 30 June 2024 | % Change (annualised) |
|---|---|---|---|---|
| **Balance sheet and embedded value** | | | | |
| Net asset value | R million | **64 644** | 57 719 | 25% |
| Embedded value | R million | **119 616** | 110 354 | 17% |
| Basic embedded value per share | R | **179.47** | 166.95 | 16% |
| Financial leverage ratio (FLR) | % | **18.1%** | 20% | lower by 1.9% |

1 *Refer to D.1.1*
2 *Refer to Annexure A*
* *+6% when excluding Sasolmed in prior period*

# COMMENTARY *continued*

## Strong in-period performance in the growth phase, with consistent growth across the two composites

Discovery has emerged from its cycle of significant investment. That phase focused on creating new avenues for long-term growth, through globalising its capabilities and footprint and building new growth ventures, most notably, Discovery Bank. This has positioned the Group for a new distinct phase of scaled organic growth, with focused execution through its newly formed global composite, Vitality, and its domestic business, Discovery South Africa.

Over the period, the Group executed its growth strategy delivering growth in normalised profit from operations of 27%. Both composites achieved normalised profit from operations of 27%, with strong contributions across the Group. Headline and normalised headline earnings both increased by 34%, as the cost of financing less investment returns remained broadly unchanged. The normalised return on equity increased to 15% annualised, from 12.6% in the prior period.

The Group's embedded value increased to R120 billion, which represents a 19% annualised return on embedded value (RoEV). This included a positive contribution from experience variances over the period, reflecting the competitive dynamics of the Shared-value Insurance model, a strong improvement from non-covered businesses, as well as a favourable economic basis and exchange rate.

## The Vitality Shared-value Insurance model is a key driver of performance

The strong performance demonstrates the effective deployment of the Vitality Shared-value Insurance model and its applicability and efficacy across the different industries and markets. The Group is driving continued improvement in key value drivers as it leverages its data and technology assets to evolve the model through Vitality AI. This platform will allow greater and more precise understanding of individuals' health risks and determine the exact actions to improve health outcomes, quantifying the impact on health and mortality. These will be delivered through engaging, hyper-personalised product experiences to encourage healthier behaviour.

## The Group is financially resilient in a complex and uncertain environment

Capital ratios remained strong across every business and liquidity at each regulated entity, and at the centre, remains well in excess of the required buffers. The cash conversion ratio remained steady at 75% of after-tax normalised operating profit compared with the prior period, notwithstanding the strong growth in normalised profit from operations. Favourable claims experience in Discovery Life and Discovery Insure, as well as the increased use of financial reinsurance funding for VitalityLife, mitigated the expected dilution impact from Discovery Health's slower inherent growth and high intrinsic cash conversion rate. The cash conversion ratio is expected to normalise back within the Group's 60% to 70% range for the full financial year. This strong underlying cash generation facilitated a further c.R1 billion of financing repayments within Discovery Life and c.R500 million net debt repayments by the Group.

### Summary of profit from operations and new business performance by composite for the current period:

| | Normalised profit from operations | % change | New business API | % change |
|---|---|---|---|---|
| Discovery Health | 2 023 | +8% | 4 714 | (31%) |
| Discovery Life | 2 612 | +15% | 1 463 | (4%) |
| Discovery Invest | 904 | +46% | 1 735 | +7% |
| Discovery Insure | 401 | >100% | 659 | (1%) |
| Discovery Bank | (145) | (57%) | | |
| Other initiatives and central costs[1] | (275) | >100% | 448 | +22% |
| **Discovery SA composite** | **5 520** | **+27%** | **9 019** | **(18%)** |
| VitalityHealth | 599 | +14% | 1 326 | +2% |
| VitalityLife | 327 | +8% | 1 101 | +18% |
| Vitality Network | 339 | +15% | | |
| Ping An Health Insurance (PAHI) | 424 | +23% | 1 088 | +6% |
| VHI Other | (149) | (14%) | | |
| Other initiatives and central costs | (40) | (33%) | | |
| **Vitality (UK and VG) composite** | **1 500** | **+27%** | **3 515** | **+8%** |
| **Normalised profit from operations** | **7 020** | **+27%** | | |
| **New business API** | | | **12 534** | **(12%)*** |

*1 Refer to Annexure A*
** +6% when excluding Sasolmed in prior period*

# 2. BUSINESS-SPECIFIC PERFORMANCE

## DISCOVERY SA

Discovery SA increased normalised operating profit by 27% to R5 520 million. The composite focused on driving quality new business at appropriate margins, with new business increasing 6% to R9 019 million, excluding the prior period take-on of the Sasolmed closed medical scheme (decreased 18%, including Sasolmed).

### DISCOVERY BANK

| | Unit | December 2024 | December 2023 | % Change |
|---|---|---|---|---|
| Net non-interest revenue (NIR)[1] | R million | **611** | 411 | 49% |
| Net interest income (NII) | R million | **489** | 366 | 34% |
| Total revenue | R million | **1 100** | 777 | 42% |
| Operating profit before new business acquisition costs | R million | **69** | (154) | (145%) |
| Normalised loss from operations | R million | **(145)** | (339) | (57%) |
| Retail deposits | R billion | **21.2** | 16.7 | 27% |
| Advances | R billion | **7.8** | 5.7 | 37% |
| Average interest-earnings assets (IEA) | R billion | **21 623** | 15 811 | 37% |
| Credit loss ratio (CLR)[2] | % | **3.3** | 3.2 | 3% |
| Number of accounts | Number | **2 608 023** | 1 933 839 | 35% |
| Number of clients | Number | **1 092 386** | 825 069 | 32% |

1 *Refer to A.1*
2 *CLR calculated as the expected credit loss (ECL) charge on the year-end advances balance, as disclosed in the Group's full- year 2024 financial reporting*

Discovery Bank (DB) increased revenues by 42% and improved its operating loss before new business acquisition costs by 145%, returning a profit of R69 million. The overall loss was 57% better than the prior period and the Bank achieved monthly break-even in December, ahead of plan.

Discovery Bank's total client base grew 32%. Non-interest revenue (NIR) continued to grow steadily, increasing 49%, driven by the growth in clients as well as fee income per client, through increased product take-up and engagement levels. Payment volumes increased 47% and spend values increased 42% compared to the prior period.

The Bank remained focused on high-quality growth and customer primacy, given challenging macro-economic conditions. Deposits increased by 27% and advances by 37%, driven mainly by the launch of home loans, which ended the period at R802 million. Net interest income (NII) grew by 34% resultant from an increase in deposits and lower cost of funding.

### DISCOVERY HEALTH

| | Unit | December 2024 | December 2023 | % Change |
|---|---|---|---|---|
| Normalised profit from operations | R million | **2 023** | 1 874 | 8% |
| New business API | R million | **4 714** | 6 835 | (31%) |
| Revenue[1] | R million | **5 746** | 5 206 | 11% |
| Non-scheme revenue as % of total revenue | % | **15.8%** | 13.1% | 21% |
| Lives under administration | Million | **3.96** | 3.85 | 3% |

1 *Refer to A.1*

Discovery Health (DH) achieved an 8% increase in operating profit while continuing strategic investments in technology, innovation, artificial intelligence, and personalised healthcare. Innovations such as the launch of Personal Health Pathways and the Active Smart plan within the Discovery Health Medical Scheme (DHMS), are driving continued product differentiation and managing the forces that drive up healthcare costs. New business increased 9%, excluding the Sasolmed closed medical scheme take-on in the prior period (decreased 31%, including Sasolmed). During the period, DH administered the Discovery Health Medical Scheme (DHMS) and 18 closed medical schemes, all of which performed strongly. Revenue from non-medical scheme products continued to grow, accounting for 15.8% of total DH revenue and underscoring opportunities in adjacent markets.

DHMS demonstrated resilience amid low growth in the open medical scheme market and challenging macro-economic conditions, maintaining a 57.9% market share among open medical schemes. Unaudited 2024 solvency remains robust at 31.0%, well above the 25% regulatory requirement.

# COMMENTARY *continued*

## DISCOVERY LIFE

| | Unit | December 2024 | December 2023 | % Change |
|---|---|---|---|---|
| Normalised profit from operations | R million | **2 612** | 2 267 | 15% |
| New business API | R million | **1 463** | 1 519 | (4%) |
| Premium income[3] | R million | **9 388** | 8 808 | 7% |
| Insurance revenue | R million | **9 286** | 8 595 | 8% |
| Solvency ratio[1] | % | **183%** | 180% | +3% |
| Total VNB margin | % | **3.6%** | 4.3% | (0.7%) |
| New business net value (New business CSM[2] + RA[2] – less onerous new business) | R million | **886** | 965 | (8%) |

*1 Including Invest*
*2 CSM = contractual service margin, RA = risk adjustment*
*3 Six-monthly premium income*

Discovery Life (DL) grew operating profits by 15% to R2 612 million through strong claims performances in both the Individual Life (+12%) and Group Life (+61%) segments. This offset a significant reduction in the insurance finance income and expense (IFIE), which is impacted by the lower systematic interest rates at the start of the financial year.

New business API volumes decreased by 4% compared to the prior period, primarily due to a reduction in Group Life new business volumes. DL maintained its leading position in the affluent retail protection market with a market share of 27%.

The Discovery Life Limited embedded value (including Invest) delivered an annualised RoEV of 21%, driven by positive variances and lower interest rates at the end of the period. Claims experience, in particular, delivered a significant positive variance to the embedded value. Leadership remains focused on managing the negative policy alterations experience and are implementing a well-defined mitigation strategy.

The VNB margin for Individual Life increased to 5.4% at December 2024 from 5.0% at June 2024, primarily due to efficient expense controls and reduced interest rates. The improvement in the Individual Life VNB margin was offset by the decline in the Group Life new business margin, given lower Group Life new business volumes, which tend to be lumpy in nature. The combined Individual and Group Life VNB margin was 3.6%.

Discovery Life maintained strong solvency and liquidity positions, with a solvency coverage ratio of 183% and liquidity coverage of 196%. DL cash generation (including Invest) was strong, increasing to R1 523 million (prior period R1 093 million), before a R981 million net repayment of financing arrangements (prior period R322 million).

## DISCOVERY INVEST

| | Unit | December 2024 | December 2023 | % Change |
|---|---|---|---|---|
| Normalised profit from operations | R million | **904** | 620 | 46% |
| Assets under administration | R billion | **166.9** | 144.8 | 15% |
| Insurance revenue + fee income | R million | **3 198** | 2 678 | 19% |
| Assets under management | R billion | **115.0** | 99.0 | 16% |
| % linked assets in Discovery funds | % | **80.6%** | 80.2% | 0.4% |
| Net client cash flows | R billion | **2.4** | 1.1 | 118% |
| New business API | R million | **1 735** | 1 629 | 7% |

Discovery Invest increased operating profit by 46% to R904 million. Assets under management grew 16% as a result of strong market performance and positive net inflows. Growth in higher margin offshore and single premiums tranche products drove increased fee income. As disclosed in the Group's full-year 2024 financial reporting, the earnings profile of guaranteed endowments was amended to provide a more accurate estimate of the ongoing profit release profile over the duration of a policy, resulting in a R68 million earnings rebase during this period. Additionally, the business generated an asset liability match (ALM) gain following changes to the management of the portfolio, amounting to R85 million. Excluding the rebase and one-off ALM gain, profit grew by 19%, in line with revenue growth.

## DISCOVERY INSURE

| | Unit | December 2024 | December 2023 | % Change |
|---|---|---|---|---|
| Normalised profit from operations | R million | **401** | 20 | >100% |
| Personal lines | R million | **372** | 2 | >100% |
| Equity accounted profits (/losses) | R million | **29** | 18 | 53% |
| Operating margin Personal lines | % | **12.1%** | 0.1% | >100% |
| New business API Personal lines | R million | **659** | 666 | (1%) |
| Insurance revenue | R million | **3 078** | 2 792 | 10% |

Discovery Insure's (DI) personal lines business delivered operating profit of R372 million, as the operating margin increased significantly to 12%, compared with 0% in the prior period. This demonstrates the continued focus on building a margin resilient to increased weather unpredictability, through pricing discipline and claims efficiency initiatives, particularly on the motor vehicle book, which experienced a significant reduction in accident and theft claims frequency. In addition to these improvements, severe weather in the prior period resulted in elevated claims while benign weather conditions in the current period resulted in the loss ratio being c2.5% lower than expected. The business remains focused on driving management actions to ensure margin resilience. Furthermore, DI continues to leverage the Shared-value Insurance model to optimise pricing, while ensuring selective retention and new business, resulting in insurance revenue (earned premiums) increasing 10%, despite slightly lower new business.

# VITALITY (UNITED KINGDOM AND VITALITY GLOBAL)

The Vitality composite's normalised operating profit increased by 27% to R1 500 million and new business API increased by 8% to R3 515 million, despite a slightly stronger average rand exchange rate. Following the establishment of the composite in 2024, there has been a strong focus on delivering the global operating model to efficiently scale the business with operational leverage.

## VITALITY HEALTH

| | Unit | December 2024 | December 2023 | % Change |
|---|---|---|---|---|
| Normalised profit from operations | £ million | **25.9** | 22.5 | 15% |
| | R million | **599** | 527 | 14% |
| Insurance revenue | £ million | **394** | 340 | 16% |
| | R million | **9 112** | 7 960 | 14% |
| New business API[1] | £ million | **57.3** | 55.5 | 3% |
| | R million | **1 326** | 1 300 | 2% |
| Lives covered | Number | **1 044 267** | 989 492 | 6% |

1 *Refer to Annexure A*

VitalityHealth's (VH) operating profit increased 15% to £25.9 million (14% to R599 million), despite continued investment in healthcare risk management capabilities, primary care assets, and digital servicing, to achieve cost efficiencies.

The business has actioned significant price increases to new business and renewal premiums over the past 18 months to mitigate the increased private medical insurance utilisation, following ongoing challenges at the National Health Service (NHS). Notwithstanding the high increases combined with challenging macro-economic conditions, advanced price optimisation supported new business growth of 3% as well as strong retention of in-force business, resulting in a 16% increase in insurance revenue (earned premiums). Premiums have now caught up with recent claims experience, which appears to have stabilised.

## VITALITY LIFE

| | Unit | December 2024 | December 2023 | % Change |
|---|---|---|---|---|
| Normalised profit from operations[1] | £ million | **14.1** | 13.0 | 8% |
| | R million | **327** | 304 | 8% |
| New business API | £ million | **47.6** | 39.9 | 19% |
| | R million | **1 101** | 935 | 18% |
| Premium income | £ million | **217** | 197 | 10% |
| | R million | **5 016** | 4 607 | 9% |
| Insurance revenue | £ million | **162.4** | 145.3 | 12% |
| | R million | **3 758** | 3 404 | 10% |
| Solvency ratio | % | **196%** | 232% | (16%) |
| Lives covered | Number | **852 154** | 782 296 | 9% |
| Total VNB margin | % | **0.9%** | (2.8%) | >100% |
| New business net value (New business CSM + RA – less onerous new business)[2] | £ million | **24.3** | (0.2) | >100% |
| | R million | **562** | (5) | >100% |

1 *Refer to D.1.1*
2 *New business net value excludes the impact of new reinsurance contracts attaching to the in-force book in the period. The total CSM and RA on all contracts incepted in the period was R312 million (£13.3 million)*

VitalityLife's (VL) operating profit increased by 8% to £14.1 million (increased 8% to R327 million). VL maintained its positive sales trajectory from the second half of the previous year, with new business API increasing 19%, despite a stagnant UK market. New business (excluding automatic contribution increases) increased by 39%, driven by the combination of advanced price optimisation and the Shared-value Insurance model, which also benefited new business quality. Together with disciplined expense management, these actions resulted in a significant improvement in new business value generated, resulting in a higher combined contractual service margin (CSM) and risk adjustment (RA) balance at the end of the period.

VitalityLife's underlying business performance was robust, with favourable lapse rates and claims experience reflecting the continued engagement in Vitality – driving positive actuarial dynamics. Lives covered increased by 9%, while earned premiums increased by 10%, highlighting strong retention performance.

# COMMENTARY *continued*

## VITALITY GLOBAL

### VITALITY NETWORK

| | Unit | December 2024 | December 2023 | % Change |
|---|---|---|---|---|
| Revenue | US$ million | **54.1** | 50.3 | 8% |
| | R million | **970** | 942 | 3% |
| Normalised profit from operations | US$ million | **18.9** | 15.8 | 20% |
| | R million | **339** | 296 | 15% |
| Operating margin | % | **35%** | 31% | +4% |
| Integrated API by Insurance Partners | US$ million | **910** | 807 | 13% |
| | R billion | **16.3** | 15.1 | 8% |
| Number of lives | Million | **6.2** | 4.9 | 26% |

Vitality Network's (VN) operating profit increased by 20% to US$18.9 million (15% to R339 million), outpacing the 8% revenue growth. Performance-based revenues increased 14% to US$25.6 million, aligned with the 13% growth in integrated API. VN's other revenue, comprising solutions services, licence fees, infrastructure, technology and maintenance fees increased 2%, in line with costs, to US$35.2 million, leading to strong margin expansion from 31% to 35%.

Membership grew by 26% to 6.2 million, demonstrating the global relevance of the Vitality Shared-value Insurance model. VN began the roll-out of its new mobile app experience in three markets – a.s.r in The Netherlands, IGI Life in Pakistan, and Saludsa in Ecuador. The app was well received by members and will be enhanced with assets developed through Vitality AI.

### PING AN HEALTH INSURANCE (PAHI)

| | | Interim-results period | | | PAHI Full-year (12-month) period* | | |
|---|---|---|---|---|---|---|---|
| | Unit | December 2024 | December 2023 | % Change | December 2024 | December 2023 | % Change |
| PAHI after-tax operating profit (25%), after Discovery's costs | R million | **424** | 344 | 23% | **1 204** | 868 | 39% |
| New business (100%)[1] | RMB million | **1 743** | 1 591 | 10% | **3 994** | 3 720 | 7% |
| New business (25%)[1] | R million | **1 088** | 1 027 | 6% | **2 547** | 2 408 | 6% |
| Earned premium (100%)[1] | RMB million | **8 286** | 7 130 | 16% | **15 904** | 14 057 | 13% |
| Earned premium (25%)[1] | R million | **5 173** | 4 604 | 12% | **10 112** | 9 134 | 11% |
| Lives[1] | Million | **29.1** | 26.2 | 11% | **29.1** | 26.2 | 11% |
| Profit before income and gains (100%) | RMB million | **306** | 357 | (14%) | **1 420** | 1 122 | 27% |
| Investment income and gains (100%) | RMB million | **599** | 202 | 196% | **1 018** | 518 | 97% |
| PAHI pre-tax profit (100%) | RMB million | **906** | 559 | 62% | **2 439** | 1 640 | 49% |

*1 PAHI own licence business*
** PAHI full year calendar performance has been included to align with the Chinese industry comparable reporting*

The Group's share of PAHI's after-tax operating profit increased by 23% to R424 million (and by 39% to R1 204 million over the 12-month period), notwithstanding the positive tax benefit in the prior period. PAHI's pre-tax result increased 62% following strong gains from Chinese bond and equity market movements in the period. A particularly low claims ratio in the prior period resulted in the profit before income and gains declining 14% in the period, however, this increased by 27% over the 12-month calendar year, resulting in a net margin of 12%, compared with 10% in the prior year. PAHI's comprehensive solvency ratio increased to 339% in Q4 2024 (306% in Q4 2023).

New business on the PAHI insurance licence increased by 10% over the six-month period (and by 7% over the 12-month period), driven by a rise in new business through non-Ping An Life channels and a market shift towards higher-end products. Own licence earned premiums grew by 16% over the six-month period (and by 13% over the 12-month period, outpacing the industry, which grew by 5.5% over the same period), supported by continued growth in new business and consistently improving retention rates. The total number of directly insured lives increased by 11% as of December 2024, reaching over 29 million lives. PAHI remains focused on driving growth in own-licence business. Reinsurance business did increase strongly over the period, however, as previously highlighted, PAHI generates only marginal value from this line of business.

### VHI OTHER

Vitality USA acquired WellSpark in November 2024, progressing its strategy to expand from its traditional focus on the employee wellness market towards the significantly larger addressable market of integrated digital health and care. The acquisition included a multi-year contract to provide the Vitality platform to a leading health plan administrator, and will enable Vitality USA to provide a broad set of customised wellbeing, coaching and disease prevention services. The business has also made several sales to health plans, including to BlueCross BlueShield plans, and has expanded to the significant Medicare Advantage market.

Amplify Health continued its delivery of products and solutions within the Asia-Pacific markets. The business had successful deployments of nine health-tech solutions across multiple Asia-pacific markets, across all its main products and is making progress towards its aim of deploying an integrated suite of its products to the largest AIA markets as well as to external clients.

## PROSPECTS AND DIVIDEND

Discovery's growth strategy is based on the efficacy, repeatability, and scalability of its model through organic growth and global partnerships. The Group is well positioned for sustained growth after a phase of investment in its two powerful and focused composites; Discovery SA and Vitality, with strong platforms in each, resulting in growth in earnings, cash generation, and return on equity, as well as lower leverage. Following the strong performance to date, the Group expects growth in profit from operations in 2025 to exceed the Group's medium-term ambition of 15% to 20%. This will be driven in particular by a second-half recovery in the UK, compared with the second half of the prior year.

In terms of the Group's dividend policy, the annual ordinary dividend is expected to be covered approximately five times by normalised headline earnings, with interim ordinary dividends expected to be paid in the range of 30% to 40% of the expected total annual ordinary dividend. In line with this, the Group has declared its interim ordinary dividends for the period at 87 cents per share, consistent with the growth in normalised headline earnings.

