



Unaudited interim results and cash dividend declaration for the six months ended 31 December 2007

- Diluted embedded value per share **+19% to R27,64**
- Operating profit before new ventures **+35% to R726 million**
- Net profit after tax **+34% to R541 million**
- Diluted HEPS **+14% to 74,9 cents per share**
- Interim dividend of **21,5 cents per share.**

Commentary

Discovery performed pleasingly in the period under review. The results achieved reflect a combination of:

- excellent operational performance from the Group's local businesses;
- increasing traction in the UK through PruHealth – its joint venture with the Prudential plc; and
- a change of direction for its US business, Destiny Health.

In addition, during the period under review, Discovery launched both Discovery Invest – its South African long-term savings business – and PruProtect, its UK Protection joint venture.

Discovery's core purpose of making people healthier and enhancing and protecting their lives has translated into a philosophy of consumerism in healthcare, life assurance and financial services. The manifestation of this on the ground is products that use Vitality, the incentive-based wellness programme, as a foundation, both to engage clients and to integrate products. This has enabled Discovery to create a strong and powerful competitive advantage as well as to maximise its value propositions to its clients.

During the period under review, the efficacy of this approach was clearly demonstrated.

For the period under review, operating profit grew 31% before the impact of the BEE transaction to R843 million (2006: R645 million), while profit after tax rose by 34% to R541 million. Diluted headline earnings per share increased 14% to 74,9 cents (2006: 65,9 cents) and new business, excluding Destiny, grew by 12% to R2,19 billion (2006: R1,96 billion).

Discovery Health

Discovery Health performed particularly pleasingly and exceeded expectations.

Operating profits rose by 14% to R389 million (2006: R342 million) with new business improving to R1 265 million (2006: R1 233 million). The number of lives under management grew to 2 054 270 in total (2006: 1 974 675).

Several substantial strategies have been embarked upon over the last two years and, during the period under review, virtually all of these came to fruition. They are:

- The number of GPs in the Discovery GP Network, and the number of specialists contracted to the specialist payment arrangement exceeded target, and approached approximately 80% of all doctors in the private sector by January 2008. The effect going forward is Discovery Health Medical Scheme members will have certainty of cover and limited out-of-pocket expenses when visiting these doctors. Importantly, a foundation has been built from which to work with doctors more widely and constructively.
- Utilising the scale of Discovery Health, structures and contracts have been entered into throughout the healthcare system, so that benefits can be offered at maximum quality and at contained cost. This has been achieved despite the hospital oligopoly that exists within the private healthcare system.
- Significant efficiencies have been achieved in the operational, administrative and risk management structures within Discovery Health, enabling administration fees charged to the Discovery Health Medical Scheme to continue to reduce.
- The significant investment in risk-management and managed care has meant that medical costs have been controlled, and the resulting medical inflation contained, despite the adverse selection and aging population of the private healthcare system.
- The Discovery Health Medical Scheme generated in excess of R1 billion in surpluses for the calendar year 2007, enabling it to achieve its stated solvency target for the year. It is well on track to achieve the 25% statutory solvency requirement at December 2008.

Most importantly, from a client perspective, the Discovery Health Medical Scheme has been providing – and will continue to provide – sustainable access to private healthcare. During the period under review, more than 98% of members of the Discovery Health Medical Scheme either remained on their current plan, or bought up to higher benefit levels. This is the antithesis of the sentiment that surrounds private healthcare, reflecting the reality that, with sound management and appropriate investment, access to private healthcare can be sustained and advanced.

Discovery Life

Discovery Life's performance was excellent and exceeded expectations. The company increased operating profits by 46%, while gross inflows under management increased by 31% to R1 446 million (2006: R1 107 million). Annualised new business premium income rose by 31%, to R627 million (2006: R480 million). The value of business in force improved significantly, growing by 31% to R6 623 million (2006: R5 068 million).

The effectiveness of Discovery Life's approach to life assurance was clearly demonstrated during the period under review. Discovery Life estimates that it transacts more new business in the pure risk market than any other company in South Africa. The combination of innovative and relevant benefit structures, with the use of Vitality to enable dynamic pricing, allowed Discovery Life to achieve unique levels of competitiveness, and better risk selection – both in terms of new business and lapses. The result of this was substantial flows of new business, and mortality and morbidity experiences that significantly surpassed expectations. In addition, Discovery Financial Consultants, Discovery's tied agency force continues to grow successfully with production per consultant in line with expectation, producing in excess of 9% of the total individual life new business flow of Discovery Life.

Discovery Invest

During the period under review, Discovery launched its investment business, Discovery Invest. The launch, implementation, and market receptivity to this new offering, have exceeded expectations. The strategy behind Discovery Invest is to harness the significant sophistication of the investment markets – as evidenced by the breadth and skill of the asset management industry – while adding value from an insurance-structural product perspective. The manifestation of this strategy consists of three components:

1. The breadth of the product range, which encompasses all forms of long-term savings from pre-retirement to in-retirement products;
2. To utilise Vitality as a foundation and an enabler for integration with other Discovery products, so that administration and asset management fees paid by clients can be reduced significantly; and
3. To partner with the appropriate asset management capabilities in order to offer the best and most appropriate asset management component for the Discovery Invest product range. To this end, Discovery has chosen Investec Asset Management to provide local asset management capabilities and Deutsche Bank London to provide the expertise and capacity for the complex structures it requires to complement these capabilities.

The result of this approach has been pleasing. The Discovery Invest product range has proved to be particularly appealing and competitive. Investment choices like RightChoice™, which enables investors to have the benefit of hindsight, and the Escalated Products, which enable investors to have the benefit of dynamic guarantees, have proved particularly popular. The Integrated Endowment, which enables investors who are Discovery Life policyholders to invest without any asset management or administrative fees whatsoever, has also been well received. Discovery Invest was launched before the end of the period under review and only began transacting new business two months ago; however, early indications are particularly positive.

Approximately 80% of inflows are to Discovery Invest funds and over 1 000 intermediaries have written business with Discovery Invest.

PruHealth

The performance of PruHealth was pleasing, demonstrating a concerted focus on the quality of the business. In the period under review, significant progress was made, creating an important foundation for profitability and profitable growth. PruHealth continues to achieve strong leadership in the UK private medical insurance market, evidenced by the quantum of new business transacted and by the number of important awards the company continues to receive. Once again, PruHealth was awarded the Health Insurance Company of the Year in the UK for 2007.

Having said this, considerable focus was placed on the key drivers of the quality and profitability of the business:

- In addition to the quantum of new business transacted, the spread by distribution channel widened considerably with the direct-to-consumer and online channels generating over 30% of the new business result. The independent financial adviser channel achieved the remainder. This balance of distribution channels bodes well for the sustainability of new business going forward.
- Considerable investment was made in risk management and managed care with broad successes achieved across the spectrum of healthcare cost containment. The effect was to reduce the loss ratio from calendar year 2006 to calendar year 2007 by 12%. The structures created are expected to continue this success going forward.
- Considerable focus was placed on the management of lapses with the result that the lapse rate of PruHealth was 5% lower than that of the industry. Importantly, the link to Vitality has ensured positive lapse selection – on average, sicker members leave PruHealth rather than stay.
- Given the increasing critical mass of the business, focus was placed on administrative efficiency, achieving a 40% reduction in per-member-operating-cost levels over the last year. It is expected that further efficiencies will be achieved in 2008 with the renewal cost per member, per month, projected to be 12% less than in 2007.

The upfront nature of PruHealth's acquisition costs and the fact that premium loading emerges in the longer term – because premiums are linked to both age and medical inflation – means that accounting profits will invariably be dampened by the rapid growth rate of the business. In this context, embedded value is an appropriate measure for the progress made. Embedded value results have been included for the first time in these results. The total embedded value is estimated at R1 250 million and Discovery's portion thereof is R625 million in value, comprising R282 million of value-in-force and R343 million of net asset value.

PruProtect

During the period under review, PruProtect – Discovery's UK life assurance joint venture with the Prudential plc – was launched. PruProtect's strategy mirrors that of Discovery Life, as it is based on the Vitality structure and enables dynamic pricing to be employed in the UK life assurance market. Built into this strategy is the expectation that premium levels will be competitive and risk-selection will be improved. While the company has just recently been launched, initial market feedback from the public has been positive and encouraging.

A fundamental decision in the creation of PruProtect is the belief that the business requires a dedicated high-advice distribution channel in the broker market. To this end, PruProtect has begun rolling out a franchise distribution channel, wherein owner-managed branch offices are created that market PruProtect to independent financial advisers across the UK. The approach is similar to that used by Discovery Life in South Africa. It is still early in the evolution of the strategy and, by the end of the period, 11 franchises had been launched. Discovery is optimistic of its ability to build PruProtect successfully and to link it to PruHealth, achieving in the UK what Discovery has set out to achieve in South Africa.