## 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** | **A Gore** |
| Chairperson | Group Chief Executive |

Sandton
3 March 2025

# GROUP STATEMENT OF FINANCIAL POSITION

*at 31 December 2024*

| R million | December 2024 | June 2024 |
|---|---|---|
| **Assets** | | |
| Goodwill | **5 366** | 5 292 |
| Intangible assets | **7 745** | 7 239 |
| Property and equipment | **3 415** | 3 581 |
| Assets arising from insurance contracts issued | **49 606** | 41 816 |
| Assets arising from reinsurance contracts held | **941** | 837 |
| Deferred tax asset | **5 468** | 5 631 |
| Assets arising from contracts with customers | **3 160** | 2 598 |
| Investment in equity-accounted investees | **8 961** | 8 189 |
| Financial assets | | |
| – Loans and advances to customers at amortised cost | **7 859** | 6 028 |
| – Investments at amortised cost | **10 777** | 11 100 |
| – Investments at fair value through comprehensive income | **16** | – |
| – Investments at fair value through profit or loss | **180 732** | 165 671 |
| – Derivative financial instruments at fair value through profit or loss | **88** | 43 |
| Contract receivables and other receivables | **6 332** | 6 729 |
| Non-current assets held for sale | **140** | 136 |
| Current tax asset | **87** | 250 |
| Cash and cash equivalents | **19 359** | 18 971 |
| **TOTAL ASSETS** | **310 052** | 284 111 |
| **Equity** | | |
| **Capital and reserves** | | |
| Ordinary share capital and share premium | **11 357** | 10 667 |
| Perpetual preference share capital | **779** | 779 |
| Other reserves | **9 272** | 6 275 |
| Retained earnings | **43 239** | 39 998 |
| Equity attributable to equity holders of the Company | **64 647** | 57 719 |
| Non-controlling interest | **(3)** | * |
| **TOTAL EQUITY** | **64 644** | 57 719 |
| **Liabilities** | | |
| Liabilities arising from insurance contracts issued | **112 839** | 105 070 |
| Liabilities arising from reinsurance contracts held | **7 501** | 5 396 |
| Deferred tax liability | **9 661** | 8 184 |
| Contract liabilities to customers | **723** | 512 |
| Third-party interest in consolidated funds | **33 831** | 31 456 |
| Financial liabilities | | |
| – Borrowings at amortised cost | **21 154** | 21 662 |
| – Other financial payables at amortised cost | **6 866** | 8 007 |
| – Deposits from customers | **21 163** | 18 467 |
| – Investment contracts at fair value through profit or loss | **28 951** | 25 710 |
| – Derivative financial instruments at fair value through profit or loss | **70** | 31 |
| Provisions | **546** | 449 |
| Other payables | **1 742** | 1 216 |
| Current tax liability | **361** | 232 |
| **TOTAL LIABILITIES** | **245 408** | 226 392 |
| **TOTAL EQUITY AND LIABILITIES** | **310 052** | 284 111 |

* *Amount less than R500 000.*

# GROUP INCOME STATEMENT

***for the six months ended 31 December 2024***

| R million | December 2024 | Restated[1] December 2023 | June 2024 |
|---|---|---|---|
| Insurance revenue | **27 774** | 25 153 | 51 857 |
| Insurance service expenses | **(23 681)** | (22 045) | (46 145) |
| Net expenses from reinsurance contracts | **(816)** | (607) | (915) |
| **Insurance service result** | **3 277** | 2 501 | 4 797 |
| Net financial result from insurance finance income and expense | **(6 006)** | (2 870) | (7 245) |
| – Net finance expense from insurance contracts | **(5 807)** | (2 710) | (6 902) |
| – Net finance expense from reinsurance contracts | **(199)** | (160) | (343) |
| Investment income using the effective interest rate method | **461** | 412 | 860 |
| Net fair value gains on financial assets at fair value through profit or loss | **12 637** | 6 670 | 16 245 |
| Fair value adjustment to liabilities under investment contracts | **(1 919)** | (691) | (2 142) |
| Third-party interest: fair value adjustment to liabilities under investment contracts | **(2 401)** | (1 149) | (2 873) |
| Other gains on financial instruments | **(9)** | 5 | 5 |
| **Net insurance and investment results** | **6 040** | 4 878 | 9 647 |
| Fee income from administration businesses | **7 314** | 6 903 | 14 093 |
| Vitality income | **2 618** | 2 135 | 4 655 |
| Net banking fee and commission income | **731** | 581 | 1 398 |
| – Banking fee and commission income | **1 036** | 845 | 1 872 |
| – Banking fee and commission expense | **(305)** | (264) | (474) |
| Net banking interest and similar income | **489** | 366 | 779 |
| – Banking interest and similar income using the effective interest rate | **1 105** | 869 | 1 840 |
| – Banking interest and similar expense using the effective interest rate | **(616)** | (503) | (1 061) |
| Other income | **936** | 779 | 1 380 |
| **Non-insurance revenue and income** | **12 088** | 10 764 | 22 305 |
| **Net income** | **18 128** | 15 642 | 31 952 |
| Non-insurance acquisition costs | **(600)** | (456) | (988) |
| Expected credit losses | **(118)** | (93) | (183) |
| Marketing and administration expenses | **(10 533)** | (9 627) | (19 644) |
| **Operating profit** | **6 877** | 5 466 | 11 137 |
| (Loss)/gain on dilution and disposal of equity-accounted investments | **(26)** | – | 22 |
| Share of net profits from equity-accounted investments | **399** | 278 | 975 |
| **Profit before financing and income tax** | **7 250** | 5 744 | 12 134 |
| Interest expenses on borrowings and lease liabilities | **(1 094)** | (1 025) | (2 036) |
| Foreign exchange gains/(losses) | **13** | (40) | (87) |
| **Profit before income tax** | **6 169** | 4 679 | 10 011 |
| Income tax expense | **(1 840)** | (1 401) | (2 647) |
| **Profit for the period/year** | **4 329** | 3 278 | 7 364 |
| **Profit attributable to:** | | | |
| – Ordinary shareholders | **4 285** | 3 239 | 7 283 |
| – Preference shareholders | **47** | 44 | 91 |
| – Non-controlling interest | **(3)** | (5) | (10) |
| | **4 329** | 3 278 | 7 364 |
| **Earnings per share for profit attributable to ordinary shareholders of the company during the year (cents):** | | | |
| – Basic | **637.10** | 483.3 | 1 082.7 |
| – Diluted | **633.90** | 480.8 | 1 076.3 |

*1 The comparative information for 31 December 2023 has been restated for the correction of prior period errors in line with and as disclosed in the annual financial statements for the year ended 30 June 2024. Refer to D.1.1 for more details.*

# GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME

***for the six months ended 31 December 2024***

| R million | December 2024 | Restated[1] December 2023 | June 2024 |
|---|---|---|---|
| **Profit for the period/year** | **4 329** | 3 278 | 7 364 |
| **Income and expenses that will be reclassified to profit or loss when specific conditions are met:** | | | |
| **Currency translation differences** | **577** | (371) | (823) |
| Unrealised gains/(losses) | **589** | (383) | (846) |
| Tax on unrealised gains/(losses) | **(12)** | 12 | 23 |
| **Cash flow hedges** | **(40)** | (70) | (61) |
| – Unrealised losses | **(40)** | (72) | (65) |
| – Gains reclassified to profit or loss | – | 2 | 4 |
| **Net finance income from insurance contracts issued** | **2 611** | 1 496 | 2 672 |
| – Unrealised income | **3 565** | 2 001 | 3 595 |
| – Tax on unrealised income | **(954)** | (505) | (923) |
| **Net finance expense from reinsurance contracts held** | **(117)** | (456) | (221) |
| – Unrealised expense | **(158)** | (609) | (290) |
| – Tax on unrealised expense | **41** | 153 | 69 |
| **Share of other comprehensive income from equity-accounted investments** | **301** | 18 | (236) |
| – Change in fair value of debt instruments at fair value through other comprehensive income | **49** | (1) | 45 |
| – Currency translation differences | **252** | 19 | (281) |
| **Total income and expenses that will be reclassified to profit or loss when specific conditions are met** | **3 332** | 617 | 1 331 |
| **Income and expenses that will not be reclassified to profit or loss:** | | | |
| **Share of other comprehensive (loss)/income from equity-accounted investment** | | | |
| – Change in fair value of equity instruments at fair value through other comprehensive income | **(5)** | (2) | 17 |
| **Total income and expenses that will not be reclassified to profit or loss** | **(5)** | (2) | 17 |
| **Other comprehensive income for the period/year, net of tax** | **3 327** | 615 | 1 348 |
| **Total comprehensive income for the period/year** | **7 656** | 3 893 | 8 712 |
| **Attributable to:** | | | |
| – Ordinary shareholders | **7 612** | 3 849 | 8 625 |
| – Preference shareholders | **47** | 44 | 91 |
| – Non-controlling interest | **(3)** | – | (4) |
| **Total comprehensive income for the period/year** | **7 656** | 3 893 | 8 712 |

*1 The comparative information for 31 December 2023 has been restated for the correction of prior period errors in line with and as disclosed in the annual financial statements for the year ended 30 June 2024. Refer to D.1.1 for more details.*

# GROUP STATEMENT OF CASH FLOWS

***for the six months ended 31 December 2024***

| R million | December 2024 | Restated[1] December 2023 | June 2024 |
|---|---|---|---|
| **Cash flows from operating activities** | **3 546** | (221) | 2 733 |
| Cash (utilised)/generated from operations | **(1 397)** | 2 862 | 2 997 |
| Interest received | **1 245** | 1 104 | 2 325 |
| Interest paid | **(1 494)** | (1 305) | (2 627) |
| Taxation paid | **(758)** | (792) | (1 522) |
| Net movement in operating assets and liabilities[1] | **5 950** | (2 090) | 1 560 |
| – (Increase)/decrease in operating assets | **(7 666)** | 940 | (7 513) |
| – Increase/(decrease) in operating liabilities | **13 616** | (3 030) | 9 073 |
| **Cash flows from investing activities** | **(1 304)** | (1 221) | (1 886) |
| Purchase of property and equipment | **(120)** | (246) | (414) |
| Proceeds from disposal of property and equipment | **3** | – | 29 |
| Purchase of intangible assets | **(875)** | (800) | (1 789) |
| Acquisition of business, net of cash acquired | **(304)** | – | – |
| Additional investment in equity-accounted investments | **(11)** | (176) | (17) |
| Dividends received from equity-accounted investments | **3** | 1 | 305 |
| **Cash flows from financing activities** | **(1 938)** | (1 150) | (780) |
| Purchase of treasury shares | **–** | – | (131) |
| Dividends paid to ordinary shareholders | **(1 026)** | (739) | (1 178) |
| Dividends paid to preference shareholders | **(47)** | (44) | (91) |
| Proceeds from borrowings | **1 765** | 500 | 2 005 |
| Repayment of borrowings | **(2 630)** | (867) | (1 385) |
| Net increase/(decrease) in cash and cash equivalents | **304** | (2 592) | 67 |
| Cash and cash equivalents at beginning of the period/year | **18 965** | 19 138 | 19 138 |
| Effects of exchange rate changes on cash and cash equivalents | **90** | (175) | (240) |
| **Cash and cash equivalents at end of the period/year** | **19 359** | 16 371 | 18 965 |
| **Reconciliation to statement of financial position** | | | |
| Cash and cash equivalents | **19 359** | 16 371 | 18 971 |
| Bank overdraft included in borrowings at amortised cost | **–** | – | (6) |
| **Cash and cash equivalents at end of the period/year** | **19 359** | 16 371 | 18 965 |

1 *To align the layout of the Group statement of cash flows for 31 December 2024 with the structure used for 30 June 2024, and to correct prior period errors, certain items have been reclassified within the statement. The most significant reclassification relates to changes in the net movement of operating assets and liabilities. These adjustments and corrections are consistent with, and disclosed in, the annual financial statements for the year ended 30 June 2024. For further details, refer to D.1.2, item 2: Change in Presentation of the Group statement of cash flows. The comparative information for 31 December 2023 has also been restated to reflect the changes in structure and the correction of prior period errors.*

# GROUP STATEMENT OF CHANGES IN EQUITY

***for the six months ended 31 December 2024***

| | Attributable to equity holders of the company | | | | Attributable to equity holders of the company | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| R million | Share capital and share premium | Perpetual preference share capital | Share-based payment reserve | Investment reserve[1] | Insurance finance reserve | Foreign currency translation reserve | Hedging reserve | Retained earnings | Total | Non-controlling interest | Total equity |
| **Six months ended 31 December 2024** | | | | | | | | | | | |
| **At beginning of the period – July 2024** | **10 667** | **779** | **1 433** | **81** | **(733)** | **5 514** | **(20)** | **39 998** | **57 719** | **–** | **57 719** |
| **Total comprehensive income for the period** | **–** | **47** | **–** | **44** | **2 494** | **829** | **(40)** | **4 285** | **7 659** | **(3)** | **7 656** |
| Profit for the period | **–** | **47** | **–** | **–** | **–** | **–** | **–** | **4 285** | **4 332** | **(3)** | **4 329** |
| Other comprehensive income | **–** | **–** | **–** | **44** | **2 494** | **829** | **(40)** | **–** | **3 327** | **–** | **3 327** |
| **Transactions with owners** | **690** | **(47)** | **(330)** | **–** | **–** | **–** | **–** | **(1 044)** | **(731)** | **–** | **(731)** |
| Share issue | **626** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **626** | **–** | **626** |
| Increase in treasury shares | **(626)** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(626)** | **–** | **(626)** |
| Delivery of treasury shares | **690** | **–** | **(672)** | **–** | **–** | **–** | **–** | **(18)** | **–** | **–** | **–** |
| Employee share option schemes: | | | | | | | | | | | |
| – Value of employee services, net of tax | **–** | **–** | **342** | **–** | **–** | **–** | **–** | **–** | **342** | **–** | **342** |
| Dividends paid to preference shareholders | **–** | **(47)** | **–** | **–** | **–** | **–** | **–** | **–** | **(47)** | **–** | **(47)** |
| Dividends paid to ordinary shareholders | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(1 026)** | **(1 026)** | **–** | **(1 026)** |
| **At end of the period** | **11 357** | **779** | **1 103** | **125** | **1 761** | **6 343** | **(60)** | **43 239** | **64 647** | **(3)** | **64 644** |
| **Six months ended 31 December 2023** | | | | | | | | | | | |
| **At beginning of the period – July 2023** | 10 351 | 779 | 1 190 | 19 | (3 184) | 6 624 | 41 | 33 900 | 49 720 | 4 | 49 724 |
| **Total comprehensive income for the period** | – | 44 | – | (3) | 1 040 | (357) | (70) | 3 239 | 3 893 | – | 3 893 |
| Profit for the period | – | 44 | – | – | – | – | – | 3 239 | 3 283 | (5) | 3 278 |
| Other comprehensive income | – | – | – | (3) | 1 040 | (357) | (70) | – | 610 | 5 | 615 |
| **Transactions with owners** | 443 | (44) | (132) | – | – | – | – | (744) | (477) | – | (477) |
| Share issue | 432 | – | – | – | – | – | – | – | 432 | – | 432 |
| Increase in treasury shares | (432) | – | – | – | – | – | – | – | (432) | – | (432) |
| Delivery of treasury shares | 443 | – | (438) | – | – | – | – | (5) | – | – | – |
| Employee share option schemes: | | | | | | | | | | | |
| – Value of employee services, net of tax | – | – | 306 | – | – | – | – | – | 306 | – | 306 |
| Dividends paid to preference shareholders | – | (44) | – | – | – | – | – | – | (44) | – | (44) |
| Dividends paid to ordinary shareholders | – | – | – | – | – | – | – | (739) | (739) | – | (739) |
| **At end of the period** | 10 794 | 779 | 1 058 | 16 | (2 144) | 6 267 | (29) | 36 395 | 53 136 | 4 | 53 140 |

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.*

SECTION A

# Notes to the condensed consolidated financial statements

# DISCLOSURE

***for the six months ended 31 December 2024***

## A. Notes to the condensed consolidated financial statements

### A.1 SEGMENT INFORMATION

Discovery's operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM has been identified as the Group Executive Committee who makes strategic decisions regarding these businesses.

An operating segment is a component of an entity:

(a) That engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the same entity.

(b) Whose operating results are regularly reviewed by the entity's CODM to make decisions about resources to be allocated to the segment and assess its performance; and

(c) For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues, for example, start-up operations may be operating segments before earning revenues.

Discovery will report separately information about an operating segment that meets any of the following quantitative thresholds:

(a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 percent or more of the combined revenue, internal and external, of all operating segments.

(b) The absolute amount of its reported profit or loss is 10 percent or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; and

(c) Its assets are 10 percent or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if management believes that information about the segment would be useful to users of the financial statements.

Discovery may combine information about operating segments that do not meet the quantitative thresholds with information about other operating segments that do not meet the quantitative thresholds to produce a reportable segment only if the operating segments have similar economic characteristics.

The Group has identified its reportable segments based on a combination of products and services offered to customers and the location of the markets served.

# A. Notes to the condensed consolidated financial statements *continued*

## A.1 SEGMENT INFORMATION *continued*

The following summary describes the operations of each of the Group's reportable segments:

Discovery

### SA Health

- Administers and provides managed care services to medical schemes in South Africa.
- Renders administration services to other business segments within the Group.
- Together with Medical Services Organisation International (MSO), a subsidiary company, delivers health insurance, healthcare risk management and third-party administration services within rest of Africa markets.
- Offers non-medical scheme-related products such as Gap Cover for unexpected medical costs and Flexicare – which provides quality, affordable access to primary healthcare for employees unable to access medical scheme benefits.

### SA Invest

Offers, through a range of investment fund choices, including Discovery managed unit trusts, a comprehensive and flexible range of investment choices. These products are sold through a number of investment wrappers, including Discovery Life policies, and are offered to individuals in South Africa. In 2023, Invest launched Cogence with BlackRock, which is a shared-value discretionary fund manager.

### SA Life

Offers a range of insurance and financial solutions to the Group's clients against the financial impact of lifestyle-changing events in South Africa.

### SA Insure

Offers a range of personal line insurance (motor, building, household content and portable possessions) to the Group's SA clients against the financial impact of loss or damage. The segment also includes SA Insure's equity-accounted interests including Cambridge Mobile Telematics (CMT).

### SA Bank

Offers retail banking solutions, including deposits and loans and advances, to clients in the South African market. The Bank is still in a start-up phase.

Vitality

### UK Health

Offers consumer-engaged private medical insurance products to employer groups and individuals in the UK. All contracts in this segment are short-term insurance contracts.

### UK Life

Offers a risk-only life assurance product. All contracts in this segment are long-term assurance contracts offered to both employer groups and individuals in the UK.

All other segments

Includes those segments that do not meet the quantitative thresholds set out in IFRS 8 *Operating Segments* and cannot be aggregated with another reportable segment. It includes the following operating segments:

- **Discovery SA:**
  - SA Vitality, which offers health and lifestyle benefits with selected partners to the Group's SA clients.
  - SA Insure commercial: provides commercial short-term risk insurance products to the South African market. Discovery announced that it is exiting this business with all remaining covers terminated by 31 August 2024.
  - Discovery Umbrella: offers pension and provident fund solutions that encourage employees to reach their retirement goals with unique rewards, benefits and digital engagement.
  - SA Distribution: provides sales and distribution services in respect of all SA products.
  - Discovery Central Services, performing various shared services, treasury and administrative functions to entities within the Discovery Group.
  - Other new group initiatives, including Discovery Green, as well as unallocated central costs.
- **Vitality:**
  - Vitality Corporate Services (VCSL): provides administration, distribution and management services for entities within the UK Composite
  - Vitality Health International, leverages Discovery Health and Vitality's intellectual property to create strategic partnerships through equity-accounted interests in health insurance and health technology and solutions businesses, which includes the equity-accounted interests in Ping An Health Insurance and Amplify Health.
  - Vitality Network, which provides a Vitality platform to international insurance businesses.
  - Includes immaterial interests in equity-accounted interests, UK Invest (closed down), as well as unallocated central costs.

## A.1 SEGMENT INFORMATION *continued*

The Group Executive Committee assesses the performance of the reportable segments based on normalised profit/loss from operations. Items that are excluded from normalised profit/loss from operations are separately disclosed in the segment information to reconcile to the segment results and Group income statement. The segment information is presented on the same basis as reported to the CODM.

The segment total is then adjusted for accounting reclassifications and entries required to produce results compliant with the IFRS Accounting Standards, i.e. IFRS reporting adjustments. These adjustments include the following:

(a) Unit trusts that the Group controls in terms of IFRS 10 *Consolidated Financial Statements* 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.

(b) The effects of eliminating intercompany transactions on consolidation and normalised operating profit adjustments; and

(c) The effects of reclassifying items to align to the IFRS Group income statement.

The following changes were made to the Segment information presented for the year ended 30 June 2024, with the results for the current reporting period presented in a consistent manner. The comparative information previously presented for 31 December 2023 has been restated accordingly:

1. Since 1 July 2023, Discovery has undertaken an improvement project for segmental information. The key objective of this project is to ensure that segmental information reflects how the Discovery Group is managed while also meeting the objectives and requirements of IFRS 8 Operating Segments.
2. In line with current management view of intra-segment transactions, SA Health has been restated to reduce other income by R140 million, with a corresponding decrease in marketing and administration expenses. This change in management view of SA Health segment information had no resultant change in the Group income statement.
3. 'All other segments' changed its management view of which costs it considers being a refund of expenses incurred (included within marketing and administration expenses) versus whether those costs are for services provided (included in Vitality Income). 'All other segments' have been accordingly adjusted to increase Vitality income with R145 million with an equal increase in marketing and administration expenses. This change in management view of the 'All other segments' had no resultant change in the Group income statement.
4. SA Insure segmental information has been restated in line with the correction of the error as noted in note D.1.1. Item 2B. The change did not affect the reported normalised profit from operations.

As disclosed in the Discovery Limited Annual Financial Statements for the year ended 30 June 2024, Discovery has noted the IFRIC decision Disclosure of Revenues and Expenses for Reportable Segments (*IFRS 8 Operating Segments*), finalised in June 2024.

### Changes from 1 July 2024

1. In response to the IFRIC decision, the improvement project, and JSE Proactive Monitoring observations, the Discovery Group has expanded its segmental reporting disclosures. In particular, the adjustments consider whether the information reviewed by the Chief Operating Decision Maker (CODM), as well as required disclosures of specified transactions included within the measurement of normalised profit from operations comply with IFRS 8.23.

   As a result, Discovery has implemented the following changes:

   - To reflect material items of income and expense, marketing and administration expenses have been disaggregated to separately present staff costs, which represent a material component of these expenses. The staff costs shown in the segment are net of allocations to the insurance service expense. A separate note (A.1.2) has been included in the segmental information for this disclosure.
   - Discovery has included a separate note (A.1.1) to clearly present items of revenue and other income arising from internal transactions with other segments.

   To implement the changes as disclosed in note A.1.1. for internal transactions, Discovery has revised the presentation of intersegment charges, recoveries, revenues, and income:

   - Prior to 1 July 2024 – Intercompany recoveries, recharges, other income, and intercompany revenues were offset within marketing and administration expenses, with the net expense reflected in the segment.
   - Effective from 1 July 2024 – The presentation of these items within segmental information now aligns more closely with the financial statements of the respective business lines.
   - These changes have been enabled through the new financial reporting system and required significant development to ensure the accuracy of the information. As permitted by IFRS 8.29, prior-year segmental information has not been restated due to the cost and effort required to reperform the changes for the prior period. Refer to Note A.1.1 for further details, ensuring that the results for the six months ended 31 December 2024 are comparable to those for the six months ended 31 December 2023.
2. Prior to 1 July 2024, VCSL was included as part of the UK Health segment alongside Vitality Health. Effective from 1 July 2024 (with restatement of comparative information), VCSL, as the central services company within the UK, has been excluded from the UK Health segment and instead included in All Other Segments. This treatment aligns VCSL with the treatment of Discovery Central Services. This change, together with the other changes noted earlier, had no impact on the normalised profit from operations for the UK Health segment.
3. The CODM has revised their view of SA Bank costs related to health and lifestyle benefits to align more closely with the treatment in Discovery Bank's separate statutory accounts. These costs were previously disclosed within marketing and administration expenses and are now included within the Net Banking fee and commission income of SA Bank. The comparative information has been restated accordingly to reflect this revised treatment resulting in a decrease of R 156million in the Net banking and commission income, with an equal and opposite decrease in marketing and administration expenses. This change in management view had no resultant change in the Group income statement.