Destiny Health

At the 2007 financial year results, Discovery announced that a strategic review of Destiny Health would be undertaken and an announcement of the final strategy would be made during the period. Whilst a clear strategy was decided upon, the complexity of its execution meant that it could only be communicated at this announcement. Destiny Health will be exiting the US retail insurance market and will continue to market its Vitality product on a stand-alone basis to employer groups and health plans. It is important to put this change of strategy into context:

- While Destiny Health was making progress in its attempt to build a retail health insurance business, in 2004 and 2005 the Illinois health insurance market in which it operated became particularly difficult. Destiny Health found itself in a position of structural disadvantage, wherein the price it paid for the healthcare of its members was significantly higher than the price paid by its large competitors. This relative disadvantage continued to deteriorate over time.
- In an attempt to address this, Destiny Health restructured its relationship with the Guardian Life Insurance Company of America, formed a strategic partnership with AEGON, reworked its healthcare network arrangements – and attempted to move into a number of markets wherein network discounts were competitive.
- Despite the considerable progress made, the operating losses incurred for the financial year to June 2007 exceeded the Discovery Board's parameters that were set for this strategy.

In order to execute on this strategy, Destiny Health will be transferring its insured block of business to a well-respected health insurance carrier. The new carrier will assume operating the Destiny Health business from 1 April 2008 and, as policies reach their renewal date, they will be transferred to an appropriate replacement health plan. Destiny Health will continue to carry the risk of these members until the transfer has taken place. The approach is a favourable one for all stakeholders, protecting members and freeing Destiny up to pursue other strategies. While the Destiny Health staff in the US will be significantly reduced as a result of the change in focus, Discovery has estimated a provisional cost of \$25 – 30 million to run off this business over the next 18 months.

Going forward, Discovery is clear that while its execution in the US was not satisfactory and it suffered structural strategic disadvantage, its products, most notably Vitality, were particularly well received, were considered unique, and addressed many of the fundamental trends taking place in the US healthcare system. In particular, the shift to focusing on wellness and the uniqueness of the Vitality approach have meant that Discovery will continue to offer the Vitality programme in the US, but will do so on a stand-alone basis, by wrapping it around other health plans and employer groups. In just six months, ten employers consisting of just under 50 000 total subscribers have purchased Vitality on a stand-alone basis. Importantly, the approach plays to Discovery's strengths by utilising the chassis already built in the US, as well as the unique research and development and data capabilities Discovery has established in South Africa, the UK and the US. It is also important that, unlike retail insurance, the approach is not capital intensive – and capital invested will be done so on a success basis as the business evolves.

Prospects

Discovery's businesses remain well positioned for growth going forward without requiring additional capital.

MI Hilkowitz
Chairperson

25 February 2008

A Gore
Chief Executive Officer

Income statement

for the six months ended 31 December 2007

R million	Group Six months ended December 2007 Unaudited	Group Six months ended December 2006 Unaudited	% change	Group Year ended June 2007 Audited
Insurance premium revenue	1 995	1 776		3 710
Reinsurance premiums	(361)	(292)		(593)
Net insurance premiums	1 634	1 484		3 117
Fee income from administration business	1 159	1 007		2 142
Investment income	99	77		175
Net realised gains on financial instruments held as available-for-sale	147	40		195
Net fair value gains on financial instruments at fair value through profit or loss	17	93		151
Vitality income	387	355		721
Net income	3 443	3 056		6 501
Insurance benefits and claims	(1 007)	(952)		(1 919)
Insurance claims recovered from reinsurers	275	261		475
Net insurance benefits and claims	(732)	(691)		(1 444)
Acquisition costs	(559)	(509)		(1 015)
Marketing and administration expenses	(1 783)	(1 441)		(3 069)
Recovery of expenses from reinsurer	42	–		91
Transfer from assets/liabilities under insurance contracts	452	325		587
– change in assets arising from insurance contracts	428	349		651
– change in liabilities arising from insurance contracts	25	(23)		(60)
– change in liabilities arising from reinsurance contracts	(1)	(1)		(4)
Fair value adjustment to liabilities under investment contracts	(20)	(95)		(141)
Profit before BEE expenses	843	645	31	1 510
BEE expenses	(11)	(17)		(34)
Profit from operations	832	628		1 476
Finance costs	(36)	(11)		(21)
Foreign exchange profit – unrealised	4	1		3
Share of profit from associate	–	2		–
Profit before taxation	800	620	29	1 458
Taxation	(259)	(216)		(385)
Profit for the year	541	404	34	1 073
Attributable to:				
Equity holders	538	403		1 073
Minority interests	3	1		–
	541	404		1 073
Earnings per share for profit attributable to the equity holders during the year (cents):				
– basic	99,5	75,3	32	200,0
– diluted	98,4	72,1	36	196,4