# A. Notes to the condensed consolidated financial statements *continued*

## A.1 SEGMENT INFORMATION *continued*

| R million | Note(s) | SA Health | SA Life | SA Invest | SA Insure | SA Bank | UK Health | UK Life | All other segments | Segment total | IFRS reporting adjustments | IFRS total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **31 December 2024** | | | | | | | | | | | | |
| **Income statement** | | | | | | | | | | | | |
| Insurance revenue | | 236 | 9 286 | 2 209 | 3 078 | – | 9 112 | 3 758 | 95 | 27 774 | – | 27 774 |
| – Contracts measured under the General measurement model/Variable fee approach | | – | 7 437 | 2 209 | – | – | – | 3 758 | – | 13 404 | – | 13 404 |
| – Contracts measured under Premium allocation approach | | 236 | 1 849 | – | 3 078 | – | 9 112 | – | 95 | 14 370 | – | 14 370 |
| Insurance service expenses | | (146) | (7 837) | (1 327) | (2 690) | – | (8 280) | (3 290) | (111) | (23 681) | – | (23 681) |
| – Claims and benefits | | (94) | (5 788) | (295) | (1 568) | – | (5 367) | (1 693) | (74) | (14 879) | – | (14 879) |
| – Insurance service expense and other | | (27) | (990) | (522) | (672) | – | (1 957) | (173) | (33) | (4 374) | – | (4 374) |
| – Insurance acquisition cash flows | | (25) | (1 059) | (510) | (450) | – | (956) | (1 424) | (4) | (4 428) | – | (4 428) |
| **Insurance service result (pre-reinsurance)** | | 90 | 1 449 | 882 | 388 | – | 832 | 468 | (16) | 4 093 | – | 4 093 |
| Net expenses from reinsurance contracts | | (1) | (530) | – | (52) | – | – | (239) | 6 | (816) | – | (816) |
| – Reinsurance expense | | (1) | (1 876) | – | (66) | – | (2) | (4 270) | (33) | (6 248) | – | (6 248) |
| – Insurance claims recovered from reinsurers | | – | 1 346 | – | 14 | – | 2 | 4 031 | 39 | 5 432 | – | 5 432 |
| **Insurance service result** | | 89 | 919 | 882 | 336 | – | 832 | 229 | (10) | 3 277 | – | 3 277 |
| Net financial result from insurance finance income and expense | | – | 1 350 | (7 454) | – | – | – | 145 | – | (5 959) | (47) | (6 006) |
| – Net finance income/(expense) from insurance contracts | | – | 1 421 | (7 454) | – | – | – | 273 | – | (5 760) | (47) | (5 807) |
| – Net finance expense from reinsurance contracts | | – | (71) | – | – | – | – | (128) | – | (199) | – | (199) |
| Investment income using the effective interest rate method | | 9 | 2 | 42 | 123 | – | 51 | 44 | 8 | 279 | 182 | 461 |
| Net fair value gains/(losses) on financial instruments at fair value through profit or loss | | 6 | 267 | 8 216 | 8 | (1) | 60 | – | 1 317 | 9 873 | 2 764 | 12 637 |
| Fair value adjustments to liabilities under investment contracts | | – | – | (602) | – | – | – | – | (1 317) | (1 919) | – | (1 919) |
| Third-party interest: fair value adjustments to liabilities under investment contracts | | – | – | – | – | – | – | – | – | – | (2 401) | (2 401) |
| Intersegment funding | | – | 237 | (237) | – | – | – | – | – | – | – | – |
| Other losses on financial instruments | | – | – | – | – | (9) | – | – | – | (9) | – | (9) |
| **Net insurance and investment results** | | 104 | 2 775 | 847 | 467 | (10) | 943 | 418 | (2) | 5 542 | 498 | 6 040 |
| Fee income from administration businesses | A.1.1 | 4 744 | – | 989 | – | – | 17 | – | 1 630 | 7 380 | (66) | 7 314 |
| Vitality income | A.1.1 | – | – | – | – | – | 16 | 128 | 2 741 | 2 885 | (267) | 2 618 |
| Net banking fee and commission income | | – | – | – | – | 611 | – | – | (30) | 581 | 150 | 731 |
| – Banking fee and commission income | | – | – | – | – | 1 036 | – | – | – | 1 036 | – | 1 036 |
| – Banking fee and commission expense | | – | – | – | – | (425) | – | – | (30) | (455) | 150 | (305) |
| Net banking interest and similar income | | – | – | – | – | 489 | – | – | – | 489 | – | 489 |
| – Banking interest and similar income using the effective interest rate | | – | – | – | – | 1 105 | – | – | – | 1 105 | – | 1 105 |
| – Banking interest and similar expense using the effective interest rate | | – | – | – | – | (616) | – | – | – | (616) | – | (616) |
| Other income | A.1.1 | 882 | 61 | – | 16 | 21 | 10 | – | 7 161 | 8 151 | (7 215) | 936 |
| **Non-insurance revenue and income** | | 5 626 | 61 | 989 | 16 | 1 121 | 43 | 128 | 11 502 | 19 486 | (7 398) | 12 088 |
| **Net income** | | 5 730 | 2 836 | 1 836 | 483 | 1 111 | 986 | 546 | 11 500 | 25 028 | (6 900) | 18 128 |
| Non-insurance acquisition costs | | – | – | (486) | – | – | – | – | (114) | (600) | – | (600) |
| Expected credit losses | | – | – | – | – | (118) | – | – | – | (118) | – | (118) |
| Marketing and administration expenses | A.1.2 | (3 707) | (224) | (446) | (118) | (1 138) | (387) | (221) | (11 473) | (17 714) | 7 181 | (10 533) |
| Share of net profits from equity-accounted investments | | – | – | – | 36 | – | – | 2 | 386 | 424 | (25) | 399 |
| **Normalised profit/(loss) from operations** | A.2 | 2 023 | 2 612 | 904 | 401 | (145) | 599 | 327 | 299 | 7 020 | 256 | 7 276 |
| Investment income earned on shareholder investments and cash | | 43 | 14 | 5 | – | – | – | – | 120 | 182 | (182) | – |
| Intercompany investment income | | – | – | – | – | – | – | – | 681 | 681 | (681) | – |
| Net fair value gains/(losses) on financial assets at fair value through profit or loss | | – | 41 | 35 | – | – | – | – | 2 | 78 | (78) | – |
| (Loss)/gain from dilution of equity accounted investments | | – | – | – | (26) | – | – | – | – | (26) | – | (26) |
| Amortisation of intangibles from business combinations | | – | – | – | (25) | – | – | – | (29) | (54) | 54 | – |
| Market rentals related to Head Office building adjusted for finance costs and depreciation | | – | – | – | – | – | – | – | (44) | (44) | 44 | – |
| Restructuring costs | | – | – | – | – | – | – | – | (46) | (46) | 46 | – |
| Interest expenses on borrowings and lease liabilities | | (1) | – | – | – | – | (10) | (104) | (839) | (954) | (140) | (1 094) |
| Intercompany finance expenses on borrowings | | (222) | – | – | – | – | – | (225) | (234) | (681) | 681 | – |
| Foreign exchange (losses)/gains | | (2) | 3 | (6) | – | – | – | – | 18 | 13 | – | 13 |
| **Profit/(loss) before income tax** | | 1 841 | 2 670 | 938 | 350 | (145) | 589 | (2) | (72) | 6 169 | – | 6 169 |
| Income tax expense | | (497) | (715) | (401) | (101) | 32 | (147) | (31) | 20 | (1 840) | – | (1 840) |
| **Profit/(loss) for the period** | | 1 344 | 1 955 | 537 | 249 | (113) | 442 | (33) | (52) | 4 329 | – | 4 329 |
| **Profit attributable to:** | | | | | | | | | | | | |
| – Ordinary shareholders | | 1 347 | 1 955 | 537 | 249 | (113) | 442 | (33) | (99) | 4 285 | – | 4 285 |
| – Preference shareholders | | – | – | – | – | – | – | – | 47 | 47 | – | 47 |
| – Non-controlling interest | | (3) | – | – | – | – | – | – | – | (3) | – | (3) |

# A. Notes to the condensed consolidated financial statements *continued*

## A.1 SEGMENT INFORMATION *continued*

| R million | Note(s) | SA Health | SA Life | SA Invest | SA Insure | SA Bank | UK Health | UK Life | All other segments | Segment total | IFRS reporting adjustments | IFRS total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **31 December 2023 Restated** | | | | | | | | | | | | |
| **Income statement** | | | | | | | | | | | | |
| Insurance revenue | | 193 | 8 595 | 1 866 | 2 792 | – | 7 960 | 3 404 | 343 | 25 153 | – | 25 153 |
| – Contracts measured under the General measurement model/Variable fee approach | | – | 6 859 | 1 866 | – | – | – | 3 404 | – | 12 129 | – | 12 129 |
| – Contracts measured under Premium allocation approach | | 193 | 1 736 | – | 2 792 | – | 7 960 | – | 343 | 13 024 | – | 13 024 |
| Insurance service expenses | | (139) | (7 489) | (1 174) | (2 756) | – | (7 197) | (2 914) | (376) | (22 045) | – | (22 045) |
| – Claims and benefits | | (77) | (5 700) | (202) | (1 838) | – | (4 297) | (1 576) | (236) | (13 926) | – | (13 926) |
| – Insurance service expense and other | | (41) | (819) | (525) | (491) | – | (2 051) | (74) | (68) | (4 069) | – | (4 069) |
| – Insurance acquisition cash flows | | (21) | (970) | (447) | (427) | – | (849) | (1 264) | (72) | (4 050) | – | (4 050) |
| **Insurance service result (pre-reinsurance)** | | 54 | 1 106 | 692 | 36 | – | 763 | 490 | (33) | 3 108 | – | 3 108 |
| Net expenses from reinsurance contracts | | – | (410) | – | 19 | – | (5) | (212) | 1 | (607) | – | (607) |
| – Reinsurance expense | | – | (1 800) | – | (249) | – | (5) | (2 675) | (135) | (4 864) | – | (4 864) |
| – Insurance claims recovered from reinsurers | | – | 1 390 | – | 268 | – | – | 2 463 | 136 | 4 257 | – | 4 257 |
| **Insurance service result** | | 54 | 696 | 692 | 55 | – | 758 | 278 | (32) | 2 501 | – | 2 501 |
| Net financial result from insurance finance income and expense | | – | 1 318 | (3 939) | – | – | – | 98 | – | (2 523) | (347) | (2 870) |
| – Net finance income/(expense) from insurance contracts | | – | 1 414 | (3 939) | – | – | – | 162 | – | (2 363) | (347) | (2 710) |
| – Net finance expense from reinsurance contracts | | – | (96) | – | – | – | – | (64) | – | (160) | – | (160) |
| Investment income using the effective interest rate method | | – | 10 | 26 | 103 | – | 83 | 41 | 10 | 273 | 139 | 412 |
| Net fair value (losses)/gains on financial instruments at fair value through profit or loss | | (4) | 520 | 3 911 | 4 | – | 56 | – | 424 | 4 911 | 1 759 | 6 670 |
| Fair value adjustments to liabilities under investment contracts | | – | (1) | (260) | – | – | – | – | (430) | (691) | – | (691) |
| Third-party interest: fair value adjustments to liabilities under investment contracts | | – | – | – | – | – | – | – | – | – | (1 149) | (1 149) |
| Intersegment funding | | – | (121) | 121 | – | – | – | – | – | – | – | – |
| Other gains on financial instruments | | – | – | – | – | 5 | – | – | – | 5 | – | 5 |
| **Net insurance and investment results** | | 50 | 2 422 | 551 | 162 | 5 | 897 | 417 | (28) | 4 476 | 402 | 4 878 |
| Fee income from administration businesses | A.1.1 | 4 452 | – | 812 | 4 | – | 14 | – | 1 621 | 6 903 | – | 6 903 |
| Vitality income | A.1.1 | – | – | – | – | – | 7 | 131 | 2 142 | 2 280 | (145) | 2 135 |
| Net banking fee and commission income | | – | – | – | – | 411 | – | – | 14 | 425 | 156 | 581 |
| – Banking fee and commission income | | – | – | – | – | 809 | – | – | – | 809 | 36 | 845 |
| – Banking fee and commission expense | | – | – | – | – | (398) | – | – | 14 | (384) | 120 | (264) |
| Net banking interest and similar income | | – | – | – | – | 366 | – | – | – | 366 | – | 366 |
| – Banking interest and similar income using the effective interest rate | | – | – | – | – | 869 | – | – | – | 869 | – | 869 |
| – Banking interest and similar expense using the effective interest rate | | – | – | – | – | (503) | – | – | – | (503) | – | (503) |
| Other income | A.1.1 | 549 | 1 | – | 11 | – | 11 | – | 67 | 639 | 140 | 779 |
| **Non-insurance revenue and income** | | 5 001 | 1 | 812 | 15 | 777 | 32 | 131 | 3 844 | 10 613 | 151 | 10 764 |
| **Net income** | | 5 051 | 2 423 | 1 363 | 177 | 782 | 929 | 548 | 3 816 | 15 089 | 553 | 15 642 |
| Non-insurance acquisition costs | | – | – | (402) | – | – | – | – | (54) | (456) | – | (456) |
| Expected credit losses | | – | – | – | – | (93) | – | – | – | (93) | – | (93) |
| Marketing and administration expenses | A.1.2 | (3 177) | (156) | (341) | (176) | (1 028) | (402) | (244) | (3 782) | (9 306) | (321) | (9 627) |
| Share of net profits from equity-accounted investments | | – | – | – | 19 | – | – | – | 283 | 302 | (24) | 278 |
| **Normalised profit/(loss) from operations** | A.2 | 1 874 | 2 267 | 620 | 20 | (339) | 527 | 304 | 263 | 5 536 | 208 | 5 744 |
| Investment income earned on shareholder investments and cash | | 54 | 13 | 6 | – | – | – | – | 66 | 139 | (139) | – |
| Intercompany investment income | | – | – | – | – | – | – | – | 823 | 823 | (823) | – |
| Net fair value gains/(losses) on financial assets at fair value through profit or loss | | – | 29 | 27 | – | – | – | – | – | 56 | (56) | – |
| Amortisation of intangibles from business combinations | | – | – | – | (24) | – | – | – | (28) | (52) | 52 | – |
| Market rentals related to Head Office building adjusted for finance costs and depreciation | | – | – | – | – | – | – | – | (59) | (59) | 59 | – |
| Restructuring costs | | – | – | – | – | – | – | – | (20) | (20) | 20 | – |
| Interest expenses on borrowings and lease liabilities | | (11) | (1) | – | – | – | (8) | (112) | (749) | (881) | (144) | (1 025) |
| Intercompany finance expenses on borrowings | | (201) | – | – | – | – | – | (227) | (395) | (823) | 823 | – |
| Foreign exchange gains/(losses) | | 1 | (4) | (12) | – | – | – | – | (25) | (40) | – | (40) |
| **Profit/(loss) before income tax** | | 1 717 | 2 304 | 641 | (4) | (339) | 519 | (35) | (124) | 4 679 | – | 4 679 |
| Income tax expense | | (470) | (612) | (228) | (1) | 108 | (92) | (5) | (101) | (1 401) | – | (1 401) |
| **Profit/(loss) for the period** | | 1 247 | 1 692 | 413 | (5) | (231) | 427 | (40) | (225) | 3 278 | – | 3 278 |
| **Profit attributable to:** | | | | | | | | | | | | |
| – Ordinary shareholders | | 1 252 | 1 692 | 413 | (5) | (231) | 427 | (40) | (269) | 3 239 | – | 3 239 |
| – Preference shareholders | | – | – | – | – | – | – | – | 44 | 44 | – | 44 |
| – Non-controlling interest | | (5) | – | – | – | – | – | – | – | (5) | – | (5) |

# A. Notes to the condensed consolidated financial statements *continued*

## A.1 SEGMENT INFORMATION *continued*

### A.1.1 Revenues and income with other operating segments

The net income presented within each respective segment includes the following items of revenue and income derived from transactions with other operating segments of the Group:

| R million | SA Health | SA Life | SA Invest | SA Insure | SA Bank | UK Health | UK Life | All other segments | Segment total |
|---|---|---|---|---|---|---|---|---|---|
| **31 December 2024** | | | | | | | | | |
| Fee income from administration businesses | – | – | – | – | – | – | – | 60 | 60 |
| Vitality income | – | – | – | – | – | – | – | 267 | 267 |
| Other income | 116 | 60 | – | 12 | 21 | – | – | 7 006 | 7 215 |
| **Total** | **116** | **60** | **–** | **12** | **21** | **–** | **–** | **7 333** | **7 542** |

### A.1.2 Material items of expenses

Additional information on material items of expenses included within the marketing and administration expenses:

| R million | SA Health | SA Life | SA Invest | SA Insure | SA Bank | UK Health | UK Life | All other segments | Segment total |
|---|---|---|---|---|---|---|---|---|---|
| **31 December 2024** | | | | | | | | | |
| Depreciation and amortisation | (74) | – | (9) | (20) | (191) | – | (28) | (639) | (961) |
| Derecognition of intangible assets and property and equipment | – | – | – | (4) | – | – | – | (21) | (25) |
| Staff costs | (1 440) | (116) | (124) | (40) | (483) | – | – | (3 902) | (6 105) |
| Other expenses[1] | (2 193) | (108) | (313) | (54) | (464) | (387) | (193) | (6 911) | (10 623) |
| **Total: Marketing and administration expenses** | **(3 707)** | **(224)** | **(446)** | **(118)** | **(1 138)** | **(387)** | **(221)** | **(11 473)** | **(17 714)** |
| **31 December 2023** | | | | | | | | | |
| Depreciation and amortisation | (79) | – | (7) | (35) | (175) | (3) | (23) | (634) | (956) |
| Derecognition of intangible assets and property and equipment | – | – | – | (3) | – | – | – | (5) | (8) |
| Staff costs | (1 274) | (52) | (85) | (36) | (467) | – | – | (3 698) | (5 612) |
| Other expenses[1] | (1 824) | (104) | (249) | (102) | (386) | (399) | (221) | 555 | (2 730) |
| **Total: Marketing and administration expenses** | (3 177) | (156) | (341) | (176) | (1 028) | (402) | (244) | (3 782) | (9 306) |

*1 Included in SA Health other expenses are IT systems and consumables of R778 million (2023: R721 million)*

Changes since 1 July 2024: As noted earlier, Discovery changed the presentation of intercompany recoveries, recharges, other income and intercompany revenues. If the information for the six months ended 31 December 2024 was presented on a similar basis to the results for the six months ended 31 December 2023, the 'Total: Marketing and administration expenses' would have been reduced by the value equal to the 'Total' as disclosed in Note A.1.1.

# A. Notes to the condensed consolidated financial statements *continued*

## A.2 NORMALISED PROFIT FROM OPERATIONS

The following table shows the main components of the normalised profit from operations for the six months ended 31 December 2024:

| R million | December 2024 | Restated December 2023 | % Change | June 2024 |
|---|---|---|---|---|
| Discovery Health | **2 023** | 1 874 | 8 | 3 972 |
| Discovery Life | **2 612** | 2 267 | 15 | 4 765 |
| Discovery Invest | **904** | 620 | 46 | 1 522 |
| Discovery Insure – Personal lines | **401** | 20 | >100 | 248 |
| Discovery Bank | **(145)** | (339) | (57) | (454) |
| Other initiatives and central costs* | **(275)** | (87) | >100 | (336) |
| **Normalised profit from Discovery SA** | **5 520** | 4 355 | 27 | 9 717 |
| VitalityHealth | **599** | 527 | 14 | 435 |
| VitalityLife | **327** | 304 | 8 | 375 |
| Closure costs of VitalityInvest* | **–** | (57) | (100) | (75) |
| Vitality Health International – Ping An Health Insurance* | **424** | 344 | 23 | 1 124 |
| Vitality Health International – Other* | **(149)** | (173) | (14) | (386) |
| Vitality Network* | **339** | 296 | 15 | 533 |
| Other initiatives and central costs* | **(40)** | (60) | (33) | (119) |
| **Normalised profit from Vitality** | **1 500** | 1 181 | 27 | 1 887 |
| **Normalised profit from operations** | **7 020** | 5 536 | 27 | 11 604 |

* *Presented in 'All other segments' on the Segment information disclosure note in section 1.1.*

## A.3 EARNINGS, HEADLINE EARNINGS AND NORMALISED HEADLINE EARNINGS

| R million | December 2024 | Restated[1] December 2023 | June 2024 |
|---|---|---|---|
| **Number of shares used in calculation** | | | |
| Weighted number of shares in issue ('000) | **663 795** | 660 270 | 661 071 |
| Diluted weighted number of shares ('000) | **667 131** | 663 670 | 665 016 |
| **Earnings per share (cents):** | | | |
| – basic | **637.1** | 483.3 | 1 082.7 |
| – diluted | **633.9** | 480.8 | 1 076.3 |
| **Headline earnings per share (cents):** | | | |
| – basic | **642.9** | 484.1 | 1 089.4 |
| – diluted | **639.7** | 481.7 | 1 083.0 |
| **Normalised headline earnings per share (cents):** | | | |
| – basic | **655.4** | 493.1 | 1 108.6 |
| – diluted | **652.1** | 490.6 | 1 102.1 |
| **Weighted average number of ordinary shares** | | | |
| Issued ordinary shares at 1 July | **661 021** | 658 424 | 658 424 |
| Effect of share options exercised and vesting of share awards | **2 774** | 1 846 | 2 647 |
| **Weighted average number of ordinary shares (basic)** | **663 795** | 660 270 | 661 071 |
| Effect of share options exercised and vesting of share awards | **3 336** | 3 400 | 3 945 |
| **Weighted average number of ordinary shares (diluted)** | **667 131** | 663 670 | 665 016 |
| **EARNINGS RECONCILIATION** | | | |
| Profit attributable to the ordinary shareholders | **4 285** | 3 239 | 7 283 |
| Adjusted for: | | | |
| – Profit attributable to non-forfeitable dividend share plan | **(56)** | (49) | (125) |
| **Basic earnings attributable to the ordinary shareholders (basic and diluted)** | **4 229** | 3 190 | 7 158 |

1 *The comparative information for 31 December 2023 has been restated for the correction of prior period errors in line with and as disclosed in the annual financial statements for the year ended 30 June 2024. Refer to D.1.1 for more details.*

## A.3 EARNINGS, HEADLINE EARNINGS AND NORMALISED HEADLINE EARNINGS *continued*

### 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.

| | December 2024 | | | Restated December 2023 | | | June 2024 | | |
|---|---|---|---|---|---|---|---|---|---|
| R million | Gross | Tax | Net | Gross | Tax | Net | Gross | Tax | Net |
| **Basic earnings attributable to the ordinary shareholders** | | | **4 229** | | | 3 190 | | | 7 158 |
| *Adjusted for:* | | | | | | | | | |
| **IAS 38:** Impairment of intangibles | – | – | – | – | – | – | 8 | (2) | 6 |
| **IAS 16:** (Gain)/loss on disposal of property and equipment | **(1)** | – | **(1)** | – | – | – | (1) | – | (1) |
| **IAS 16:** Loss on derecognition of property and equipment | **4** | **(1)** | **3** | 3 | (1) | 2 | 10 | (3) | 7 |
| **IAS 36:** Impairment of property and equipment | – | – | – | – | – | – | 14 | – | 14 |
| **IAS 38:** Loss on derecognition of intangible assets | **21** | **(5)** | **16** | 5 | (1) | 4 | 45 | (10) | 35 |
| **IAS 28:** Loss/(gain) on the dilution and disposal of equity-accounted investments | **26** | **(6)** | **20** | – | – | – | (22) | 5 | (17) |
| **Headline earnings (basic and diluted)** | | | **4 267** | | | 3 196 | | | 7 202 |

### NORMALISED HEADLINE EARNINGS RECONCILIATION

Normalised headline earnings is calculated per Discovery's policy as set out in the Accounting Policies in note E.2. Management considers that normalised headline earnings is an appropriate alternative performance measure to enhance the comparability and understanding of the financial performance of the Group.

| | December 2024 | | | Restated December 2023 | | | June 2024 | | |
|---|---|---|---|---|---|---|---|---|---|
| R million | Gross | Tax | Net | Gross | Tax | Net | Gross | Tax | Net |
| **Headline earnings** | | | **4 267** | | | 3 196 | | | 7 202 |
| *Adjusted for:* | | | | | | | | | |
| – Amortisation of intangible assets arising from business combinations | **29** | **(7)** | **22** | 28 | (7) | 21 | 56 | (15) | 41 |
| – Restructuring costs | **46** | **(10)** | **36** | 20 | (5) | 15 | 48 | (11) | 37 |
| *Adjustments attributable to equity-accounted investments:* | | | | | | | | | |
| – Amortisation of intangible assets arising from business combinations | **25** | **–** | **25** | 24 | – | 24 | 49 | – | 49 |
| **Normalised headline earnings (basic and diluted)** | | | **4 350** | | | 3 256 | | | 7 329 |

# A. Notes to the condensed consolidated financial statements *continued*

## A.4 REVENUE FROM NON-INSURANCE ACTIVITIES

Discovery Group's Revenue includes 'Fee income from administration businesses', 'Vitality income' and 'Banking fee and commission income'.

The split of revenue per geographical region and reportable segment can be viewed in Note A.1 Segment information.

The split of revenue according to the timing of satisfaction of performance obligations, i.e. 'over time' or a 'point-in-time' is as follows:

| R million | December 2024 | December 2023 | June 2024 |
|---|---|---|---|
| Fee income from administration businesses | **7 314** | 6 903 | 14 093 |
| – Over time | **7 314** | 6 886 | 14 070 |
| – Point-in-time | – | 17 | 23 |
| Vitality income | **2 618** | 2 135 | 4 655 |
| – Over time | **1 756** | 1 362 | 3 178 |
| – Point-in-time | **862** | 773 | 1 477 |
| Banking fee and commission income | **1 036** | 845 | 1 872 |
| – Over time | **361** | 471 | 836 |
| – Point-in-time | **675** | 374 | 1 036 |

## A.5 BORROWINGS AT AMORTISED COST

| R million | Reference | December 2024 | June 2024 |
|---|---|---|---|
| Borrowing from banks and listed debt | | **17 081** | 17 511 |
| – UK borrowings | A.5.1. | **3 615** | 3 549 |
| – South African borrowings | A.5.2. | **13 466** | 13 962 |
| Bank overdraft in underlying liabilities of consolidated Unit Trusts | | **–** | 6 |
| Lease liabilities | | **4 073** | 4 145 |
| – 1 Discovery Place (1 DP) | | **3 194** | 3 246 |
| – Other lease liabilities | | **879** | 899 |
| **Total borrowings at amortised cost** | | **21 154** | 21 662 |

### A.5.1 UK borrowings facilities

| Facility amount GBP million | Variable rate | Capital repayment and maturity date | Carrying value million December 2024 GBP | December 2024 R | June 2024 GBP | June 2024 R |
|---|---|---|---|---|---|---|
| 25 | SONIA + 275bps[1] | At maturity – 23 December 2025 | **25** | **590** | 25 | 589 |
| 75 | SONIA + 300bps[1] | At maturity – 21 December 2025 | **75** | **1 773** | 74 | 1 714 |
| 55 | SONIA + 285bps[1] | At maturity – 12 December 2025 | **53** | **1 252** | 54 | 1 246 |
| | | | **153** | **3 615** | 153 | 3 549 |

1 *Interest payable quarterly in arrears.*

Total finance costs in respect of the UK borrowings for the period ended 31 December 2024 was £4.2 million (R98 million) (2023: £6.5 million (R153 million)).