Balance sheet

at 31 December 2007

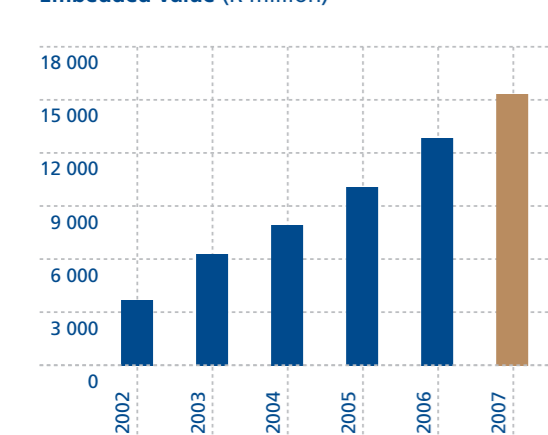
R million	Group December 2007 Unaudited	Group June 2007 Audited
ASSETS		
Property and equipment	282	228
Intangible assets including deferred acquisition costs	172	113
Assets arising from insurance contracts	3 542	3 114
Investment in associate	1	1
Financial assets	4 384	4 056
– Equity securities	2 124	2 155
– Debt securities	281	313
– Money market	698	577
– Equity linked notes	173	123
– Loans and receivables including insurance receivables	1 108	888
Deferred income tax	106	80
Current income tax asset	–	4
Reinsurance contracts	56	51
Cash and cash equivalents	804	996
Total assets	9 347	8 643
EQUITY		
Capital and reserves		
Share capital and share premium	1 427	1 393
Other reserves	801	912
Retained earnings	3 462	3 057
Total equity	5 690	5 362
LIABILITIES		
Liabilities arising from insurance contracts	788	742
Liabilities arising from reinsurance contracts	17	20
Financial liabilities		
– Investment contracts at fair value through profit or loss	792	735
– Borrowings at amortised cost	94	73
Deferred income tax	939	806
Deferred revenue	66	122
Provisions	61	48
Trade and other payables	881	735
Current income tax liabilities	19	–
Total liabilities	3 657	3 281
Total equity and liabilities	9 347	8 643

Cash flow statement

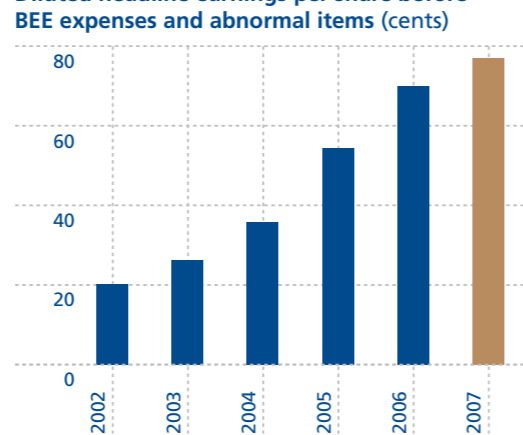
for the six months ended 31 December 2007

R million	Group Six months ended December 2007 Unaudited	Group Six months ended December 2006 Unaudited	Group Year ended June 2007 Audited
Cash flow from operating activities	128	90	575
Cash generated by operations	256	181	799
Working capital changes	(146)	32	(42)
Dividends received	110	213	757
Interest received	23	17	43
Finance costs	85	59	143
Taxation paid	(11)	(12)	(23)
	(79)	(187)	(345)
Cash flow from investing activities	(231)	(388)	(625)
Net purchases of investments	(97)	(332)	(456)
Purchase of equipment	(91)	(37)	(108)
Purchase of intangible assets	(43)	(19)	(61)
Cash flow from financing activities	(77)	(144)	(283)
Proceeds from shares issued	35	44	48
Dividends paid to equity holders	(131)	(160)	(239)
Minority share buy-back	(5)	(3)	(5)
Increase/(repayment)of borrowings	24	(25)	(87)
Net decrease in cash and cash equivalents	(180)	(442)	(333)
Cash and cash equivalents at beginning of year	996	1 322	1 322
Effects of exchange rate changes on cash and cash equivalents	(12)	2	7
Cash and cash equivalents at end of year	804	882	996