# A.5 BORROWINGS AT AMORTISED COST *continued*

## A.5.2 South African borrowings

### CREDIT RATING

In November 2024 Moody's Investors Service ("Moody's") reaffirmed Discovery Limited's global-scale long-term issuer rating of Ba3 and upgraded the national-scale long-term issuer rating to Aa3.za from A1.za. The outlook remained unchanged as stable, aligned to the outlook of the country.

DISCOVERY LIMITED

| Facility amount R million | Variable rate | Interest per annum | Capital repayment and maturity date | Carrying value R million December 2024 | Carrying value R million June 2024 |
|---|---|---|---|---|---|
| Listed DMTN[1] | | | | | |
| 200 | – | 10.46%[2] | At maturity – 21 November 2024 | – | 202 |
| 800 | 3-month JIBAR + 191bps | 8.40%[3,4] | At maturity – 21 November 2024 | – | 809 |
| 1 200 | 3-month JIBAR + 191bps | 7.30%[3,4] | At maturity – 21 November 2024 | – | 1 215 |
| 700 | 3-month JIBAR + 180bps | 8.49%[3,4] | At maturity – 21 August 2026 | **707** | 707 |
| 300 | 3-month JIBAR + 180bps | 7.60%[3,4] | At maturity – 21 August 2026 | **303** | 304 |
| 792 | 3-month JIBAR + 173bps | 7.98%[3,4] | At maturity – 21 May 2027 | **800** | 800 |
| 226 | 3-month JIBAR + 180bps | 7.98%[3,4] | At maturity – 21 May 2029 | **228** | 228 |
| 576 | 3-month JIBAR + 140bps | 7.50%[3,4] | At maturity – 21 November 2027 | **581** | 582 |
| 924 | 3-month JIBAR + 159bps | 8.17%[3,4] | At maturity – 21 November 2029 | **933** | 935 |
| 1 000[5] | 3-month JIBAR + 159bps | 7.48%[3,4] | At maturity – 21 November 2029 | **1 014** | – |
| 750[6] | 3-month JIBAR + 140bps | 7.19%[3,4] | At maturity – 21 November 2027 | **760** | – |
| Unlisted DMTN[7] | | | | | |
| 2 500[8] | – | 9.62%[4] | At maturity – 22 February 2025 | **2 526** | 2 525 |
| 1 650 | – | 9.55%[4] | At maturity – 10 March 2026 | **1 659** | 1 659 |
| Other | | | | | |
| 1 000 | 3-month JIBAR + 190bps | 8.38%[3,4] | At maturity – 2 March 2028 | **1 000** | 999 |
| 500 | 3-month JIBAR + 190bps | 7.51%[3,4] | At maturity – 2 March 2028 | **500** | 499 |
| **Total Discovery Limited borrowings** | | | | **11 011** | 11 464 |

*1 DMTN refers to the Discovery Domestic Medium Term Note (DMTN) programme registered in 2017. As previously announced on SENS, with effect from 12 November 2024, Discovery increased the programme size from R10 billion to R12.5 billion to primarily facilitate issuances of Notes in advance of refinancing maturing debt.*
*2 Interest is payable semi-annually in arrears.*
*3 The interest rate has been fixed through interest rate swaps.*
*4 Interest payable quarterly in arrears.*
*5 On 21 November 2024, an additional R1 billion was issued. Refer to B.5 Domestic Medium Term Notes. During the current period, the interest rate on the total nominal value of the Notes has been fixed through interest rate swaps.*
*6 On 21 November 2024, an additional R750 million was issued. Refer to B.5 Domestic Medium Term Notes. During the current period, the interest rate on the total nominal value of the Notes has been fixed through interest rate swaps.*
*7 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.*
*8 On 21 February 2025, subsequent to the interim period, R1.1 billion matured and was settled using the excess proceeds from DMTN issuances earlier in the financial year. The remaining R1.4 billion maturity has been extended to 21 May 2025 on the same terms.*

DISCOVERY CENTRAL SERVICES

| Facility amount R million | Interest rate per annum | Capital repayment and maturity date | Carrying value R million December 2024 | Carrying value R million June 2024 |
|---|---|---|---|---|
| 1 400 | 9.97%[1] | At maturity – 20 December 2028 | **1 408** | 1 407 |
| 650 | 11.56%[2] | At maturity – 29 October 2027 | **352** | 396 |
| 691 | 3-month JIBAR + 190bps[1,3] | At maturity – 30 June 2027 | **695** | 695 |
| 1 500 | 3-month JIBAR + 145bps[1] | At maturity – 30 June 2026[4] | – | – |
| 500 | Prime rate less 145bps[5] | At maturity – 364-day notice | – | – |
| **Total Discovery Central Services borrowings** | | | **2 455** | 2 498 |

*1 Interest payable quarterly in arrears.*
*2 Instalments of interest and capital are monthly.*
*3 The interest rate exposure has been capped at 7.98% through a derivative instrument.*
*4 During the current period, the maturity date of this Revolving Credit Facility has been extended to 30 June 2026. This facility was not drawn down.*
*5 The Revolving Credit Facility is a committed 364-day notice facility granted in November 2023. A commitment fee of 0.60% per annum is paid monthly in arrears on the undrawn portion. This facility was reduced from R750 million to R500 million during the period and was not drawn down.*

Total finance costs in respect of South African borrowings and related hedges for the period ended 31 December 2024 was R679 million (2023: R640 million).

# A. Notes to the condensed consolidated financial statements *continued*

## A.6 FAIR VALUE HIERARCHY

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 that 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 the instruments' valuation) cannot be based on observable market data.

| R million | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **31 December 2024** | | | | |
| **Financial assets** | | | | |
| Financial instruments mandatorily at fair value through profit or loss: | | | | |
| – Equity portfolios | 66 112 | 9 989 | – | 76 101 |
| – Debt portfolios | 52 099 | 2 316 | – | 54 415 |
| – Money market portfolios | – | 13 485 | – | 13 485 |
| – Multi-asset portfolios | – | 36 731 | – | 36 731 |
| Financial instruments at fair value through other comprehensive income: | | | | |
| – Equity portfolios | – | – | 16 | 16 |
| Derivative financial instruments at fair value: | | | | |
| – Used as cash flow hedges | – | 16 | – | 16 |
| – Not designated as hedging instruments | – | 72 | – | 72 |
| **Total financial assets** | **118 211** | **62 609** | **16** | **180 836** |
| **Non-financial assets** | | | | |
| Non-current asset held for sale[1] | – | – | 140 | 140 |
| **Total financial assets** | **–** | **–** | **140** | **140** |
| **Financial liabilities** | | | | |
| Third-party interest in consolidated funds | – | 33 831 | – | 33 831 |
| Investment contracts at fair value through profit or loss | – | 28 951 | – | 28 951 |
| Derivative financial instruments at fair value: | | | | |
| – Used as cash flow hedges | – | 66 | – | 66 |
| – Not designated as hedging instruments | – | 4 | – | 4 |
| **Total financial liabilities** | **–** | **62 852** | **–** | **62 852** |

1 *The fair value was determined from an agreed sales price between unrelated parties.*

There were no transfers between hierarchy levels during the current financial period.

## A.6 FAIR VALUE HIERARCHY *continued*

| R million | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **30 June 2024** | | | | |
| **Financial assets** | | | | |
| Financial instruments mandatorily at fair value through profit or loss: | | | | |
| – Equity portfolios | 52 145 | 8 089 | 16 | 60 250 |
| – Debt portfolios | 45 473 | 1 626 | – | 47 099 |
| – Money market portfolios | – | 15 786 | – | 15 786 |
| – Multi-asset portfolios | – | 42 536 | – | 42 536 |
| Derivative financial instruments at fair value: | | | | |
| – Used as cash flow hedges | – | 14 | – | 14 |
| – Not designated as hedging instruments | – | 29 | – | 29 |
| **Total financial assets** | 97 618 | 68 080 | 16 | 165 714 |
| **Non-financial assets** | | | | |
| Non-current asset held for sale[1] | – | – | 136 | 136 |
| **Total financial assets** | – | – | 136 | 136 |
| **Financial liabilities** | | | | |
| Third-party interest in consolidated funds | – | 31 456 | – | 31 456 |
| Investment contracts at fair value through profit or loss | – | 25 710 | – | 25 710 |
| Derivative financial instruments at fair value: | | | | |
| – Used as cash flow hedges | – | 24 | – | 24 |
| – Not designated as hedging instruments | – | 7 | – | 7 |
| **Total financial liabilities** | – | 57 197 | – | 57 197 |

1 *The fair value was determined from an agreed sales price between unrelated parties.*

# A. Notes to the condensed consolidated financial statements *continued*

## A.6 FAIR VALUE HIERARCHY *continued*

### Specific valuation techniques used to value financial instruments in level 2 and level 3

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.

Valuation techniques used in determining the fair value of assets and liabilities:

| Instruments | Valuation technique | Main inputs and assumptions for level 2 and level 3 fair value hierarchy items |
|---|---|---|
| **Within equity portfolios, Equity-linked notes** | The calculation of the daily value of the equity-linked investments is made by the provider of the note. Discovery has procedures in place to ensure that these prices are correct. Aside from the daily reasonableness checks versus similar funds and movement since the prior day's price, the fund values are calculated with reference to a specific formula or index, disclosed to the policyholders, which is recalculated by Discovery in order to check if the price provided by the provider is correct. | – discount rate<br>– spot price of the underlying |
| **Debt portfolios and Money market instruments** | Money market instruments are valued by discounting the future cash flows using a risk-adjusted discount rate. | – discount rate, credit spread |
| **Multi-assets** | The fair values of financial liabilities arising on the consolidation of mutual funds are determined using the quoted put (exit) price provided by the fund manager and discounted for the applicable notice period. The fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. | – discount rate |
| **Investment contracts at fair value, including third-party interest in consolidated funds** | Unit-linked policies: assets that are linked to the investment contract liabilities are accounted for by the Group. The investment contract obliges the Group to use these assets to settle these liabilities. Therefore, the fair value of third-party interest in consolidated funds and investment contract liabilities is determined with reference to the fair value of the underlying assets (i.e., amount payable on surrender of the policies).<br>Annuity: certain discounted cash flow models are used to determine the fair value of the stream of future payments. | – discount rate<br>– spot price of the underlying |
| **Derivatives** | Standard derivative contracts are valued using market-accepted models and quoted parameter inputs. More complex derivative contracts are modelled using more sophisticated modelling techniques applicable to the instrument. Techniques include:<br>▪ Discounted cash flow model<br>▪ Black-Scholes model<br>▪ Combination technique models | – discount rate<br>– spot price of the underlying<br>– correlation factors<br>– volatilities<br>– earnings yield<br>– valuation multiples |
| **Unlisted equity instruments at fair value** | For unlisted equity instruments, a discounted cash flow methodology is used. The discounted cash flow methodology values an asset by determining the present value of its expected future net cash flows. This valuation considers both historic experience and future projected budgets. The valuation is stress tested by considering earnings multiples, e.g., price-earnings multiple (P/E ratio). | – discount rate<br>– growth rate<br>– projected earnings<br>– valuation multiples, e.g., P/E ratio |

SECTION B

# Other significant items in these results

# B. Other significant items in these results

## B.1 EXCHANGE RATES TO THE SOUTH AFRICAN RAND USED IN THE PREPARATION OF THESE RESULTS

| | Closing rates | | | Average rates | | |
|---|---|---|---|---|---|---|
| Exchange rate to SA rand | **December 2024** | December 2023 | June 2024 | **December 2024** | December 2023 | June 2024 |
| US dollar | **18.86** | 18.54 | 18.26 | **17.92** | 18.71 | 18.71 |
| Pound sterling | **23.61** | 23.57 | 23.07 | **23.14** | 23.43 | 23.55 |
| Chinese Yuan | **2.53** | 2.61 | 2.51 | **2.50** | 2.58 | 2.59 |

## B.2 CAPITAL MANAGEMENT, FINANCIAL LEVERAGE RATIO AND COVENANTS

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

- To comply with the statutory capital and liquidity requirements in each of its regulated entities;
- To maintain a capital and liquidity buffer in excess of the statutory requirements in order to reduce the risk of breaching the statutory requirements;
- 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 ultimately overseen by the Board.

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

### Regulatory 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.

Discovery Life and Discovery Insure are regulated under the Insurance Act 18 of 2017 (Insurance Act), and the related Prudential Standards, while VitalityHealth and VitalityLife are regulated under the European Solvency II regulatory regime.

The table below summarises the capital requirements of insurance companies on a statutory basis, across the Group subsidiaries, and the actual solvency capital held in relation to these requirements as at the end of the reporting period.

| | **31 December 2024** | | 31 December 2023 | | June 2024 | |
|---|---|---|---|---|---|---|
| | **Statutory capital requirements** | **Cover** | Statutory capital requirements | Cover | Statutory capital requirements | Cover |
| Discovery Life | **R24 228 million** | **1.8 times** | R22 173 million | 1.8 times | R22 365 million | 1.8 times |
| Discovery Insure | **R1 141 million** | **2.0 times** | R1 191 million | 1.5 times | R1 222 million | 1.6 times |
| VitalityHealth | **£118.9 million<br>R2 807 million** | **1.7 times** | £135.5 million<br>R3 194 million | 1.4 times | £116 million<br>R2 670 million | 1.6 times |
| VitalityLife | **£368.8 million<br>R8 709 million** | **2.0 times** | £303.4 million<br>R7 150 million | 2.3 times | £350 million<br>R8 070 million | 2.0 times |

Discovery Bank's common equity tier 1 (CET1) ratio is 16.67% (30 June 2024: 17.63%, 31 December 2023: 17.07%). In addition to the minimum regulatory requirement, the Bank holds an internal management buffer to cater for future unexpected growth and volatility in risk-weighted exposures, as well as an estimation risk buffer.

# B.2 CAPITAL MANAGEMENT, FINANCIAL LEVERAGE RATIO AND COVENANTS *continued*

## Financial leverage ratio

As part of the capital management process, the Group monitors its capital structure by utilising various measures, one of which is the Financial Leverage Ratio (FLR). This ratio is calculated as total debt[1] divided by total debt plus total equity. The Group's strategy is to maintain a prudent FLR of 28.0% per the Group Risk Appetite statement. However, the 28.0% measure 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 position as at the end of the reporting period. With the adoption of IFRS 17, a significant amount of equity has been reallocated to contractual service margin (CSM) and risk adjustment. In line with developing market practice, this CSM balance, which is available for release to profit in future years or to absorb any adverse changes, is taken into account in the calculation of the FLR. The current limit of 28% remains conservative.

| R million | December 2024 | June 2024 |
|---|---|---|
| **Total debt[1]** | **17 081** | 17 517 |
| **Total equity** | **64 644** | 57 719 |
| **Total Contractual Service Margin (CSM)[2]** | **25 485** | 25 070 |
| **Financial leverage ratio % (50% CSM factored in)** | **18.1%** | 20.0% |

1 *Excluding all lease liabilities under IFRS 16 Leases of R4 073 million (30 June 2024: R4 145 million).*
2 *CSM is net of reinsurance and net of tax.*

The FLR at 31 December 2024 is within Discovery's risk appetite.

## Debt covenants

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

| Debt covenant | Minimum requirement | December 2024 | June 2024 |
|---|---|---|---|
| Group debt[1] to EBITDA Ratio[2] | Less than 2.5 times | **1.3 times** | 1.4 times |
| Group financial indebtedness to embedded value – Group financial indebtedness is as per Group debt in the calculation above | Less than 30% of Group Embedded value | **15.0%** | 16.7% |
| Discovery Life Statutory Capital Requirement (SCR) | SCR cover must be more than 1.1 times | **1.8 times** | 1.8 times |
| Group embedded value | Greater than R30 billion | **R119 616 million** | R110 354 million |
| New business embedded value must not be negative | Positive value of new business for 3 consecutive 6-month periods | **December 2024: R953 million June 2024: R1 148 million December 2023: R684 million** | June 2024: R1 148 million December 2023: R684 million June 2023: R500 million |

1 *Group debt is contractually defined and means the aggregate consolidated financial indebtedness of the Group and excludes items such as the 1 Discovery Place (Discovery head office building in Sandton, South Africa) lease and includes guarantees issued to third parties.*
2 *EBITDA is contractually defined and specifically includes items such as dividends from associates, rental paid on 1 Discovery Place and excludes items deemed extraordinary and specified Financial Reinsurance (FinRe) arrangements.*

# B. Other significant items in these results *continued*

## B.3 IMPACT OF ACTUARIAL BASIS CHANGES WITHIN THE SA LIFE AND UK LIFE OPERATING SEGMENTS

The actuarial bases of Discovery Life and VitalityLife are actively maintained to ensure that the most up to date view of best estimate expectations of the future are accurately reflected.

Financial risk assumptions are updated based on the current market prices as at the reporting date. Following the adoption of IFRS 17, and given the election allowed for in the standard, the impact of changes to these assumptions is now accounted through Other Comprehensive Income (OCI). Increases in discount rates have no impact on the CSM and do not directly impact the Group income statement given the election of OCI.

Non-economic assumptions and estimates may also be revised in accordance with developing experience and expectations of future developments. Such basis changes are typically based on longer term observations of underlying trends and experience.

Limited non-economic basis and methodology updates were made during the six months to 31 December 2024, with financial risk assumptions being updated to reflect the latest market rates.

### Discovery Life

Updates to assumptions that relate to financial risk, in particular, lower nominal and real yields at 31 December 2024, resulted in an improvement in the present value of expected fulfilment cash flows (EFCF), particularly for the Individual Life business. This contributed materially to the gain reflected in OCI for the period.

A material component of SA Life segment earnings relates to the interest, accreted at a systematic rate, on EFCF, which is reflected in insurance finance income or expense (IFIE). Changes in the assumptions that relate to financial indicators at 30 June 2024 did not materially impact the present value of EFCF but resulted in a decline in long-term projected inflation with a consequent decline in systematic rates relative to those used in the 2024 financial year. As a result of these lower systematic rates, IFIE reduced by approximately R200 million for the period to 31 December 2024. This reduction was offset by favourable claims experience for the six months to 31 December 2024, resulting in strong overall earnings growth for the business.

### VitalityLife

VitalityLife's underlying performance was robust with new business value generation continuing from the second half of the previous financial year.

The reserves are measured using the UK swap curve, with impacts arising from changes in the swap curve being reflected in OCI. In the period, the UK swap curve increased across most durations. This resulted in a net favourable impact of £0.5 million (R12 million) reflected in OCI for the year.

Higher than expected inflation in the UK resulted in the level of policyholder premiums increasing by more than expected where policies have an indexation feature. While the customers' future benefits also increase in value, there is an overall positive impact on future profitability with £6.4 million (R151 million) reflected in OCI for the year.

## B.4 ACQUISITION OF WELLSPARK

In November 2024, The Vitality Group acquired 100% of the shares in WellSpark Health Inc. ('WellSpark'), a United States-based company specialising in customised wellbeing, coaching, and disease prevention services. This acquisition enables The Vitality Group to leverage WellSpark's specialised wellness product suite and established customer base. Combined with The Vitality Group's existing health and wellness offerings, this will enhance its market share. The acquisition of WellSpark satisfies the criteria for a business combination as defined by IFRS 3 *Business Combinations*.

The table below summarises the recognised fair values of the assets acquired, and liabilities assumed at the acquisition date, the purchase consideration, and the resulting goodwill:

| **Group**<br>R million | **Amounts** |
|---|---|
| Recognised assets, comprising of cash, cash equivalents, prepayments and accounts receivable | **7** |
| Recognised liabilities, comprising of taxes payable and accrued expenses | **(*)** |
| New identified asset acquired: Intangible asset, Customer relationships | **291** |
| **Total identifiable net assets acquired**[1] | **298** |
| **Consideration transferred, comprising of cash transferred** | **304** |
| **Goodwill**[1] | **6** |

* *Amount less than R500 000.*

1 *The amounts have been provisionally measured, pending further details about the facts and circumstances at the acquisition date. If new information within one year of the acquisition date leads to adjustments or identifies additional provisions, the acquisition accounting will be updated.*

The goodwill recognised is attributable to the synergies expected from integrating WellSpark into the Group's existing operations.

For the period ended 31 December 2024, WellSpark contributed revenue of USD 1.4 million (ZAR 25.9 million) and a profit of USD 0.5 million (ZAR 8.9 million) to the Group's results. Acquisition-related costs incurred in connection with the transaction have been expensed and are included in the marketing and administration expenses line item.

## B.5 DOMESTIC MEDIUM TERM NOTES

Discovery had R2.2 billion  in Domestic Medium Term Notes ("notes") maturing in November 2024. As a risk mitigation measure, it raised R1.5 billion notes in May 2024 and to complete the refinancing of the maturing November 2024 notes and avail itself of continued favourable debt markets, the Company raised a further R1.75 billion in November 2024. In summary, Discovery issued R3.25 billion notes in total through the May 2024 and November 2024 issuances respectively, and settled maturing notes of R2.2 billion in November 2024. To facilitate the timing of the respective issuances, in advance of settling the maturing notes, Discovery also increased its notes programme size to R12.5 billion from R10 billion on the same terms and conditions. At 31 December 2024, Discovery had excess proceeds from the notes transactions outlined herein of R1.05 billion, which have subsequently been applied towards maturing debt in February 2025.

## B.6 CASH AND CASH EQUIVALENTS

Discovery's cash flows from operating activities were R3 546 million (December 2023: R221 million outflow) driven by improved organic cash generation, lower spend on new initiatives.

The cash generated from operating activities has been offset by the following significant movements when compared to the prior period:

- The acquisition of WellSpark in November 2024 (see B.4) of R304 million, presented in cash outflows from investing activities.
- Increased dividends paid to preference shareholders and ordinary shareholders of R1 073 million (December 2023: R783 million), presented in cash outflows from financing activities
- Net repayment of borrowings of R865 million (December 2023: R367 million).

The net impact of the above is an increase in cash and cash equivalents of R304 million (December 2023: decrease of R2 592 million).

The Group statement of cash flows includes cashflows relating to policyholders as well as those arising from the consolidated Discovery Unit Trusts and therefore to assist in the understanding of cash flows not distorted by policyholder flows, a Group shareholder free cash movement has been included in additional analyst information published on Discovery's website.

### Shareholder cash and cash equivalents

| R million | Shareholder | Unit-linked investment and insurance contracts[1] | Total |
|---|---|---|---|
| Cash and cash equivalents at beginning of the period | **14 154** | 4 805 | 18 965 |
| Effects of exchange rate changes on cash and cash equivalents | **90** | – | 90 |
| Increase in cash and cash equivalents | **173** | 137 | 304 |
| **Cash and cash equivalents at end of the period** | **14 417** | 4 942 | 19 359 |

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

Included in shareholder cash, is the cash held in the Group's insurance entities which is used to fund new business and match claims and other policyholder-related liabilities. This cash, together with the cash balances held by Discovery Bank of R5.7 billion (June 2024: R4.8 billion), although unencumbered, is held for specific purposes and therefore not considered available for distribution. The increase in cash and cash equivalents from these entities reflects in the Cash flow from operating activities in the Group statement of cash flows.

Cash available to support Group liquidity requirements, excluding the excess proceeds of R1.05 billion from the Notes transactions outlined in B.5 Domestic Medium Term Notes, is R1.6 billion (June 2024: R2.1 billion).  The Group also has an undrawn revolving credit facility of R500 million at 31 December 2024.

## B.7 CONSOLIDATION OF DISCOVERY UNIT TRUSTS

Unit trusts that the Group controls in terms of IFRS 10 *Consolidated Financial Statements* 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.

As these policies are linked, the consolidation of the Discovery Unit Trusts has no impact on the net asset value for shareholders. Assets and liabilities of these Discovery Unit Trusts however increased by R1 997 million, compared to the prior financial year ended 30 June 2024, with movements in the following line items on the Group's statement of financial position:

| R million | December 2024 | June 2024 | Movements |
|---|---|---|---|
| Investments at fair value through profit or loss | **30 529** | 28 192 | 2 337 |
| Contract receivables and other receivables | **386** | 1 184 | (798) |
| Cash and cash equivalents | **3 194** | 2 735 | 459 |
| Other assets | **–** | 1 | (1) |
| **Total change in assets** | **34 109** | 32 112 | 1 997 |
| Third-party interest in consolidated funds | **33 831** | 31 456 | 2 375 |
| Borrowings at amortised costs (bank overdraft) | **–** | 6 | (6) |
| Other payables and provisions | **274** | 693 | (419) |
| Liabilities arising from insurance contracts issued | **–** | (47) | (47) |
| Other liabilities | **4** | 4 | – |
| **Total change in liabilities** | **34 109** | 32 112 | 1 997 |

# B. Other significant items in these results *continued*

## B.7 CONSOLIDATION OF DISCOVERY UNIT TRUSTS *continued*

There are significant trade volumes in the underlying funds of Discovery Unit Trusts. The net cash outflow of the movement in policyholder investments for the period is R393 million and has been included in the 'Increase in operating assets' line item on the Group's statement of cash flows.

## B.8 MATERIAL TRANSACTIONS WITH RELATED PARTIES

### Discovery Long-term Incentive Plan Trust

At the Annual General Meeting (AGM) 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 the period ended 31 December 2024, 3 306 749 (31 December 2023: 3 227 675) new shares were issued by Discovery Limited to the Trust at a value of R626 million (31 December 2023: R432 million). In addition, during the period ended 31 December 2024, shares of 5 503 735 vested with participants. In terms of IFRS Accounting Standards, while held in the Trust, these shares are treated as treasury shares and not treated as issued for accounting purposes.

## B.9 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 for all services totalled R4 063 million for the six-month period ended 31 December 2024 (31 December 2023: R3 857 million). Discovery offers the members of DHMS access to the Vitality programme.

## B.10 CHANGES IN DIRECTORATE

Changes to the Board of Discovery Limited from 1 July 2024 to the date of this announcement are as follows:

- Mr Tito Titus Mboweni, an independent non-executive of Discovery, passed away on 12 October 2024.

The late Mr Mboweni was a member of the Nominations, Remuneration and the Risk and Compliance Committees respectively.

These committees remain quorate.

## B.11 EVENTS AFTER REPORTING DATE

The following non-adjusting events occurred between the end of the reporting period and the date when the financial results were authorised for issue.

### B.11.1 Dividend declaration in respect of the six months ended 31 December 2024

**B PREFERENCE SHARE CASH DIVIDEND DECLARATION**

On Thursday, 20 February 2025, the Board of Directors declared an interim gross cash dividend of 582.67123 cents (466.13699 cents net of dividend withholding tax) per B preference share for the period 1 July 2024 to 31 December 2024, payable from the income reserves of the company.

A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

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

The salient dates for the dividend will be as follows:

| | |
|---|---|
| Last day of trade to receive a dividend | Monday, 11 March 2025 |
| Shares commence trading "ex" dividend | Wednesday, 12 March 2025 |
| Record date | Friday, 14 March 2025 |
| Payment date | Monday, 17 March 2025 |

B preference share certificates may not be dematerialised or rematerialised between Wednesday, 12 March 2025 and Friday, 14 March 2025, both days inclusive.

**ORDINARY SHARE CASH DIVIDEND DECLARATION**

On Monday, 3 March 2025 the Board of Directors declared an interim gross cash dividend of 87.00000 cents (69.60000 cents) net of dividend withholding tax) per ordinary share, out of the income reserves of the company. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

The number of ordinary shares in issue at the date of declaration is 679 680 841.

The salient dates for the dividend will be as follows:

| | |
|---|---|
| Last day of trade to receive a dividend | Tuesday, 25 March 2025 |
| Shares commence trading "ex" dividend | Wednesday, 26 March 2025 |
| Record date | Friday, 28 March 2025 |
| Payment date | Monday, 31 March 2025 |

Ordinary share certificates may not be dematerialised or rematerialised between Wednesday, 26 March 2025 and Friday, 28 March 2025, both days inclusive.

SECTION C

# Insurance and reinsurance contracts related disclosure

# C. Insurance and reinsurance contracts related disclosure

## C.1.1 INSURANCE AND REINSURANCE CONTRACTS DISCLOSURES AND RECONCILIATIONS

The following disclosures enable the user to assess the effect of insurance contracts issued and reinsurance contracts held on Discovery's financial position, financial performance and cash flows.

IFRS 17 requires that in determining the level at which an aggregated group of insurance contracts can provide useful information to the user, Discovery considers:

- The type of contract that would consider the nature of the product and the measurement model.
- The geographical areas may expose the entity to different sets of risks, even for similar products.
- Reportable segments.

Having applied the guidance, Discovery has aggregated its portfolios for the disclosures as set out below.

Discovery

**SA Life and Invest (Risk) | GMM**
*(Life: Individual Life, Dollar LifePlan, Health Protection Plans, Standalone Global Educator; Invest: Guaranteed endowments)*

**SA Life and Invest (Participating) | VFA**
*(Unit-linked invest products, Discovery Retirement Optimiser)*

**SA Life and Invest: Group Life and other | PAA**
*(Group Risk, Funeral and other, including Discovery Card Protector, Standalone Cancer Protector and LifeDrive)*

**SA Insure and other | PAA**
*(Personal and Commercial lines, Gap and Trauma Cover, Travel Cover and AfricaHealth)*

Vitality

**UK Life (Risk) | GMM**
*(Own licence and PAC book)*

**UK Health | PAA**
*(Private medical insurance)*

# C. Insurance and reinsurance contracts related disclosure *continued*

## C.1.1 INSURANCE AND REINSURANCE CONTRACTS DISCLOSURES AND RECONCILIATIONS *continued*

The following index is a summary of all the quantitative disclosures set out in the notes:

| | Note | Description |
|---|---|---|
| **Analysis of financial position** | **C.1.2.1 Summary of insurance contracts issued and reinsurance contracts held** | The note summarises the total value of insurance and reinsurance contracts held across the disclosed portfolios, showing separately those insurance and reinsurance contracts in a net liability or net asset position. |
| | **Reconciliation of insurance contracts**<br>*Analysis by measurement component*<br>**GMM**<br>C.1.2.2.1 SA Life and Invest (Risk)<br>C.1.2.2.2 UK Life (Risk)<br>**VFA**<br>C.1.2.3.1 SA Life and Invest (Participating)<br>**Reconciliation of reinsurance contracts**<br>*Analysis by measurement component*<br>**GMM**<br>C.1.2.4.1 SA Life and Invest (Risk)<br>C.1.2.4.2 UK Life (Risk) | The notes provide a detailed reconciliation of disclosed portfolios showing the build-up of the measurement components, namely:<br>■ Estimates of the present value of expected fulfilment cash flows.<br>■ The Risk adjustment.<br>■ The Contractual service margin reflects unearned profit. The CSM is further separated to reflect how the CSM was calculated at transition, being modified retrospectively or fully retrospectively. |
| **Analysis of income statement** | **C.1.2.5 Insurance revenue** | The note provides a breakdown of the makeup of insurance revenue for each disclosed portfolio business unit.<br>For those contracts not measured using the PAA approach, the amount reflects the provision of services and the recovery of insurance acquisition cash flows. The provision of services is represented by the change in the LRC, namely:<br>■ CSM recognised during the period for the service provided.<br>■ The change in the risk adjustment for non-financial risk.<br>■ Expected claims and insurance services expenses.<br>■ Experience adjustments. |
| | **C.1.2.6 Net investment result** | The note provides a holistic combined view of the following:<br>■ The investment returns on financial assets held.<br>■ The insurance and reinsurance finance income and expenses, including the amounts recognised in profit or loss and other comprehensive income (OCI). |
| **Additional information** | **Effect of contracts initially recognised in the period:**<br>C.1.2.7.1 Effect of insurance contracts initially recognised in the period.<br>C.1.2.7.2 Effect of reinsurance contracts initially recognised in the period. | The notes provide a breakdown of the contracts initially recognised during the period for each disclosed portfolio business unit.<br>■ For insurance contracts, differentiate between profitable contracts recognised with CSM and onerous contracts.<br>■ Reinsurance contracts reflect contracts originated with and without the loss-recovery component. |

# C. Insurance and reinsurance contracts related disclosure *continued*

## C.1.1 INSURANCE AND REINSURANCE CONTRACTS DISCLOSURES AND RECONCILIATIONS *continued*

### Definitions and Abbreviations

The following abbreviations and terms are commonly used within the accounting policy:

| Abbreviation or definition | Meaning |
|---|---|
| **CSM** | Contractual Service Margin |
| **DISCOVERY** | Discovery Group |
| **DPF** | Direct Participation Features |
| **DRO** | Discovery Retirement Optimiser |
| **EFCF** | Expected Fulfilment Cash Flows |
| **FINANCIAL RISK** | The risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, currency exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. |
| **GMM** | General Measurement Model |
| **IACF** | Insurance Acquisition Cash Flows |
| **IFIE** | Insurance finance income and expense comprises of the change in the carrying amount of the group of insurance contracts arising from:<br>■ The effect of the time value of money and changes in the time value of money, and<br>■ The effect of financial risk and changes in financial risk |
| **IFRS** | IFRS® Accounting Standards |
| **IFRS 17** | IFRS 17 *Insurance Contracts* (effective for Discovery post 1 July 2023) |
| **IFRS 17 margins** | IFRS 17 margins refers to the contractual service margin plus the risk adjustment |
| **ISE** | Insurance Service Expenses |
| **LIC** | Liability for Incurred Claims |
| **LRC** | Liability for Remaining Coverage |
| **OCI** | Other Comprehensive Income |
| **PAA** | Premium Allocation Approach |
| **VFA** | Variable Fee Approach |

# C. Insurance and reinsurance contracts related disclosure *continued*

## C.1.2 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS

### C.1.2.1 Summary of insurance contracts issued and reinsurance contracts held

| Group<br>R million<br>(Assets)/liabilities | Navigation | SA Life and Invest Risk (GMM) | UK Life Risk (GMM) | SA Life and Invest Participating (VFA) | SA Life and Invest: Group Life and other (PAA) | SA Insure (PAA) | UK Health (PAA) | Total |
|---|---|---|---|---|---|---|---|---|
| **Six months ended 31 December 2024** | | | | | | | | |
| Insurance contracts | A = D + E | **(1 645)** | **(17 433)** | **80 135** | **6 313** | **808** | **(4 945)** | **63 233** |
| Reinsurance contracts | B = F | **351** | **7 150** | **–** | **(767)** | **(162)** | **(12)** | **6 560** |
| **Total** | C = A + B | **(1 294)** | **(10 283)** | **80 135** | **5 546** | **646** | **(4 957)** | **69 793** |
| **Insurance contracts issued** | | | | | | | | |
| **Assets arising from insurance contracts** | | | | | | | | |
| – Insurance contract balances | | **(27 228)** | **(17 433)** | **–** | **–** | **–** | **353** | **(44 308)** |
| – Assets for insurance acquisition cash flows | | **–** | **–** | **–** | **–** | **–** | **(5 298)** | **(5 298)** |
| **Total** | D | **(27 228)** | **(17 433)** | **–** | **–** | **–** | **(4 945)** | **(49 606)** |
| **Liabilities arising from insurance contracts** | | | | | | | | |
| – Insurance contract balances | | **25 583** | **–** | **80 135** | **6 313** | **808** | **–** | **112 839** |
| | E | **25 583** | **–** | **80 135** | **6 313** | **808** | **–** | **112 839** |
| **Reinsurance contracts held** | | | | | | | | |
| Reinsurance contract assets | | **–** | **–** | **–** | **(767)** | **(162)** | **(12)** | **(941)** |
| Reinsurance contract liabilities | | **351** | **7 150** | **–** | **–** | **–** | **–** | **7 501** |
| **Total** | F | **351** | **7 150** | **–** | **(767)** | **(162)** | **(12)** | **6 560** |
| **Year ended 30 June 2024** | | | | | | | | |
| Insurance contracts | A = D + E | 2 242 | (15 269) | 73 721 | 5 888 | 896 | (4 224) | 63 254 |
| Reinsurance contracts | B = F | 126 | 5 270 | – | (685) | (139) | (13) | 4 559 |
| **Total** | C = A + B | 2 368 | (9 999) | 73 721 | 5 203 | 757 | (4 237) | 67 813 |
| **Insurance contracts issued** | | | | | | | | |
| **Assets arising from insurance contracts** | | | | | | | | |
| – Insurance contract balances | | (22 323) | (15 269) | – | – | – | 683 | (36 909) |
| – Assets for insurance acquisition cash flows | | – | – | – | – | – | (4 907) | (4 907) |
| **Total** | D | (22 323) | (15 269) | – | – | – | (4 224) | (41 816) |
| **Liabilities arising from insurance contracts** | | | | | | | | |
| – Insurance contract balances | | 24 565 | – | 73 721 | 5 888 | 896 | – | 105 070 |
| | E | 24 565 | – | 73 721 | 5 888 | 896 | – | 105 070 |
| **Reinsurance contracts held** | | | | | | | | |
| Reinsurance contract assets | | – | – | – | (685) | (139) | (13) | (837) |
| Reinsurance contract liabilities | | 126 | 5 270 | – | – | – | – | 5 396 |
| **Total** | F | 126 | 5 270 | – | (685) | (139) | (13) | 4 559 |
| Cross reference related notes of insurance contracts issued<br>– Analysis by measurement component | | C.1.2.2.1 | C.1.2.2.2 | C.1.2.3.1 | | | | |
| Cross reference related notes of reinsurance contracts held<br>– Analysis by measurement component | | C.1.2.4.1 | C.1.2.4.2 | | | | | |

# C. Insurance and reinsurance contracts related disclosure *continued*

## C.1.2 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

### C.1.2.2 Movement in insurance contract balances: GMM

#### C.1.2.2.1 SA LIFE AND INVEST (RISK)

ANALYSIS OF MEASUREMENT COMPONENT

| Group<br>R million<br>(Assets)/liabilities | Navigation | December 2024<br>Estimates of PVFCF | December 2024<br>RA for non-financial Risk | December 2024<br>CSM<br>Other contracts | December 2024<br>Total | June 2024<br>Estimates of PVFCF | June 2024<br>RA for non-financial Risk | June 2024<br>CSM<br>Other contracts | June 2024<br>Total |
|---|---|---|---|---|---|---|---|---|---|
| Opening assets arising from insurance contracts issued | | **(54 499)** | **7 810** | **24 366** | **(22 323)** | (52 454) | 6 960 | 27 438 | (18 056) |
| Opening liabilities arising from insurance contracts issued | | **23 489** | **135** | **941** | **24 565** | 21 521 | 86 | 814 | 22 421 |
| **Net balance at beginning of the period** | A | **(31 010)** | **7 945** | **25 307** | **2 242** | (30 933) | 7 046 | 28 252 | 4 365 |
| **Changes in the income statement and OCI** | | | | | | | | | |
| *Changes that relate to current services* | | | | | | | | | |
| CSM recognised for services provided | | **–** | **–** | **(1 000)** | **(1 000)** | – | – | (1 859) | (1 859) |
| Change in Risk Adjustment for non-financial risk that relates to expired risk | | **–** | **(312)** | **–** | **(312)** | – | (617) | – | (617) |
| Experience adjustments | | **(333)** | **–** | **–** | **(333)** | 663 | – | – | 663 |
| *Changes that relate to future services* | | | | | | | | | |
| Contracts initially recognised in the period | | **(1 134)** | **220** | **942** | **28** | (2 257) | 430 | 1 888 | 61 |
| Changes in estimates that adjust CSM | | **779** | **(36)** | **(743)** | **–** | 5 264 | 176 | (5 440) | – |
| Changes in estimates that relate to losses and reversal of losses on underlying contracts | | **242** | **(16)** | **–** | **226** | (354) | 81 | – | (273) |
| Servicing expenses and commission for onerous contracts | | **13** | **–** | **–** | **13** | 42 | – | – | 42 |
| *Changes that relate to past services* | | | | | | | | | |
| Adjustment to assets for incurred claims | | **–** | **4** | **–** | **4** | – | 37 | – | 37 |
| **Net Expenses from insurance contracts** | B | **(433)** | **(140)** | **(801)** | **(1 374)** | 3 358 | 107 | (5 411) | (1 946) |
| Net finance income from insurance contracts | C | **(5 397)** | **969** | **1 208** | **(3 220)** | (5 334) | 792 | 2 466 | (2 076) |
| **Net changes to income statement and OCI** | D = B + C | **(5 830)** | **829** | **407** | **(4 594)** | (1 976) | 899 | (2 945) | (4 022) |
| Cash flows | E | **707** | **–** | **–** | **707** | 1 899 | – | – | 1 899 |
| **Net balance at the end of the period** | G = A +D + E | **(36 133)** | **8 774** | **25 714** | **(1 645)** | (31 010) | 7 945 | 25 307 | 2 242 |
| Closing assets arising from insurance contracts issued | | **(60 655)** | **8 610** | **24 817** | **(27 228)** | (54 499) | 7 810 | 24 366 | (22 323) |
| Closing liabilities arising from insurance contracts issued | | **24 522** | **164** | **897** | **25 583** | 23 489 | 135 | 941 | 24 565 |
| **Net balance at the end of the period** | | **(36 133)** | **8 774** | **25 714** | **(1 645)** | (31 010) | 7 945 | 25 307 | 2 242 |

# C. Insurance and reinsurance contracts related disclosure *continued*

## C.1.2 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

### C.1.2.2 Movement in insurance contract balances: GMM

#### C.1.2.2.2 UK LIFE (RISK)

ANALYSIS OF MEASUREMENT COMPONENT

| **Group**<br>R million<br>(Assets)/liabilities | Navigation | December 2024<br>**Estimates of PVFCF** | **RA for non-financial Risk** | CSM<br>**Other contracts** | **Total** | June 2024<br>Estimates of PVFCF | RA for non-financial Risk | CSM<br>Other contracts | Total |
|---|---|---|---|---|---|---|---|---|---|
| Opening assets arising from insurance contracts issued | | **(30 819)** | **2 239** | **13 311** | **(15 269)** | (27 886) | 2 020 | 13 807 | (12 059) |
| **Net balance at beginning of the period** | A | **(30 819)** | **2 239** | **13 311** | **(15 269)** | (27 886) | 2 020 | 13 807 | (12 059) |
| **Changes in the income statement and OCI** | | | | | | | | | |
| *Changes that relate to current services* | | | | | | | | | |
| CSM recognised for services provided | | **–** | **–** | **(641)** | **(641)** | – | – | (1 242) | (1 242) |
| Change in Risk Adjustment for non-financial risk that relates to expired risk | | **–** | **(118)** | **–** | **(118)** | – | (209) | – | (209) |
| Experience adjustments | | **121** | **–** | **–** | **121** | 224 | – | – | 224 |
| *Changes that relate to future services* | | | | | | | | | |
| Contracts initially recognised in the period | | **(1 112)** | **231** | **1 047** | **166** | (1 573) | 368 | 1 482 | 277 |
| Changes in estimates that adjust CSM | | **(108)** | **–** | **108** | **–** | 447 | (3) | (444) | – |
| Changes in estimates that relate to losses and reversal of losses on underlying contracts | | **3** | **3** | **–** | **6** | 224 | 39 | – | 263 |
| *Changes that relate to past services* | | | | | | | | | |
| Adjustment to assets for incurred claims | | **–** | **–** | **–** | **–** | – | – | – | – |
| **Net expenses from insurance contracts** | B | **(1 096)** | **116** | **514** | **(466)** | (678) | 195 | (204) | (687) |
| Net finance income from insurance contracts | C | **(805)** | **(30)** | **129** | **(706)** | (3 108) | 107 | 239 | (2 762) |
| **Net changes to income statement and OCI** | D = B + C | **(1 901)** | **86** | **643** | **(1 172)** | (3 786) | 302 | 35 | (3 449) |
| **Cash flows** | E | **(598)** | **–** | **–** | **(598)** | (300) | – | – | (300) |
| Effect of movements in exchange rates | F | **(772)** | **53** | **325** | **(394)** | 1 153 | (83) | (531) | 539 |
| **Net balance at the end of the period** | G = A + D + E + F | **(34 090)** | **2 378** | **14 279** | **(17 433)** | (30 819) | 2 239 | 13 311 | (15 269) |
| Closing assets arising from insurance contracts issued | | **(34 090)** | **2 378** | **14 279** | **(17 433)** | (30 819) | 2 239 | 13 311 | (15 269) |
| Closing liabilities arising from insurance contracts issued | | **–** | **–** | **–** | **–** | – | – | – | – |
| **Net balance at the end of the period** | | **(34 090)** | **2 378** | **14 279** | **(17 433)** | (30 819) | 2 239 | 13 311 | (15 269) |

# C. Insurance and reinsurance contracts related disclosure *continued*

## C.1.2 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

### C.1.2.3 Movement in insurance contract balances: VFA

#### C.1.2.3.1 SA LIFE AND INVEST (PARTICIPATING)

ANALYSIS OF MEASUREMENT COMPONENT

| | | December 2024 | | | | | June 2024 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | CSM | | | | | CSM | | |
| **Group**<br>R million<br>(Assets)/liabilities | Navigation | **Estimates of PVFCF** | **RA for non-financial Risk** | **Transition: Modified retro-spective** | **Other contracts** | **Total** | Estimates of PVFCF | RA for non-financial Risk | Transition: Modified retro-spective | Other contracts | Total |
| Opening liabilities arising from insurance contracts issued | | **66 642** | **773** | **5 275** | **1 031** | **73 721** | 59 328 | 912 | 5 430 | 638 | 66 308 |
| **Net balance at beginning of the period** | A | **66 642** | **773** | **5 275** | **1 031** | **73 721** | 59 328 | 912 | 5 430 | 638 | 66 308 |
| **Changes in the income statement and OCI** | | | | | | | | | | | |
| *Changes that relate to current services* | | | | | | | | | | | |
| CSM recognised for services provided | | **–** | **–** | **(499)** | **(114)** | **(613)** | – | – | (1 080) | (142) | (1 222) |
| Change in Risk Adjustment for non-financial risk that relates to expired risk | | **–** | **(77)** | **–** | **–** | **(77)** | – | (212) | – | – | (212) |
| Experience adjustments | | **(45)** | **–** | **24** | **(19)** | **(40)** | (93) | – | 63 | 1 | (29) |
| *Changes that relate to future services* | | | | | | | | | | | |
| Contracts initially recognised in the period | | **(384)** | **39** | **–** | **364** | **19** | (510) | 70 | – | 490 | 50 |
| Changes in estimates that adjust CSM | | **(68)** | **23** | **65** | **(20)** | **–** | 289 | (83) | (122) | (84) | – |
| Changes in estimates that relate to losses and reversal of losses on underlying contracts | | **(19)** | **–** | **–** | **–** | **(19)** | (23) | 1 | – | – | (22) |
| **Insurance service result** | B | **(516)** | **(15)** | **(410)** | **211** | **(730)** | (337) | (224) | (1 139) | 265 | (1 435) |
| Net finance income from insurance contracts | C | **5 332** | **32** | **452** | **88** | **5 904** | 6 613 | 85 | 984 | 128 | 7 810 |
| **Net changes to income statement and OCI** | D = B + C | **4 816** | **17** | **42** | **299** | **5 174** | 6 276 | (139) | (155) | 393 | 6 375 |
| Cash flows | E | **1 240** | **–** | **–** | **–** | **1 240** | 1 038 | – | – | – | 1 038 |
| **Net balance at the end of the period** | G = A + D + E | **72 698** | **790** | **5 317** | **1 330** | **80 135** | 66 642 | 773 | 5 275 | 1 031 | 73 721 |
| Closing liabilities arising from insurance contracts issued | | **72 698** | **790** | **5 317** | **1 330** | **80 135** | 66 642 | 773 | 5 275 | 1 031 | 73 721 |
| **Net balance at the end of the period** | | **72 698** | **790** | **5 317** | **1 330** | **80 135** | 66 642 | 773 | 5 275 | 1 031 | 73 721 |