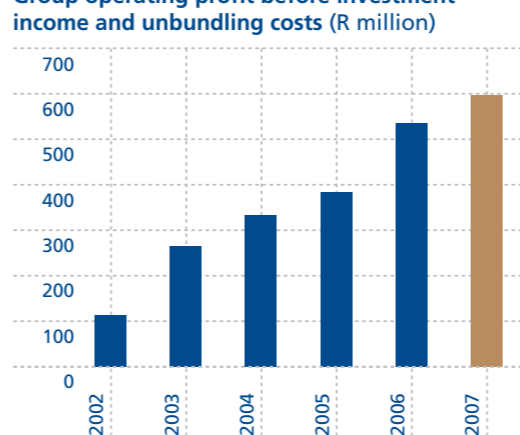
Embedded value (R million)



Diluted headline earnings per share before BEE expenses and abnormal items (cents)



Group operating profit before investment income and unbundling costs (R million)



Statement of changes in equity

for the six months ended 31 December 2007

R million	Attributable to equity holders of the Company							Total
	Share capital and share premium	Share-based payment reserve	Investment reserve	Translation reserve	Hedging reserve	Retained earnings	Minority interest	
31 December 2007								
Balance at 1 July 2007	1 393	257	542	115	(2)	3 057	(3)	5 362
Issue of capital	34	-	-	-	-	-	-	31
Share-based payments	-	16	-	-	-	-	-	16
Unrealised gains on investments	-	-	10	-	-	-	-	10
Capital gains tax on unrealised gains on investments	-	-	(5)	-	-	-	-	(5)
Realised gains on investments transferred to income statement	-	-	(147)	-	-	-	-	(147)
Capital gains tax on realised gains on investments	-	-	19	-	-	-	-	19
Currency translation differences	-	-	-	(7)	-	-	-	(7)
Transfer to hedging reserve	-	-	-	-	3	-	-	3
Net profit for the period	-	-	-	-	-	538	3	541
Dividends paid to equity holders	-	-	-	-	-	(131)	-	(131)
Realised loss on minority share buy-back	-	-	-	-	-	(2)	-	(2)
Balance at 31 December 2007	1 427	273	419	108	1	3 462	-	5 690
31 December 2006								
Balance at 1 July 2006	1 348	205	319	112	4	2 224	(1)	4 212
Issue of capital	39	-	-	-	-	-	-	38
Share-based payments	-	27	-	-	-	-	-	27
Unrealised gains on investments	-	-	257	-	-	-	-	257
Capital gains tax on unrealised gains on investments	-	-	(34)	-	-	-	-	(34)
Realised gains on investments transferred to income statement	-	-	(40)	-	-	-	-	(40)
Capital gains tax on realised gains on investments	-	-	3	-	-	-	-	3
Currency translation differences	-	-	-	3	-	-	-	3
Transfer from hedging reserve	-	-	-	-	(7)	-	-	(7)
Net profit for the period	-	-	-	-	-	403	1	404
Dividends paid to equity holders	-	-	-	-	-	(155)	-	(155)
Realised loss on minority share buy-back	-	-	-	-	-	(1)	-	(1)
Balance at 31 December 2006	1 387	232	505	115	(3)	2 471	-	4 707