# C. Insurance and reinsurance contracts related disclosure *continued*

## C.1.2 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

### C.1.2.4 Movement in reinsurance contract balances: GMM

#### C.1.2.4.1 SA LIFE AND INVEST (RISK)

ANALYSIS OF MEASUREMENT COMPONENT

| Group<br>R million<br>(Assets)/liabilities | Navigation | December 2024<br>Estimates of PVFCF | December 2024<br>RA for non-financial Risk | December 2024 CSM<br>Transition: Modified retro-spective | December 2024 CSM<br>Other contracts | December 2024<br>Total | June 2024<br>Estimates of PVFCF | June 2024<br>RA for non-financial Risk | June 2024 CSM<br>Transition: Modified retro-spective | June 2024 CSM<br>Other contracts | June 2024<br>Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Opening liabilities arising from reinsurance contracts held | | **5 899** | **(703)** | **(100)** | **(4 970)** | **126** | 6 094 | (698) | (80) | (4 749) | 567 |
| **Net balance at beginning of the year** | A | **5 899** | **(703)** | **(100)** | **(4 970)** | **126** | 6 094 | (698) | (80) | (4 749) | 567 |
| **Changes in the income statement and OCI** | | | | | | | | | | | |
| *Changes that relate to current services* | | | | | | | | | | | |
| CSM recognised for services provided | | **–** | **–** | **3** | **173** | **176** | – | – | 6 | 338 | 344 |
| Change in Risk Adjustment for non-financial risk that relates to expired risk | | **–** | **34** | **–** | **–** | **34** | – | 71 | – | – | 71 |
| Experience adjustments | | **280** | **–** | **–** | **–** | **280** | (12) | – | – | – | (12) |
| *Changes that relate to future services* | | | | | | | | | | | |
| Contracts initially recognised in the period | | **116** | **(12)** | **–** | **(107)** | **(3)** | 202 | (22) | – | (186) | (6) |
| Changes in estimates that adjust CSM | | **160** | **(1)** | **(5)** | **(152)** | **2** | 16 | – | (16) | 40 | 40 |
| Changes in estimates that relate to losses and reversal of losses on underlying contracts | | **23** | **1** | **–** | **–** | **24** | (17) | 4 | – | – | (13) |
| *Changes that relate to past services* | | | | | | | | | | | |
| Adjustment to assets for incurred claims | | **–** | **(1)** | **–** | **–** | **(1)** | – | (10) | – | – | (10) |
| **Net expenses from reinsurance contracts held** | B | **579** | **21** | **(2)** | **(86)** | **512** | 189 | 43 | (10) | 192 | 414 |
| Net finance income from reinsurance contracts | C | **493** | **(49)** | **(6)** | **(227)** | **211** | 537 | (48) | (10) | (413) | 66 |
| **Net changes to income statement and OCI** | D = B + C | **1 072** | **(28)** | **(8)** | **(313)** | **723** | 726 | (5) | (20) | (221) | 480 |
| **Cash flows** | E | **(498)** | **–** | **–** | **–** | **(498)** | (921) | – | – | – | (921) |
| **Net balance at the end of the year** | G = A + D + E | **6 473** | **(731)** | **(108)** | **(5 283)** | **351** | 5 899 | (703) | (100) | (4 970) | 126 |
| Closing liabilities arising from reinsurance contracts held | | **6 473** | **(731)** | **(108)** | **(5 283)** | **351** | 5 899 | (703) | (100) | (4 970) | 126 |
| **Net balance at the end of the year** | | **6 473** | **(731)** | **(108)** | **(5 283)** | **351** | 5 899 | (703) | (100) | (4 970) | 126 |

# C. Insurance and reinsurance contracts related disclosure *continued*

## C.1.2 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

### C.1.2.4 Movement in reinsurance contract balances: GMM

#### C.1.2.4.2 UK LIFE (RISK)

ANALYSIS OF MEASUREMENT COMPONENT

| Group<br>R million<br>(Assets)/liabilities | Navigation | December 2024<br>Estimates of PVFCF | December 2024<br>RA for non-financial Risk | December 2024 CSM<br>Other contracts | December 2024<br>Total | June 2024<br>Estimates of PVFCF | June 2024<br>RA for non-financial Risk | June 2024 CSM<br>Other contracts | June 2024<br>Total |
|---|---|---|---|---|---|---|---|---|---|
| Opening liabilities arising from reinsurance contracts held | | **11 460** | **(471)** | **(5 719)** | **5 270** | 9 701 | (429) | (5 020) | 4 252 |
| **Net balance at beginning of the year** | A | **11 460** | **(471)** | **(5 719)** | **5 270** | 9 701 | (429) | (5 020) | 4 252 |
| **Changes in the income statement and OCI** | | | | | | | | | |
| *Changes that relate to current services* | | | | | | | | | |
| CSM recognised for services provided | | **–** | **–** | **294** | **294** | – | – | 495 | 495 |
| Change in Risk Adjustment for non-financial risk that relates to expired risk | | **–** | **11** | **–** | **11** | – | 24 | – | 24 |
| Experience adjustments | | **45** | **–** | **–** | **45** | 22 | – | – | 22 |
| *Changes that relate to future services* | | | | | | | | | |
| Contracts initially recognised in the period | | **805** | **(26)** | **(893)** | **(114)** | 1 193 | (65) | (1 318) | (190) |
| Changes in estimates that adjust CSM | | **27** | **(14)** | **(12)** | **1** | (30) | (2) | 33 | 1 |
| Changes in estimates that relate to losses and reversal of losses on underlying contracts | | **8** | **(6)** | **–** | **2** | 63 | (8) | – | 55 |
| *Changes that relate to past services* | | | | | | | | | |
| Adjustment to assets for incurred claims | | **–** | **–** | **–** | **–** | – | – | – | – |
| **Net Expenses from reinsurance contracts held** | B | **885** | **(35)** | **(611)** | **239** | 1 248 | (51) | (790) | 407 |
| Net finance income from reinsurance contracts | C | **233** | **24** | **(75)** | **182** | 743 | (8) | (119) | 616 |
| **Net changes to income statement and OCI** | D = B + C | **1 118** | **(11)** | **(686)** | **421** | 1 991 | (59) | (909) | 1 023 |
| **Cash flows** | E | **1 299** | **–** | **–** | **1 299** | 183 | – | – | 183 |
| Effect of movements in exchange rates | F | **318** | **(11)** | **(147)** | **160** | (415) | 17 | 210 | (188) |
| **Net balance at the end of the year** | G = A + D +E + F | **14 195** | **(493)** | **(6 552)** | **7 150** | 11 460 | (471) | (5 719) | 5 270 |
| Closing liabilities arising from reinsurance contracts held | | **14 195** | **(493)** | **(6 552)** | **7 150** | 11 460 | (471) | (5 719) | 5 270 |
| **Net balance at the end of the year** | | **14 195** | **(493)** | **(6 552)** | **7 150** | 11 460 | (471) | (5 719) | 5 270 |

# C. Insurance and reinsurance contracts related disclosure *continued*

## C.1.2 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

### C.1.2.5 Insurance revenue

The following tables present an analysis of the insurance revenue recognised in the period.

| **Group**<br>R million<br>Income/(expense) | **SA Life and Invest Risk (GMM)** | **SA Life and Invest Participating (VFA)** | **SA Life and Invest: Group Life and other (PAA)** | **SA Insure and other immaterial (PAA)** | **UK Life Risk (GMM)[1]** | **UK Health (PAA)** | **Total** |
|---|---|---|---|---|---|---|---|
| **Six months ended 31 December 2024** | | | | | | | |
| **Contracts not measured under the PAA** | | | | | | | |
| Amounts relating to changes in liabilities for remaining coverage | **6 946** | **1 218** | **–** | **–** | **2 334** | **–** | **10 498** |
| – CSM recognised for services provided | **1 000** | **613** | **–** | **–** | **641** | **–** | **2 254** |
| – Change in risk adjustment for non-financial risk for risk expired | **310** | **69** | **–** | **–** | **115** | **–** | **494** |
| – Expected incurred claims and other insurance service expenses | **5 595** | **495** | **–** | **–** | **1 703** | **–** | **7 793** |
| – Experience adjustments | **41** | **41** | **–** | **–** | **(125)** | **–** | **(43)** |
| Recovery of insurance acquisition cash flows | **1 093** | **389** | **–** | **–** | **1 424** | **–** | **2 906** |
| **Contracts not measured under the PAA** | **8 039** | **1 607** | **–** | **–** | **3 758** | **–** | **13 404** |
| Contracts measured under the PAA | **–** | **–** | **1 853** | **3 405** | **–** | **9 112** | **14 370** |
| **Total insurance revenue** | **8 039** | **1 607** | **1 853** | **3 405** | **3 758** | **9 112** | **27 774** |
| **Six months ended 31 December 2023** | | | | | | | |
| **Contracts not measured under the PAA** | | | | | | | |
| Amounts relating to changes in liabilities for remaining coverage | 6 166 | 1 219 | – | – | 2 140 | – | 9 525 |
| – CSM recognised for services provided | 953 | 568 | – | – | 631 | – | 2 152 |
| – Change in risk adjustment for non-financial risk for risk expired | 269 | 96 | – | – | 109 | – | 474 |
| – Expected incurred claims and other insurance service expenses | 5 022 | 543 | – | – | 1 516 | – | 7 081 |
| – Experience adjustments | (78) | 12 | – | – | (116) | – | (182) |
| Recovery of insurance acquisition cash flows | 970 | 370 | – | – | 1 264 | – | 2 604 |
| **Contracts not measured under the PAA** | 7 136 | 1 589 | – | – | 3 404 | – | 12 129 |
| Contracts measured under the PAA | – | – | 1 741 | 3 323 | – | 7 960 | 13 024 |
| **Total insurance revenue** | 7 136 | 1 589 | 1 741 | 3 323 | 3 404 | 7 960 | 25 153 |

1 *The UK Life (Risk) column has been restated from the reconciliation of the revenue published in the unaudited Discovery Group interim disclosures for the six-month period ended 31 December 2023. The effect of these changes are noted in item 2A of D.1.1.*

# C. Insurance and reinsurance contracts related disclosure *continued*

## C.1.2 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

### C.1.2.6 Net investment result

The following table analyses the Group's net investment result in profit or loss and OCI.

| **Group**<br>R million<br>Income/(expense) | **SA Life and Invest Risk (GMM)** | **SA Life and Invest Participating (VFA)** | **SA Life and Invest: Group Life and other (PAA)** | **SA Insure and other (PAA)** | **UK Life Risk (GMM)** | **UK Health (PAA)** | **Other businesses** | **Total** |
|---|---|---|---|---|---|---|---|---|
| **Six months ended 31 December 2024** | | | | | | | | |
| **Investment return** | | | | | | | | |
| Interest revenue from financial assets not measured at FVTPL | 2 | – | – | 133 | 41 | 45 | 240 | 461 |
| Net gains on FVTPL investments | 1 651 | 5 954 | 270 | 8 | – | 60 | 4 694 | 12 637 |
| **Total investment return** | **1 653** | **5 954** | **270** | **141** | **41** | **105** | **4 934** | **13 098** |
| **Finance income/(expenses) from insurance contracts** | | | | | | | | |
| Changes in fair value of underlying items of direct participation contracts | – | (5 895) | – | – | – | – | – | (5 895) |
| Interest accreted to the CSM | (1 163) | (540) | – | – | (129) | – | – | (1 832) |
| Interest on FCF and other finance (income)/expenses[1] | 1 114 | 531 | (200) | – | 686 | – | – | 2 131 |
| Effect of changes in interest rates and other financial assumptions | 2 867 | – | (59) | – | 81 | – | – | 2 889 |
| Effect of changing FCF at current rates when adjusting the CSM at rates on initial recognition | 343 | – | – | – | 68 | – | – | 411 |
| Effect of movements in exchange rates | 59 | – | (5) | – | – | – | – | 54 |
| **Net finance expenses from insurance contracts** | **3 220** | **(5 904)** | **(264)** | **–** | **706** | **–** | **–** | **(2 242)** |
| **Finance income/(expenses) from reinsurance contracts** | | | | | | | | |
| Interest accreted | (25) | – | 27 | – | 75 | – | – | 77 |
| Other | (186) | – | 9 | – | (257) | – | – | (434) |
| **Net finance income from reinsurance contracts** | **(211)** | **–** | **36** | **–** | **(182)** | **–** | **–** | **(357)** |
| **Movement in investment contract liabilities** | – | – | – | – | – | – | (1 919) | (1 919) |
| **Movement in third party interests in consolidated funds** | – | – | – | – | – | – | (2 401) | (2 401) |
| | **–** | **–** | **–** | **–** | **–** | **–** | **(4 320)** | **(4 320)** |
| **Represented by:** | | | | | | | | |
| Amounts recognised in statement of profit or loss | (37) | (5 904) | (211) | – | 146 | – | – | (6 006) |
| Amounts recognised in OCI | 3 046 | – | (17) | – | 378 | – | – | 3 407 |
| | **3 009** | **(5 904)** | **(228)** | **–** | **524** | **–** | **–** | **(2 599)** |
| **Insurance finance income and expenses** | | | | | | | | |
| Amounts recognised in statement of profit or loss | 65 | (5 904) | (242) | – | 274 | – | – | (5 807) |
| Amounts recognised in OCI | 3 155 | – | (22) | – | 432 | – | – | 3 565 |
| | **3 220** | **(5 904)** | **(264)** | **–** | **706** | **–** | **–** | **(2 242)** |
| **Net finance income from reinsurance contracts** | | | | | | | | |
| Amounts recognised in statement of profit or loss | (102) | – | 31 | – | (128) | – | – | (199) |
| Amounts recognised in OCI | (109) | – | 5 | – | (54) | – | – | (158) |
| | **(211)** | **–** | **36** | **–** | **(182)** | **–** | **–** | **(357)** |

*1 For SA Life and Invest GMM Risk, the interest accreted on FCF and other finance (income)/expense includes for Individual Life finance income of R2 006 million, and guaranteed endowments finance expense of R892 million.*

# C. Insurance and reinsurance contracts related disclosure *continued*

## C.1.2 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

### C.1.2.6 Net investment result *continued*

| Group<br>R million<br>Income/(expense) | SA Life and Invest Risk (GMM)[2] | SA Life and Invest Participating (VFA) | SA Life Group Risk (PAA)[2] | SA Insure and other immaterial (PAA) | UK Life Risk (GMM)[3] | UK Health (PAA) | Other businesses | Total |
|---|---|---|---|---|---|---|---|---|
| **Six months ended 31 December 2023** | | | | | | | | |
| **Investment return** | | | | | | | | |
| Interest revenue from financial assets not measured at FVTPL | 10 | – | – | 122 | 41 | 83 | 156 | 412 |
| Net gains on FVTPL investments | 1 198 | 2 703 | 246 | 4 | – | 56 | 2 463 | 6 670 |
| **Total investment return** | 1 208 | 2 703 | 246 | 126 | 41 | 139 | 2 619 | 7 082 |
| **Finance income/(expenses) from insurance contracts** | | | | | | | | |
| Changes in fair value of underlying items of direct participation contracts | – | (3 014) | – | – | – | – | – | (3 014) |
| Interest accreted to the CSM | (1 134) | (446) | – | – | (94) | – | – | (1 674) |
| Interest on FCF and other finance (income)/expenses[1] | 813 | 436 | (186) | – | (254) | – | – | 809 |
| Effect of changes in interest rates and other financial assumptions | 517 | – | (40) | – | 1 640 | – | – | 2 117 |
| Effect of changing FCF at current rates when adjusting the CSM at rates on initial recognition | 488 | – | – | – | 588 | – | – | 1 076 |
| Effect of movements in exchange rates | (25) | – | 2 | – | – | – | – | (23) |
| **Net finance expenses from insurance contracts** | 659 | (3 024) | (224) | – | 1 880 | – | – | (709) |
| **Finance income/(expenses) from reinsurance contracts** | | | | | | | | |
| Interest accreted | (76) | – | 26 | – | 43 | – | – | (7) |
| Other | (105) | – | 3 | – | (660) | – | – | (762) |
| **Net finance income from reinsurance contracts** | (181) | – | 29 | – | (617) | – | – | (769) |
| **Movement in investment contract liabilities** | – | – | – | – | – | – | (691) | (691) |
| **Movement in third party interests in consolidated funds** | – | – | – | – | – | – | (1 149) | (1 149) |
| | – | – | – | – | – | – | (1 840) | (1 840) |
| **Represented by:** | | | | | | | | |
| Amounts recognised in statement of profit or loss | 249 | (3 024) | (193) | – | 98 | – | – | (2 870) |
| Amounts recognised in OCI | 229 | – | (2) | – | 1 165 | – | – | 1 392 |
| | 478 | (3 024) | (195) | – | 1 263 | – | – | (1 478) |
| **Insurance finance income and expenses** | | | | | | | | |
| Amounts recognised in statement of profit or loss | 377 | (3 024) | (225) | – | 162 | – | – | (2 710) |
| Amounts recognised in OCI | 282 | – | 1 | – | 1 718 | – | – | 2 001 |
| | 659 | (3 024) | (224) | – | 1 880 | – | – | (709) |
| **Net finance income from reinsurance contracts** | | | | | | | | |
| Amounts recognised in statement of profit or loss | (128) | – | 32 | – | (64) | – | – | (160) |
| Amounts recognised in OCI | (53) | – | (3) | – | (553) | – | – | (609) |
| | (181) | – | 29 | – | (617) | – | – | (769) |

1 *For SA Life and Invest GMM Risk, the interest accreted on FCF and other finance (income)/expense includes for Individual Life finance income of R2 058 million, and guaranteed endowments finance expense of R1 245 million.*
2 *The SA Life and Invest Risk (GMM) and SA Life Group Risk comparative period has been restated from the reconciliation published in the unaudited Discovery Group interim disclosures for the six-month period ended 31 December 2023, to update the split between the portfolios. This restatement does not impact the total net investment result values.*
3 *The UK Life (Risk) (GMM) comparative period has been restated from the reconciliation published in the unaudited Discovery Group interim disclosures for the six-month period ended 31 December 2023. Refer to Section D.1.1 Item 2A for the detail on the restatement.*

# C. Insurance and reinsurance contracts related disclosure *continued*

## C.1.2 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

### C.1.2.7 Effect of contracts initially recognised in the period

#### C.1.2.7.1 INSURANCE CONTRACTS

| Group<br>R million<br>Assets/(liabilities) | Profitable contracts issued | | | Onerous contracts issued | | | |
|---|---|---|---|---|---|---|---|
| | SA Life and Invest Risk (GMM)[1] | SA Life and Invest Participating (VFA) | UK Life Risk (GMM) | SA Life and Invest Risk (GMM) | SA Life and Invest Participating (VFA) | UK Life Risk (GMM) | Total |
| **Six months ended 31 December 2024** | | | | | | | |
| Insurance acquisition cash flows | **(834)** | **(268)** | **(2 299)** | **(49)** | **(40)** | **(511)** | **(4 001)** |
| Claims and other insurance service expenses payable | **(3 035)** | **(4 325)** | **(3 328)** | **(277)** | **(599)** | **(1 210)** | **(12 774)** |
| Estimates of present value of cash outflows | **(3 869)** | **(4 593)** | **(5 627)** | **(326)** | **(639)** | **(1 721)** | **(16 775)** |
| Estimates of present value of cash inflows | **5 019** | **4 988** | **6 871** | **310** | **628** | **1 589** | **19 405** |
| Risk adjustment for non-financial risk | **(208)** | **(31)** | **(197)** | **(12)** | **(8)** | **(34)** | **(490)** |
| CSM | **(942)** | **(364)** | **(1 047)** | **–** | **–** | **–** | **(2 353)** |
| **Losses recognised on initial recognition** | **–** | **–** | **–** | **(28)** | **(19)** | **(166)** | **(213)** |
| **Six months ended 31 December 2023[1]** | | | | | | | |
| Insurance acquisition cash flows | (806) | (217) | (1 670) | (71) | (47) | (560) | (3 371) |
| Claims and other insurance service expenses payable | (3 698) | (2 949) | (1 976) | (228) | (836) | (930) | (10 617) |
| Estimates of present value of cash outflows | (4 504) | (3 166) | (3 646) | (299) | (883) | (1 490) | (13 988) |
| Estimates of present value of cash inflows | 5 790 | 3 513 | 4 201 | 272 | 870 | 1 411 | 16 057 |
| Risk adjustment for non-financial risk | (222) | (33) | (128) | (14) | (2) | (34) | (433) |
| CSM | (1 064) | (314) | (427) | – | – | – | (1 805) |
| **Losses recognised on initial recognition** | – | – | – | (41) | (15) | (113) | (169) |

*1 The SA Life and Invest Risk (GMM) comparative period has been restated from the reconciliation published in the unaudited Discovery Group interim disclosures for the six-month period ended 31 December 2023, to update the split of the estimates of present value of cash outflows split between IACF and the claims and other insurance services expenses payable. This restatement does not impact the total cash outflows.*

# C. Insurance and reinsurance contracts related disclosure *continued*

## C.1.2 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

### C.1.2.7 Effect of contracts initially recognised in the period *continued*

#### C.1.2.7.2 REINSURANCE CONTRACTS

| **Group**<br>R million<br>Assets/(liabilities) | **Group of contracts with a net cost on initial recognition[1]** | | |
|---|---|---|---|
| | **SA Life and Invest Risk (GMM)** | **UK Life Risk (GMM)[2]** | **Total** |
| **Six months ended 31 December 2024** | | | |
| Estimates of present value of cash outflows | **(576)** | **(4 760)** | **(5 336)** |
| Estimates of present value of cash inflows | **460** | **3 955** | **4 415** |
| Risk adjustment for non-financial risk | **12** | **26** | **38** |
| Income recognised on initial recognition (for offset) | **(3)** | **(114)** | **(117)** |
| **CSM** | **(107)** | **(893)** | **(1 000)** |
| **Six months ended 31 December 2023** | | | |
| Estimates of present value of cash outflows | (584) | (2 076) | (2 660) |
| Estimates of present value of cash inflows | 478 | 1 595 | 2 073 |
| Risk adjustment for non-financial risk | 11 | 26 | 37 |
| Income recognised on initial recognition (for offset) | (5) | (73) | (78) |
| **CSM** | (100) | (528) | (628) |

*1 Group of contracts with a net cost on initial recognition refers to those reinsurance contracts with a CSM on initial recognition that will reflect as a future cost relative to the insurance contract CSM that will release as future revenue.*

*2 The UK Life Risk (GMM) comparative period has been restated from the reconciliation published in the unaudited Discovery Group interim disclosures for the six-month period ended 31 December 2023. The estimate of present value of cash outflows and inflows was inadvertently switched. The net total for the estimate of present value of cash flows has not been impacted.*

SECTION D

# Adoption of new standards and interpretations and restatements

# D. Adoption of new standards and interpretations and restatements

The section provides information on the material new standards, amendments and interpretations that became effective for Discovery for its financial year commencing 1 July 2024. In addition, the section sets out the correction of prior period errors and the changes in presentation of specified line items.

## New standards and interpretation

For the financial year commencing 1 July 2024, there were no material new standards, amendments or interpretations that became effective for Discovery.

## Restatement of prior period errors

Discovery reported in its annual financial statements for the year ended 30 June 2024 changes in the presentation of specified items in its primary statements, most notably the Group statement of cash flows, as well as the correction of prior period errors identified. Consistent with 30 June 2024, the changes also resulted in changes to the information presented for the six months ended 31 December 2023. The changes to the financial statements can be summarised as follows:

- Restatements as result of prior period errors identified. Refer to D.1.1.
- Restatements for prior period corrections and changes in presentation of specified items in the statement of cash flows. Refer to D.1.2.

### D.1.1 RESTATEMENT AS A RESULT OF PRIOR PERIOD ERRORS IDENTIFIED

During the preparation of financial statements, management may identify prior period errors that could have arisen due to miscalculations, oversights or misapplication of information that was available at the time. Errors can affect the recognition, measurement, presentation and disclosure of accounting transactions. Under IFRS Accounting Standards, management is required to restate information for material prior period errors. Immaterial prior period errors are corrected in the current financial period.

During the financial year ended 30 June 2024, management had identified prior period errors that required correction and accordingly restated the prior period information for the six months ended 31 December 2023.

**ITEM 1: CASH AND CASH EQUIVALENTS**
For information on this correction, refer to section D.1.2.

**ITEM 2: CORRECTION OF IFRS 17 TRANSITION AND RESTATED RESULTS AS PUBLISHED IN THE UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2023**
IFRS 17 became effective for Discovery from 1 July 2023. In its unaudited interim results for the six months ended 31 December 2023, Discovery included the impact of the adoption of IFRS 17. During the finalisation of its annual results for the year ended 30 June 2024, Discovery identified corrections to the previously published information. The below summarises the corrections to the previously published IFRS 17 information for the six months ended 31 December 2023.

## D.1.1 RESTATEMENT AS A RESULT OF PRIOR PERIOD ERRORS IDENTIFIED *continued*

Details on the corrections are provided after the tables.

### GROUP INCOME STATEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2023[1]

| R million | 31 December 2023 | | | |
|---|---|---|---|---|
| | Group (previously reported)[2] | Item 2A adjustment | Item 2B adjustment | Group Restated |
| Insurance revenue | 26 117 | (964) | – | 25 153 |
| Insurance service expenses | (22 953) | 854 | 54 | (22 045) |
| Net income/(expenses) from reinsurance contracts | (609) | 2 | – | (607) |
| **Insurance service result** | 2 555 | (108) | 54 | 2 501 |
| Net financial result from insurance finance income and expense | (2 892) | 22 | – | (2 870) |
| – Net finance income/(expense) from insurance contracts | (2 730) | 20 | – | (2 710) |
| – Net finance income/(expense) from reinsurance contracts | (162) | 2 | – | (160) |
| **Net insurance and investment results** | 4 910 | (86) | 54 | 4 878 |
| **Net income** | 15 674 | (86) | 54 | 15 642 |
| Marketing and administration expenses | (9 573) | – | (54) | (9 627) |
| **Operating profit** | 5 552 | (86) | – | 5 466 |
| **Profit before financing and income tax** | 5 830 | (86) | – | 5 744 |
| **Profit before income tax** | 4 765 | (86) | – | 4 679 |
| Income tax expense | (1 422) | 21 | – | (1 401) |
| **Profit for the period** | 3 343 | (65) | – | 3 278 |

1 *Only the financial statement line items impacted by the adjustments have been included in this note; therefore, the note does not reproduce all line items from the Group income statement.*

2 *The previously reported values relate to the Restated IFRS 17 Group income statement published in the interim results for the six months ended 31 December 2023.*

### GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2023[1]

| R million | 31 December 2023 | | |
|---|---|---|---|
| | Group (previously reported)[2] | Item 2A adjustment | Group Restated |
| **Income and expenses that will be reclassified to profit or loss when specific conditions are met:** | | | |
| **Currency translation differences** | (344) | (27) | (371) |
| – unrealised losses | (356) | (27) | (383) |
| **Net finance income/(expense) from insurance contracts issued** | 1 805 | (309) | 1 496 |
| – unrealised income/(expense) | 2 413 | (412) | 2 001 |
| – tax on unrealised (income)/expense | (608) | 103 | (505) |
| **Net finance (expense)/income from reinsurance contracts held** | (455) | (1) | (456) |
| – unrealised income/(expense) | (608) | (1) | (609) |
| **Other comprehensive income/(losses) for the period, net of tax** | 952 | (337) | 615 |
| **Total comprehensive income for the period** | 4 295 | (402) | 3 893 |

1 *Only the financial statement line items impacted by the adjustments have been included in this note; therefore, the note does not reproduce all line items from the Group statement of other comprehensive income.*

2 *The previously reported values relate to the Restated IFRS 17 Group statement of comprehensive income published in the interim results for the six months ended 31 December 2023.*

# D. Adoption of new standards and interpretations and restatements *continued*

## D.1.1 RESTATEMENT AS A RESULT OF PRIOR PERIOD ERRORS IDENTIFIED *continued*

**ITEM 2A: CORRECTION OF UK LIFE INSURANCE BUSINESS LINE**

Consistent with the audited results for the year ended 30 June 2024, including the restated comparative information, the arrangement with the Prudential Assurance Company Limited (PAC arrangement) is accounted for as an insurance contract. Included within the PAC arrangement are specified cash flows that are akin to collateral and loan movements. Under IFRS 17, these cash flows are accounted for as a 'non-distinct loan to policyholders', resulting in the cash flows not being presented within insurance revenue and insurance service expenses, and variances recognised in the contractual service margin.

After the completion of the IFRS 17 unaudited interim results for the six months ended 31 December 2023, but prior to finalisation of the results for the financial year ended 30 June 2024, management identified that certain of these cash flows were incorrectly modelled and presented in the results previously published. Further, a model change was made to reflect the hedged position of the PAC arrangement as a result of the transfer of interest rate hedges to the PAC balance sheet towards the end of June 2022. This has resulted in an uplift in the carrying value of the insurance contract assets (specifically the present value of fulfilment cash flows) with an equal and opposite change recognised as insurance finance income and expenses in the Group statement of other comprehensive income, and ultimately equity.

The restatement has had no change to operating, investing, and financing cash flows.

**ITEM 2B: CORRECTION OF DISCOVERY INSURE**

Discovery identified that Discovery Insure had incorrectly presented marketing and administration expenses as insurance service expenses when it released its unaudited interim results for the six months ended 31 December 2023. This resulted in an overstatement of the insurance service expenses for the affected period, offset with an understatement of the marketing and administration expenses.

- The correction and restatement do not impact the basic or diluted earnings per share and has had no change to operating, investing and financing cash flows.

## D.1.2 RESTATEMENTS FOR PRIOR PERIOD CORRECTIONS AND CHANGES IN PRESENTATION OF SPECIFIED ITEMS IN THE STATEMENT OF CASH FLOWS AND ASSOCIATED RESTATEMENTS

Discovery continuously evaluates its presentation and disclosures to developing market practices, changes in IFRS Accounting Standards and changes in its business composition that may indicate a need for change in presentation or disclosures in order to enhance the relevance and understanding gained by users of the financial statements.

### ITEM 1: RESTATEMENT FOR PRIOR PERIOD CORRECTIONS TO CASH AND CASH EQUIVALENTS

During the year ended 30 June 2024, Discovery identified that in its UK business, it had incorrectly presented specified highly liquid investments held for short-term cash commitments as investments at fair value through profit or loss, instead of cash equivalents. The treatment resulted in the understatement of the cash and cash equivalents and an overstatement of the investments at fair value through profit or loss in prior periods.

The restatement resulted in a change to investing cash flows of R1 066 million for the six months ended 31 December 2023 and an increase in cash and cash equivalent balances. The correction does not impact the prior or current reported period Group income statement, basic or diluted earnings per share.

### ITEM 2: CHANGES IN PRESENTATION OF GROUP STATEMENT OF CASH FLOWS

Discovery had implemented changes to its Group statement of cash flows for the year ended 30 June 2024 to enhance the understandability, correct for prior period errors and to accommodate the growth of Discovery Bank within the Group and to align with best practices in the market. In implementing changes, Discovery also identified some items that were previously incorrectly presented. These changes have been applied to the Group statement of cash flows for the six months ended 31 December 2023 and are detailed after the reconciliation below.

# D. Adoption of new standards and interpretations and restatements *continued*

## D.1.2 RESTATEMENTS FOR PRIOR PERIOD CORRECTIONS AND CHANGES IN PRESENTATION OF SPECIFIED ITEMS IN THE STATEMENT OF CASH FLOWS AND ASSOCIATED RESTATEMENTS *continued*

### GROUP STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 31 DECEMBER 2023[1]

| R million | Group As previously reported[2] 31 December 2023 | Item 1/2A | Item 2B | Item 2C | Item 2D | Group 31 December 2023 Restated |
|---|---|---|---|---|---|---|
| **Cash flows from operating activities** | (1 009) | 77 | – | 711 | – | (221) |
| Cash generated by operations | (1 042) | 77 | (366) | – | 4 193 | 2 862 |
| Purchase of investments held to back policyholder liabilities | (31 756) | – | – | – | 31 756 | – |
| Proceeds from disposal of investments held to back policyholder liabilities | 30 931 | – | – | – | (30 931) | – |
| Dividends received | 367 | – | – | – | (367) | – |
| Interest received | 2 085 | – | 869 | – | (1 850) | 1 104 |
| Interest paid | (802) | – | (503) | – | – | (1 305) |
| Taxation paid | (792) | – | – | – | – | (792) |
| Net movement in operating assets and liabilities | – | – | – | 711 | (2 801) | (2 090) |
| – Increase in operating assets | – | – | – | 711 | 229 | 940 |
| – Increase in operating liabilities | – | – | – | – | (3 030) | (3 030) |
| **Cash flows from investing activities** | 556 | (1 066) | – | (711) | – | (1 221) |
| – Purchase of financial assets | (14 243) | 4 557 | – | 9 686 | – | – |
| – Proceeds from disposal of financial assets | 16 020 | (5 623) | – | (10 397) | – | – |
| **Cash flows from financing activities** | (1 150) | – | – | – | – | (1 150) |
| Net decrease in cash and cash equivalents | (1 603) | (989) | – | – | – | (2 592) |
| Cash and cash equivalents at beginning of the year | 16 227 | 2 911 | – | – | – | 19 138 |
| Effects of exchange rate changes on cash and cash equivalents | (117) | (58) | – | – | – | (175) |
| **Cash and cash equivalents at end of the year** | 14 507 | 1 864 | – | – | – | 16 371 |
| **Reconciliation to statement of financial position** | | | | | | |
| Cash and cash equivalents | 14 507 | 1 864 | – | – | – | 16 371 |
| Bank overdraft included in borrowings at amortised cost | – | – | – | – | – | – |
| **Cash and cash equivalents at end of the year** | 14 507 | 1 864 | – | – | – | 16 371 |

1 *Only the financial statement line items impacted by the adjustments have been included in this note; therefore, the note does not reproduce all line items from the Group statement of cash flows.*
2 *The previously reported values relate to the Restated IFRS 17 Group of cash flows published in the interim results for the six months ended 31 December 2023.*

# D. Adoption of new standards and interpretations and restatements *continued*

## D.1.2 RESTATEMENTS FOR PRIOR PERIOD CORRECTIONS AND CHANGES IN THE PRESENTATION OF SPECIFIED ITEMS IN THE STATEMENT OF CASH FLOWS AND ASSOCIATED RESTATEMENTS *continued*

### ITEM 2A: UK INVESTMENTS INCORRECTLY CLASSIFIED

As outlined in item 1, *Restatement for prior period corrections to cash and cash equivalents*, Discovery identified that it had incorrectly presented certain highly liquid investments held specifically for short-term cash commitments in its UK business as investments at fair value through profit or loss, instead of as cash equivalents. As a result, these investments have been reclassified as cash equivalents, leading to a change in the Group's statement of cash flows.

Please note: Consistent with the significant judgements disclosed in Discovery's financial statements, to meet the requirements for cash equivalents, Discovery conducts assessments of its money market investments. These investments will only be classified as cash equivalents if they meet the following criteria: (1) The purpose of the investment is to fulfil short-term cash commitments; (2) The instrument demonstrates high credit quality within the relevant jurisdiction, as indicated by its credit rating; (3) The primary objective of the investment is to protect capital and provide liquidity; (4) The investment can be readily converted into a known amount of cash, similar to bank balances; (5) The fund is invested solely in interest-bearing instruments, similar to deposits, with institutions of high credit quality. Additionally, the investment must not introduce speculative-grade or equity-type risks and exposures. This can be demonstrated by the yield returns relative to other deposit-type investments within the same jurisdiction.

### ITEM 2B: CORRECTION OF PRESENTATION OF BANKING INTEREST RECEIVED AND PAID

Interest received, and interest paid are now separately disclosed in the Group's statement of cash flows. Previously, Discovery Group had presented bank interest income and bank interest expense under cash generated from operations. In line with other presentational changes, Discovery will now present bank interest income under interest received, and bank interest expense under interest paid.

### ITEM 2C: CHANGE IN PRESENTATION AND CORRECTION OF SPECIFIED ITEMS OF FINANCIAL ASSETS

Previously, Discovery had included the cash flows arising from the purchases and disposals of financial assets within its investing activities. These consisted of purchases and disposals of financial assets not directly linked to policyholder assets and liabilities as well as those financial assets purchased and disposed within the Discovery Bank operations.

These activities are now being reclassified under operating activities, as these financial assets are utilised for purposes of managing capital and liquidity as well as increased investment returns, in line with the associated changes to the presentation of operating assets and operating liabilities, as noted in Item 2D.

### ITEM 2D: OPERATING ASSETS AND OPERATING LIABILITIES

Discovery provides insurance and banking services and is classified as a financial institution. Under IAS 7, a financial institution is permitted to present certain movements in operating assets and liabilities on a net basis. Discovery has enhanced its disclosures and introduced changes to align more closely with other diversified financial institutions.

Changes in operating assets and operating liabilities are now presented separately in the Group's statement of cash flows.

These changes now include:

- **Working capital changes** with quick turnover and short maturities, which were previously disclosed in the note for cash generated from operations as part of working capital changes arising from operations.
- **Specific activities undertaken by Discovery as a financial institution,** including cash receipts and payments made on behalf of customers, which reflect the activities of the customers rather than those of Discovery. This also includes receipts and payments related to investments, loans and advances. These were previously disclosed in the note for cash generated from operations as part of working capital changes, with other activities forming part of investments acquired or disposed of as investments held to back policyholder liabilities in the Group's statement of cash flows.
- **Cash flows arising from the purchases and disposals of financial assets,** as noted in Item 2C, which were previously disclosed as investing activities.
- **For investments at fair value through profit or loss,** Discovery had previously included interest and dividends received, presented as Net fair value gains and losses on financial assets at fair value through profit or loss in the Group income statement, as part of interest received and dividends received in the Group's statement of cash flows. These will now be included as part of the gains or losses on financial assets at fair value through profit or loss within cash generated from operations.
- **Other operating assets and liabilities:** Discovery has reclassified certain items that are working capital in nature, previously recognised under cash generated from operations as non-cash adjustments to profit before tax, to now be presented as changes in working capital. This includes movements in assets arising from contracts with customers, liabilities related to customers, as well as trading and derivative assets and liabilities.

Discovery has restated the comparative information accordingly. These corrections do not affect basic or diluted earnings per share.

SECTION E

# Accounting policies

# E. Accounting policies

## E.1 NEW ACCOUNTING STANDARDS AND AMENDMENTS TO PUBLISHED ACCOUNTING STANDARDS NOT YET EFFECTIVE

For new Accounting standards and interpretations that became effective for the financial year commencing 1 July 2024, refer to section D New Standards and interpretations and restatements.

Discovery has not early adopted any other IFRS Accounting Standards, amendments or interpretations that have been issued but not yet effective. Discovery does not expect any new IFRS Accounting Standards, amendments or interpretations that have been issued but not yet effective to have a material impact on the recognised amounts.

### Interest Rate Benchmark Reforms (IBOR)

In recent years, major interest rate benchmarks have been reformed globally, including the replacement of certain interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as "IBOR reform"). Discovery has financial instruments that have been or will be affected by these market-wide changes, most notably the transition from LIBOR to Sterling Overnight Index Average (SONIA) in the UK and the upcoming replacement of Johannesburg Interbank Average Rate (JIBAR) with South African Rand Overnight Index Average Rate (ZARONIA).

JIBAR will be replaced by the ZARONIA. Following an observation period from 1 November 2022 to 31 October 2023, ZARONIA was identified and endorsed as JIBAR's successor. The South African Reserve Bank (SARB) has indicated that JIBAR is expected to be discontinued by the end of 2026, with the official cessation date to be confirmed in December 2025. Several key milestones leading up to the cessation are outlined in the industry timeline published by the SARB, including:

- November 2024 – ZARONIA-first for derivatives
- June 2025 – ZARONIA-first for the cash market
- March 2026 – No new JIBAR

Discovery has the current following JIBAR-linked exposures as at 31 December 2024:

- SA Bank borrowings, with associated interest rate derivatives, as detailed in Note A.5.2.
- Investments of c. R7.3 billion.
- Home loans provided to customers of c. R800 million.

Discovery will apply the same transition relief under IFRS Accounting Standards as it did when transitioning from LIBOR to SONIA.

IBOR reforms generally result in changes to the basis for determining the contractual cash flows of financial assets and liabilities, including derivatives.

For financial assets and liabilities measured at amortised cost, the entity will update the effective interest rate without recognising a gain or loss, provided that:

- The change is a direct consequence of IBOR reform, and
- The new basis for determining contractual cash flows is economically equivalent to the previous basis.

For cash flow hedges, when assessing whether a forecast transaction remains highly probable, an entity will assume that the interest rate benchmark on which the hedged cash flows are based remains unchanged as a result of IBOR reform.

## E.2 NORMALISED HEADLINE EARNINGS

Discovery assesses its performance using normalised headline earnings, an alternative profit measure not under the IFRS Accounting Standards, alongside its IFRS Accounting Standards profit measures. 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.

Measures not in terms of IFRS Accounting Standards are not uniformly defined or used by all entities and may not be comparable with similarly labelled measures and disclosures provided by other entities.

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

- Once-off transactions – for example, restructuring costs, transaction costs related to interest rate derivatives and initial deferred tax assets raised on previously unrecognised assessed losses
- Unusual items – the Group considers items to be unusual when they have limited predictive value, or it is reasonable that items of a similar nature would not necessarily arise for several future reporting periods
- Income or expenses not considered to be part of the Group'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

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.

# E.3 BASIS OF PREPARATION

## Statement of compliance

Discovery Limited is a company incorporated in South Africa.

The unaudited condensed consolidated interim financial statements for the six months ended 31 December 2024 (interim results) consolidate the results of Discovery and its subsidiaries (together the Group) and equity account the Group's interests in associates and joint ventures.

The interim results comprise the Group statement of financial position at 31 December 2024, Group income statement, Group statement of other comprehensive income, Group statement of changes in equity and Group statement of cash flows for the six months ended 31 December 2024 and selected explanatory notes.

The interim results have been prepared in accordance with the JSE Limited Listings and Debt and Specialist Securities Listings Requirements, IFRS® Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards), including IAS 34 *Interim Financial Reporting* (IAS 34), the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council (FRSC) and the requirements of the Companies Act of South Africa.

The accounting policies adopted are consistent with the accounting policies applied in the prior annual financial statements.

These interim results do not include all the notes typically included in the annual financial statements and must be read together with the Group audited consolidated financial statements for the year ended 30 June 2024.

## External review

The interim results for the six months ended 31 December 2024 and 31 December 2023 comparative information have not been reviewed or audited by the Group's independent auditors Deloitte & Touche and KPMG Inc.

## Comparative information

Comparative information presented at and for the year ended 30 June 2024 within these interim results has been extracted from the Group's audited consolidated financial statements for the year ended 30 June 2024.

# Embedded value statement

# EMBEDDED VALUE STATEMENT

***for the six months ended 31 December 2024***

The embedded value of the Discovery Group 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 the Discovery Group, 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 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 Insurance, Discovery Insure, Discovery Bank and Umbrella Funds, no published value has been placed on the current in-force business.

In August 2011, the Discovery Group 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.

# EMBEDDED VALUE STATEMENT *continued*

***for the six months ended 31 December 2024***

## Table 1: Group embedded value

| R million | **31 December 2024** | 31 December 2023[1] | % change | 30 June 2024 |
|---|---|---|---|---|
| Shareholders' funds | **64 644** | 53 140 | 22 | 57 719 |
| Adjustment to shareholders' funds from published basis[2] | **(42 525)** | (34 075) | 25 | (38 431) |
| Adjusted net worth[3] | **22 119** | 19 065 | 16 | 19 288 |
| Value of in-force covered business before cost of required capital | **100 803** | 87 915 | 15 | 94 258 |
| Cost of required capital | **(3 306)** | (3 500) | (6) | (3 192) |
| **Discovery Group embedded value** | **119 616** | 103 480 | 16 | 110 354 |
| Number of shares (millions) | **666.5** | 662.1 | | 661.0 |
| Embedded value per share | **R179.47** | R156.29 | 15 | R166.95 |
| Diluted number of shares (millions) | **667.1** | 663.7 | | 665.0 |
| Diluted embedded value per share[4] | **R179.29** | R155.92 | 15 | R165.94 |

*1 "Shareholders' funds" and "Adjustments to shareholders' funds from published basis" have been restated as a result of prior period errors - refer to D1.1 for more detail. The restatements do not affect the Group Embedded Value at 31 December 2023 as they relate to Vitality Life Limited net assets under insurance contracts, which are eliminated on a consolidated embedded value basis.*

*2 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 R23.61/GBP (June 2024: R23.07/GBP; December 2023: R23.57/GBP).*

| *R million* | ***31 December 2024*** | *31 December 2023* | *30 June 2024* |
|---|---|---|---|
| *Life net assets under insurance contracts* | ***(23 982)*** | *(17 225)* | *(19 865)* |
| *Vitality Life Limited net assets under insurance contracts* | ***(11 179)*** | *(9 673)* | *(11 314)* |
| *VitalityHealth Insurance Acquisition Cash Flow ("IACF") asset** | ***(4 673)*** | *(4 162)* | *(4 351)* |
| *VitalityLife receivable relating to the Unemployment Cover benefit (net of deferred tax)* | ***(8)*** | *(12)* | *(8)* |
| *Goodwill relating to the acquisition of Standard Life Healthcare and the PAC joint venture* | ***(2 922)*** | *(2 916)* | *(2 855)* |
| *Intangible assets (net of deferred tax) in covered business* | ***(807)*** | *(820)* | *(803)* |
| *Net preference share capital* | ***(779)*** | *(779)* | *(779)* |
| *Reversal of 1 Discovery Place IFRS 16 financial lease accounting* | ***1 516*** | *1 406* | *1 462* |
| *Equity settled share based payment mark-to-market adjustment*** | ***309*** | *106* | *82* |
| | ***(42 525)*** | *(34 075)* | *(38 431)* |

** The "VitalityHealth Insurance Acquisition Cash Flow ("IACF") asset" was previously disclosed as "VitalityHealth and Vitality Health Insurance Limited deferred acquisition costs (net of deferred tax)". The item was renamed to align to IFRS terminology used elsewhere in the financial statements.*

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

3 *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 | 31 December 2024 | 31 December 2023 | 30 June 2024 |
|---|---|---|---|
| *Shareholders' funds* | ***64 644*** | *53 140* | *57 719* |
| *Adjustment to shareholders' funds* | ***(42 525)*** | *(34 075)* | *(38 431)* |
| ***Adjusted net worth*** | ***22 119*** | *19 065* | *19 288* |
| *Excess of available capital over adjusted net worth* | ***51 754*** | *45 771* | *48 318* |
| ***Available capital*** | ***73 873*** | *64 836* | *67 606* |
| ***Required capital*** | ***48 106*** | *43 197* | *44 610* |
| ***Excess available capital*** | ***25 767*** | *21 639* | *22 996* |

*The excess of available capital over adjusted net worth reflects the difference between the adjusted net worth for embedded value purposes and the available capital on a statutory solvency basis for covered business. This includes:*

- *The net preference share capital of R779 million which is included as available capital.*
- *The difference between Vitality Life Limited's Solvency UK Pillar 1 Own Funds and its adjusted net worth.*
- *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 | 31 December 2024 | 31 December 2023 | 30 June 2024 |
|---|---|---|---|
| *Health and Vitality* | ***1 280*** | *1 159* | *1 238* |
| *Life and Invest* | ***30 285*** | *27 716* | *27 935* |
| *VitalityHealth* | ***4 348*** | *4 312* | *4 138* |
| *VitalityLife* | ***12 193*** | *10 010* | *11 299* |
| ***Total required capital*** | ***48 106*** | *43 197* | *44 610* |

- *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, prior to 30 June 2024, the required capital was set equal to 1.35 times the Solvency UK Pillar 1 Solvency Capital Requirement. From 30 June 2024 the required capital was set equal to 1.55 times the Solvency UK Pillar 1 Solvency Capital Requirement, following the adoption of regulatory-approved internally derived risk factors for calculating premium and reserve risk capital and a recalibration of the level of risk appetite held in excess of the regulatory minimum.*
- *For VitalityLife, the required capital was set equal to 1.4 times the Solvency UK Pillar 1 Solvency Capital Requirement.*

4 *The diluted embedded value per share adjusts for the effect of vested treasury shares, share options exercised, and vesting of share awards where the impact is dilutive. This adjustment has been aligned to the diluted number of shares shown elsewhere in the financial statements. Disclosure of prior periods in the embedded value statement have been restated accordingly.*

# EMBEDDED VALUE STATEMENT *continued*

***for the six months ended 31 December 2024***

## Table 2: Value of in-force covered business

| R million | Value before cost of capital | Cost of capital | Value after cost of capital |
|---|---|---|---|
| **At 31 December 2024** | | | |
| Health and Vitality | **28 345** | **(524)** | **27 821** |
| Life and Invest[1] | **41 643** | **(1 844)** | **39 799** |
| VitalityHealth[2] | **15 891** | **(417)** | **15 474** |
| VitalityLife[2] | **14 924** | **(521)** | **14 403** |
| **Total** | **100 803** | **(3 306)** | **97 497** |
| **At 31 December 2023** | | | |
| Health and Vitality | 26 268 | (516) | 25 752 |
| Life and Invest[1] | 35 051 | (1 763) | 33 288 |
| VitalityHealth[2] | 13 964 | (750) | 13 214 |
| VitalityLife[2] | 12 632 | (471) | 12 161 |
| **Total** | 87 915 | (3 500) | 84 415 |
| **At 30 June 2024** | | | |
| Health and Vitality | 27 441 | (527) | 26 914 |
| Life and Invest[1] | 37 570 | (1 757) | 35 813 |
| VitalityHealth[2] | 14 353 | (449) | 13 904 |
| VitalityLife[2] | 14 894 | (459) | 14 435 |
| **Total** | 94 258 | (3 192) | 91 066 |

*1 Included in the Life and Invest value of in-force covered business is R2 463 million (June 2024: R2 318 million; December 2023: R2 080 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 R23.61/GBP (June 2024: R23.07/GBP; December 2023: R23.57/GBP).*

## Table 3: Group embedded value earnings

| R million | Six months ended 31 December 2024 | Six months ended 31 December 2023 | Year ended 30 June 2024 |
|---|---|---|---|
| Embedded value at end of period | **119 616** | 103 480 | 110 354 |
| Less: embedded value at beginning of period | **(110 354)** | (98 176) | (98 176) |
| Increase in embedded value | **9 262** | 5 304 | 12 178 |
| Dividends paid | **1 073** | 783 | 1 269 |
| Employee share option schemes | **(342)** | (306) | (683) |
| Net change in capital | **–** | – | 131 |
| Transfer to hedging reserve | **40** | 70 | 61 |
| Acquisition of subsidiaries with non-controlling interest | **–** | – | (6) |
| IFRS 17 impact on non-covered businesses[1] | **–** | (79) | (2) |
| Embedded value earnings | **10 033** | 5 772 | 12 948 |
| Annualised return on opening embedded value | **19.0%** | 12.1% | 13.2% |

1 *In respect of prior periods (30 June 2024 and 31 December 2023), the opening embedded value (30 June 2023) was not restated for the transition to IFRS 17. This item represents the difference between IFRS 4 and IFRS 17 equity on non-covered business, such as Discovery Insure and Ping An Health Insurance, and an opening IFRS balance sheet restatement as a result of prior period errors. These impacts were not included in the embedded value earnings for those prior periods and therefore a minor adjustment was required to reconcile the change from the embedded value at the beginning of the period.*

# EMBEDDED VALUE STATEMENT *continued*

***for the six months ended 31 December 2024***

## Table 4: Components of Group embedded value earnings

| R million | Six months ended 31 December 2024 | | | | Six months ended 31 December 2023 | Year ended 30 June 2024 |
|---|---|---|---|---|---|---|
| | **Net worth** | **Cost of required capital** | **Value of in-force covered business** | **Embedded value** | Embedded value | Embedded value |
| Total profit from new business (at point of sale) | **(3 419)** | **(125)** | **4 497** | **953** | 684 | 1 832 |
| Profit from existing business | | | | | | |
| – Expected return | **4 355** | **(12)** | **925** | **5 268** | 5 025 | 10 340 |
| – Change in methodology and assumptions[1] | **2 043** | **(38)** | **(764)** | **1 241** | 666 | 2 385 |
| – Experience variances | **186** | **80** | **1 181** | **1 447** | 879 | 564 |
| Impairment, amortisation and fair value adjustment[2] | **(30)** | **–** | **–** | **(30)** | (30) | (60) |
| Increase in goodwill and intangibles | **(179)** | **–** | **–** | **(179)** | (110) | (308) |
| Non-covered businesses[3] | **1 151** | **–** | **9** | **1 160** | 89 | 1 088 |
| Non-recurring expenses | **(103)** | **–** | **–** | **(103)** | (159) | (96) |
| Acquisition costs[4] | **(9)** | **–** | **(2)** | **(11)** | (19) | (33) |
| Finance costs[5] | **(1 633)** | **–** | **–** | **(1 633)** | (1 662) | (2 796) |
| Foreign exchange rate movements[6] | **445** | **(21)** | **701** | **1 125** | (478) | (1 555) |
| Other[7] | **(2)** | **1** | **(1)** | **(2)** | (6) | 2 |
| Return on shareholders' funds[5,8] | **797** | **–** | **–** | **797** | 893 | 1 585 |
| **Embedded value earnings** | **3 602** | **(115)** | **6 546** | **10 033** | 5 772 | 12 948 |

*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 Vitality Global.*

*3 This item includes the profits of non-covered businesses (including Discovery Insure, Vitality Group and Ping An Health Insurance) and costs of start-up businesses (including Discovery Bank and an Umbrella Fund offering in Invest). Head office costs which relate to non-covered business are included in this item, as well as cR87 million of expenses which are currently incurred by the covered businesses but will be met by non-covered businesses in due course, and hence have not been included in the relevant covered businesses' embedded value expense analysis. For December 2024, profits of non-covered segments within the covered businesses of cR144 million, which were previously reported as experience variances, have been included in this item.*

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

*5 Finance costs and return on shareholders' funds are shown gross of intercompany charges (R681 million at 31 December 2024, R1 046 million at 30 June 2024 and R823 million at 31 December 2023).*

*6 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.*

*7 This item includes, among other items, the tangible tax impact from movements in covered business intangible assets, which are excluded from the net worth.*

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

## Table 5: Experience variances

| R million | Health and Vitality Net worth | Health and Vitality Value of in-force | Life and Invest Net worth | Life and Invest Value of in-force | VitalityHealth Net worth | VitalityHealth Value of in-force | VitalityLife Net worth | VitalityLife Value of in-force | Six months ended 31 December 2024 Total |
|---|---|---|---|---|---|---|---|---|---|
| Renewal expenses | (18) | – | 5 | 1 | (85) | – | 15 | – | **(82)** |
| Lapses and surrenders[1,3] | (5) | (172) | 38 | 79 | – | 829 | (10) | 83 | **842** |
| Mortality and morbidity[2] | – | – | 269 | (65) | (152) | – | (12) | – | **40** |
| Policy alterations[3] | – | (6) | (393) | 142 | – | – | – | (63) | **(320)** |
| Backdated cancellations | – | – | – | – | – | – | – | – | **–** |
| Premium and fee income | 78 | – | (19) | (17) | 75 | – | (47) | 2 | **72** |
| Inflation-linked indexation | – | – | 6 | (56) | – | – | – | 113 | **63** |
| Economic[4] | – | – | (22) | 280 | 89 | – | 1 | – | **348** |
| Commission | – | – | – | – | – | – | – | – | **–** |
| Tax[5] | 59 | – | 86 | 11 | 1 | – | 80 | (35) | **202** |
| Reinsurance[6] | – | – | – | – | – | – | (71) | 7 | **(64)** |
| Maintain modelling term[7] | – | 161 | – | 44 | – | 59 | – | – | **264** |
| Vitality benefits | (75) | – | – | – | – | – | (1) | – | **(76)** |
| Other[8] | – | – | 62 | 17 | – | – | 232 | (153) | **158** |
| **Total** | **39** | **(17)** | **32** | **436** | **(72)** | **888** | **187** | **(46)** | **1 447** |

1 *For VitalityHealth, the lapse and surrender experience reflect improved retention rates. For Health and Vitality, the lapse and surrender experience was driven by the impact of employer groups who have widened the eligible schemes that employees can join beyond the Discovery Health Medical Scheme.*

2 *For Life and Invest, overall claims experience for the period was better than expected for both the Individual Life and Group Life lines of business. For VitalityHealth, high claims experience persists in the UK private medical insurance market as the challenges facing the NHS, since late 2022, continue to drive usage of private medical insurance for services previously accessed in the NHS. Higher than expected premium increases were realised in line with this usage and is reflected as a positive variance under premium and fee income.*

3 *For Life and Invest, the policy alterations experience relates mainly to persistent pressures within the economic environment. This is partially offset by positive experience on lapses.*

4 *For Life and Invest, better than expected unit fund growth in Invest results in an improved projected fee income reflected in the value of in-force. For VitalityHealth, investment return continued to contribute to profitability as interest rates in the UK remain high.*

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

6 *For VitalityLife, the reinsurance experience reflects the better than expected retention in the business and an increase in provisions related to prior periods.*

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

8 *The other experience relates to cash flow timing variances in Life and Invest. For VitalityLife, this includes a once-off gain arising from cash flow timing variances on the collateral arrangement between it and the PAC.*

# EMBEDDED VALUE STATEMENT *continued*

***for the six months ended 31 December 2024***

## Table 6: Methodology and assumption changes

| R million | Health and Vitality | | Life and Invest | | VitalityHealth | | VitalityLife | | Six months ended 31 December 2024 |
|---|---|---|---|---|---|---|---|---|---|
| | Net worth | Value of in-force | Net worth | Value of in-force | Net worth | Value of in-force | Net worth | Value of in-force | Total |
| Modelling changes[1] | – | – | 3 | 7 | – | – | – | 78 | **88** |
| Expenses | – | – | – | – | – | – | – | – | **–** |
| Lapses | – | – | – | – | – | – | – | – | **–** |
| Mortality and morbidity | – | – | – | – | – | – | – | – | **–** |
| Benefit changes | – | – | – | – | – | – | – | – | **–** |
| Vitality | – | – | – | – | – | – | – | – | **–** |
| Tax | – | – | – | – | – | – | – | (62) | **(62)** |
| Economic assumptions[2] | – | (579) | 2 | 1 370 | – | – | (29) | (111) | **653** |
| Premium and fee income[3] | – | 482 | – | – | – | – | – | – | **482** |
| Reinsurance and financing[4] | – | – | 320 | (275) | – | – | 1 686 | (1 725) | **6** |
| Other | – | – | 61 | (1) | – | – | – | 14 | **74** |
| **Total** | **–** | **(97)** | **386** | **1 101** | **–** | **–** | **1 657** | **(1 806)** | **1 241** |

*1 Minor refinements to the modelling environment were introduced.*

*2 For Health and Vitality, and Life and Invest, the item includes the impact of updating the internally derived yield curves as at 31 December 2024. For Health and Vitality, this also includes the impact of lower than expected inflation applicable to the administration and managed care fee escalation in 2025. For VitalityLife, this item includes the impact of updating the assumptions relative to the Solvency UK yield curves and the IFRS interest rates.*

*3 For Health and Vitality, this item represents an additional administration and managed care fee margin effective for 2025. This additional margin is contractually effective given a defined level of spend to enhance the services rendered by the administrator.*

*4 For Life and Invest, the reinsurance and financing item primarily relates to the impact of internal financing arrangements, where the future expected cash flows arising from part of the negative reserves are monetised to match other positive policy liabilities. For VitalityLife, this item includes the impact of external financing arrangements, where future expected cash flows arising from part of the negative reserves are monetised to partially fund new business and support liquidity needs in the business.*

## Table 7: Embedded value of new business

| R million | Six months ended 31 December 2024 | Six months ended 31 December 2023 | % change | Year ended 30 June 2024 |
|---|---|---|---|---|
| **Health and Vitality** | | | | |
| Gross profit from new business (at point of sale) | **493** | 406 | | 1 103 |
| Cost of required capital | **(21)** | (21) | | (52) |
| Present value of future profits from new business (at point of sale) after cost of required capital | **472** | 385 | 23 | 1 051 |
| New business annualised premium income[1] | **2 401** | 2 200 | 9 | 7 716 |
| **Life and Invest** | | | | |
| Present value of future profits from new business (at point of sale)[2] | **275** | 287 | | 560 |
| Cost of required capital | **(36)** | (45) | | (79) |
| Present value of future profits from new business (at point of sale) after cost of required capital | **239** | 242 | (1) | 481 |
| New business annualised premium income[3] | **1 589** | 1 576 | 1 | 3 214 |
| Annualised profit margin[4] | **1.9%** | 2.0% | | 2.0% |
| Annualised profit margin excluding Invest business | **3.6%** | 4.3% | | 3.8% |
| **VitalityHealth[5]** | | | | |
| Present value of future profits from new business (at point of sale) | **207** | 245 | | 491 |
| Cost of required capital | **(26)** | (53) | | (63) |
| Present value of future profits from new business (at point of sale) after cost of required capital | **181** | 192 | (6) | 428 |
| New business annualised premium income[6] | **1 199** | 1 190 | 1 | 2 443 |
| Annualised profit margin[4] | **2.4%** | 2.7% | | 2.6% |
| **VitalityLife** | | | | |
| Present value of future profits from new business (at point of sale) | **103** | (100) | | (58) |
| Cost of required capital | **(42)** | (35) | | (70) |
| Present value of future profits from new business (at point of sale) after cost of required capital | **61** | (135) | 145 | (128) |
| New business annualised premium income[7] | **921** | 667 | 38 | 1 462 |
| Annualised profit margin[4] | **0.9%** | (2.8%) | | (1.3%) |

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 31 December 2024. The total Health and Vitality new business annualised premium income written over the period was R4 970 million (June 2024: R11 481 million; December 2023: R7 052 million).*

2 *Included in the Life and Invest embedded value of new business is -R6 million (June 2024: R15 million; December 2023: -R3 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 R1 589 million (June 2024: R3 214 million; December 2023: R1 576 million) (single premium APE: R826 million (June 2024: R1 545 million; December 2023: R741 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 202 million (June 2024: R2 249 million; December 2023: R1 184 million) and servicing increases of R406 million (June 2024: R779 million; December 2023: R387 million), was R3 197 million (June 2024: R6 242 million; December 2023: R3 147 million) (single premium APE: R867 million (June 2024: R1 626 million; December 2023: R778 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 31 December 2024.*

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 six months ended 31 December 2024***

## BASIS OF PREPARATION

## Table 8: Embedded value economic assumptions

| | | 31 December 2024 | 31 December 2023 | 30 June 2024 |
|---|---|---|---|---|
| Beta coefficient | | **0.75** | 0.75 | 0.75 |
| Equity risk premium (%) | | **3.5** | 3.5 | 3.5 |
| Risk discount rate (%) | | | | |
| | – Health and Vitality[1] | **13.875** | 15.125 | 14.875 |
| | – Life and Invest[1] | **14.375** | 15.625 | 15.375 |
| | – VitalityHealth | **6.573** | 5.992 | 6.573 |
| | – VitalityLife | **6.758** | 5.975 | 6.495 |
| Rand/GBP exchange rate | | | | |
| Closing | | **23.61** | 23.57 | 23.07 |
| Average | | **23.14** | 23.43 | 23.55 |
| Margin over expense inflation to derive medical inflation (%) | | | | |
| South Africa | | **3.00** | 3.00 | 3.00 |
| Expense inflation (%)[2] | | | | |
| South Africa | – Health and Vitality | **6.01** | 7.16 | 6.87 |
| | – Life and Invest | **6.54** | 7.72 | 7.05 |
| United Kingdom | | **3.99** | 3.75 | 4.01 |
| Pre-tax investment return (%) | | | | |
| South Africa | – Cash[1] | **10.25** | 11.50 | 11.25 |
| | – Life and Invest bonds[3] | **11.75** | 13.00 | 12.75 |
| | – Health and Vitality bonds[3] | **11.25** | 12.50 | 12.25 |
| | – Equity | **15.25** | 16.50 | 16.25 |
| United Kingdom | – VitalityHealth risk-free rate | **3.95** | 3.37 | 3.95 |
| | – VitalityLife risk-free rate | **4.13** | 3.35 | 3.87 |
| | – VitalityLife investment return | **4.92** | 4.70 | 4.91 |
| Long-term corporation tax rate (%) | | | | |
| South Africa | | **27** | 27 | 27 |
| United Kingdom | | **25** | 25 | 25 |
| VitalityHealth margin assumptions | | | | |
| | – Margin (net of tax and cost of required capital) (%) | **12.42** | 12.07 | 12.35 |
| | – Annuity Factor | **6.42** | 6.63 | 6.42 |
| Projection term | | | | |
| | – Health and Vitality | **20 years** | 20 years | 20 years |
| | – Life – VIF | **40 years** | 40 years | 40 years |
| | – Group Life | **20 years** | 20 years | 20 years |
| | – VitalityLife | **No cap** | No cap | No cap |
| | – VitalityHealth[4] | **20 years** | 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 projection term of 20 years is used in the derivation of the Annuity Factor.*

The Discovery Group embedded value is calculated based on a risk discount rate using the Capital Asset Pricing Model (CAPM) approach with specific reference to the Discovery Group 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 and augmented by future expectations.

VitalityLife assumptions were derived from internal experience, where available, augmented by reinsurance, industry and Discovery 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 an internally derived nominal yield curve, which is consistent with the IFRS 17 reporting basis.

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 was based on the single interest rate derived from the Prudential Regulatory Authority yield curve. VitalityLife has transitioned to the use of full yield curves to represent its risk-free rate assumption following the implementation of IFRS 17. For consistency, VitalityLife has also transitioned to the use of a market inflation curve from a long-term market view of inflation.

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 assumed profit margins after tax and the cost of required capital. The assumptions underlying the Annuity Factor and Margin are set at the total book level, taking into account the current experience and future expectations across all durations of in force business.

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 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 six months ended 31 December 2024***

## BASIS OF PREPARATION

The risk discount rate uses the CAPM approach with specific reference to the Discovery Group 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 31 December 2024 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

| | Discovery Group | Health and Vitality | | Life and Invest | | VitalityHealth | | VitalityLife | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| R million | Adjusted net worth | Value of in-force | Cost of required capital | Value of in-force | Cost of required capital | Value of in-force | Cost of required capital | Value of in-force | Cost of required capital | **Embedded value** | % change |
| Base | 22 119 | 28 345 | (524) | 41 643 | (1 844) | 15 891 | (417) | 14 924 | (521) | **119 616** | |
| Impact of: | | | | | | | | | | | |
| Risk discount rate + 1% | 22 119 | 26 791 | (568) | 38 130 | (1 943) | 15 083 | (547) | 13 879 | (586) | **112 358** | (6) |
| Risk discount rate – 1% | 22 119 | 30 063 | (474) | 45 783 | (1 723) | 16 783 | (273) | 16 128 | (413) | **127 993** | 7 |
| Lapses – 10% | 21 903 | 29 254 | (549) | 45 150 | (1 948) | 18 497 | (485) | 15 805 | (644) | **126 983** | 6 |
| Interest rates – 1%[1] | 22 308 | 28 488 | (504) | 42 310 | (1 816) | 16 783 | (440) | 14 486 | (621) | **120 994** | 1 |
| Equity and property market value – 10% | 22 105 | 28 345 | (524) | 40 784 | (1 833) | 15 891 | (417) | 14 924 | (521) | **118 754** | (1) |
| Equity and property return + 1% | 22 119 | 28 345 | (524) | 42 054 | (1 840) | 15 891 | (417) | 14 924 | (521) | **120 031** | – |
| Renewal expenses – 10% | 22 233 | 31 050 | (486) | 42 387 | (1 792) | 17 288 | (417) | 15 227 | (504) | **124 986** | 4 |
| Mortality and Morbidity – 5% | 22 420 | 28 345 | (524) | 44 360 | (1 691) | 18 796 | (417) | 15 390 | (500) | **126 179** | 5 |
| Projection term + 1 year | 22 119 | 28 675 | (529) | 41 727 | (1 847) | 16 012 | (420) | 14 924 | (521) | **120 140** | – |

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

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

### Table 10: Value of new business sensitivity

| | Health and Vitality | | Life and Invest | | VitalityHealth | | VitalityLife | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| R million | Value of in-force | Cost of required capital | Value of in-force | Cost of required capital | Value of in-force | Cost of required capital | Value of in-force | Cost of required capital | **Value of new business** | % change |
| Base | 493 | (21) | 275 | (36) | 207 | (26) | 103 | (42) | **953** | |
| Impact of: | | | | | | | | | | |
| Risk discount rate + 1% | 451 | (23) | 187 | (38) | 155 | (34) | 17 | (48) | **667** | (30) |
| Risk discount rate – 1% | 538 | (19) | 377 | (34) | 264 | (17) | 200 | (34) | **1 275** | 34 |
| Lapses – 10% | 524 | (23) | 374 | (38) | 389 | (31) | 216 | (49) | **1 362** | 43 |
| Interest rates – 1%[1] | 499 | (21) | 278 | (35) | 264 | (28) | 172 | (51) | **1 078** | 13 |
| Equity and property return + 1% | 493 | (21) | 290 | (36) | 207 | (26) | 103 | (42) | **968** | 2 |
| Renewal expense – 10% | 561 | (20) | 296 | (35) | 288 | (26) | 137 | (42) | **1 159** | 22 |
| Mortality and morbidity – 5% | 493 | (21) | 311 | (33) | 375 | (26) | 135 | (42) | **1 192** | 25 |
| Projection term + 1 year | 501 | (22) | 277 | (36) | 214 | (26) | 103 | (42) | **969** | 2 |
| Acquisition expenses – 10% | 511 | (21) | 363 | (36) | 226 | (26) | 228 | (42) | **1 203** | 26 |

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

# Annexure A

# ANNEXURE A

This Annexure does not form part of the IFRS results. Discovery assesses its performance using alternative non-IFRS profit and income measures. These measures enhance the comparability and understanding of the financial performance of the Group.

## New business annualised premium income

for the six months ended 31 December 2024

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, 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, decreased by 12% for the six months ended 31 December 2024 when compared to the corresponding prior period.

| R million | Group 31 December 2024 | Restated Group 31 December 2023 | % Change |
|---|---|---|---|
| Discovery Health[1] | **4 714** | 6 835 | -31% |
| Discovery Life | **1 463** | 1 519 | -4% |
| Individual Life | **1 440** | 1 444 | -% |
| Group Life | **23** | 75 | -69% |
| Discovery Invest | **1 735** | 1 629 | 7% |
| Discovery Insure | **659** | 666 | -1% |
| Discovery Vitality | **256** | 217 | 18% |
| Discovery Umbrella | **192** | 150 | 28% |
| **Core new business API from Discovery SA** | **9 019** | 11 016 | -18% |
| VitalityHealth[2] | **1 326** | 1 300 | 2% |
| VitalityLife | **1 101** | 935 | 18% |
| Ping An Health Insurance (PAHI) own licence | **1 088** | 1 027 | 6% |
| **Core new business API from Vitality** | **3 515** | 3 262 | 8% |
| **Total new business API of Group excluding products in run down or discontinued[3]** | **12 534** | 14 278 | -12% |

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 FlexiCare cover. Closed Schemes refer to those restricted to certain employers and industries. In the corresponding prior period, Discovery Health secured the administration of Sasolmed Medical Scheme. Excluding Sasolmed, new business API increased 9%.*

2 *VitalityHealth has amended the new business definition to include expansions of existing business. The comparative VitalityHealth API has been restated. This has been done to align to Discovery Health.*

3 *Products in run down or discontinued include Discovery Insure Commercial, VitalityInvest and PAHI reinsurance business. The comparative API has been restated to exclude Discovery Insure Commercial given the decision to exit this market with cover ceasing on 31 August 2024.*

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

Refer to the 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.

# ANNEXURE A *continued*

## Income from non-insurance business lines

for the six months ended 31 December 2024

The table below includes income from business lines and activities not covered by the new business API definition, as outlined in the previous table. For Discovery Bank, banking fees and commissions are presented net of related expenses. This information differs from that provided in note A.4, which reflects the gross revenue streams for goods or services within the scope of IFRS 15 *Revenue from Contracts with Customers*.

| R million | Group 31 December 2024 | Group 31 December 2023 | Change % |
|---|---|---|---|
| Discovery Health – Income excluded from API measure | **646** | 592 | 9% |
| Discovery Bank | **1 100** | 777 | 42% |
| Discovery Bank – Net banking fee and commission income (NIR)[1] | **611** | 411 | 49% |
| Discovery Bank – Net bank interest and similar income (NII) | **489** | 366 | 34% |
| Vitality Global income[2] | **1 435** | 1 417 | 1% |
| Vitality Network | **970** | 942 | 3% |
| Vitality Health International (excluding PAHI) | **465** | 475 | -2% |
| **Total income from non-insurance business lines** | **3 181** | 2 786 | 14% |

1 *Refer to A.1 Segment Information*
2 *Vitality Global income includes gross recurring and lump sum revenues earned by Vitality Group and solution revenue from external clients, while that from internal clients and rewards is specifically excluded*

## Cash conversion ratio

For the six months ended 31 December 2024

Cash conversion is calculated as Operating Cash Flow per the Group shareholder free cash movement included in the additional analyst information on Discovery's website, divided by Normalised profit from operations (IFRS total) net of Income tax expense (IFRS total) per A.1 Segment Information.

| | Group 31 December 2024 | Group 31 December 2023 | Change % | Group 30 June 2024 |
|---|---|---|---|---|
| Cash conversion ratio | 75% | 75% | – | 66% |

The cash conversion in the prior year has been restated for the correction of prior period errors in line with and as disclosed in the annual financial statements for the year ended 30 June 2024. Refer to D.1.1 for more details. For purposes of calculating the cash conversion, the prior period has been restated for consistency to include the net impact of funding from financial reinsurance, which offsets new business acquisition costs, and the in-period repayments in respect of previous funding taken. For details regarding this impact refer additional analyst information published on Discovery's website.

# ADMINISTRATION

**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** Nedbank Corporate and Investment Banking,
a division of Nedbank Limited

**Secretary and registered office** AC Ceba (FCG)(F.Inst D)
Discovery Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1999/007789/06)
Company tax reference number: 9652/003/71/7

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

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* *Executive.*

**Debt officer** DM Viljoen

**Interim financial results**
– prepared by G Pieterse CA(SA), J Symons CA(SA)
– supervised by DM Viljoen CA(SA)

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

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