Segmental information

for the six months ended 31 December 2007

R million	Health			Life		Vitality	Holdings	Total
	South Africa	United States of America	United Kingdom	South Africa	United Kingdom			
31 December 2007								
New business annualised premium income*	1 265	209	248	627	5	46	-	2 400
Gross inflows under management*	9 977	520	431	1 446	3	387	-	12 764
Income statement								
Insurance premium revenue	7	347	215	1 424	2	-	-	1 995
Reinsurance premiums	(1)	(33)	(45)	(282)	-	-	-	(361)
Net insurance premiums	6	314	170	1 142	2	-	-	1 634
Fee income from administration business	1 137	-	-	22	-	-	-	1 159
Investment income	24	4	10	50	-	10	1	99
Net realised gains on financial instruments held as available-for-sale	-	-	-	147	-	-	-	147
Net fair value gains on financial instruments at fair value through profit or loss	-	-	-	17	-	-	-	17
Vitality income	-	-	-	-	-	387	-	387
Net income	1 167	318	180	1 378	2	397	1	3 443
Insurance benefits and claims	(7)	(330)	(140)	(530)	-	-	-	(1 007)
Insurance claims recovered from reinsurers	2	25	25	223	-	-	-	275
Net insurance benefits and claims	(5)	(305)	(115)	(307)	-	-	-	(732)
Acquisition costs	-	(16)	(23)	(490)	(4)	(26)	-	(559)
Marketing and administration expenses	(752)	(108)	(153)	(374)	(38)	(340)	(18)	(1 783)
Recovery of expenses from reinsurer	-	-	41	-	1	-	-	42
Transfer from assets/liabilities under insurance contracts	-	-	-	428	-	-	-	428
- change in assets arising from insurance contracts	-	-	-	-	-	-	-	-
- change in liabilities arising from insurance contracts	3	35	(3)	(7)	(3)	-	-	25
- change in liabilities arising from reinsurance contracts	-	-	-	(1)	-	-	-	(1)
Fair value adjustment to liabilities under investment contracts	-	-	-	(20)	-	-	-	(20)
Profit/(loss) before BEE expenses	413	(76)	(73)	607	(42)	31	(17)	843
BEE expenses	-	-	-	-	-	-	-	(11)
Profit from operations	-	-	-	-	-	-	-	832
Finance costs	-	-	-	-	-	-	-	(36)
Foreign exchange profit - unrealised	-	-	-	-	-	-	-	4
Profit before taxation	-	-	-	-	-	-	-	800
Taxation	-	-	-	-	-	-	-	(259)
Profit for the year	541	-	-	-	-	-	-	541
31 December 2006								
New business annualised premium income*	1 233	474	198	480	-	46	-	2 431
Gross inflows under management*	8 905	643	218	1 107	-	355	-	11 228
Income statement								
Insurance premium revenue	75	485	109	1 107	-	-	-	1 776
Reinsurance premiums	(1)	(35)	(3)	(253)	-	-	-	(292)
Net insurance premiums	74	450	106	854	-	-	-	1 484
Fee income from administration business	1 006	-	-	1	-	-	-	1 007
Investment income	24	6	3	36	-	6	2	77
Net realised gains on financial instruments held as available-for-sale	-	-	-	40	-	-	-	40
Net fair value gains on financial instruments at fair value through profit or loss	-	-	-	93	-	-	-	93
Vitality income	-	-	-	-	-	355	-	355
Net income	1 104	456	109	1 024	-	361	2	3 056
Insurance benefits and claims	(59)	(363)	(84)	(446)	-	-	-	(952)
Insurance claims recovered from reinsurers	1	40	-	220	-	-	-	261
Net insurance benefits and claims	(58)	(323)	(84)	(226)	-	-	-	(691)
Acquisition costs	-	(22)	(14)	(443)	-	(30)	-	(509)
Marketing and administration expenses	(681)	(130)	(120)	(211)	-	(299)	(1)	(1 441)
Transfer from assets/liabilities under insurance contracts	-	-	-	349	-	-	-	349
- change in assets arising from insurance contracts	-	-	-	-	-	-	-	-
- change in liabilities arising from insurance contracts	1	(8)	(11)	(5)	-	-	-	(23)
- change in liabilities arising from reinsurance contracts	-	-	-	(1)	-	-	-	(1)
Fair value adjustment to liabilities under investment contracts	-	-	-	(95)	-	-	-	(95)
Profit/(loss) before BEE expenses	366	(27)	(120)	392	-	32	2	645
BEE expenses	-	-	-	-	-	-	-	(17)
Profit from operations	-	-	-	-	-	-	-	628
Finance costs	-	-	-	-	-	-	-	(11)
Foreign exchange profit - unrealised	-	-	-	-	-	-	-	1
Share of profit from associate	-	-	-	-	-	-	-	2
Profit before taxation	-	-	-	-	-	-	-	620
Taxation	-	-	-	-	-	-	-	(216)
Profit for the year	404	-	-	-	-	-	-	404

*New business annualised premium income and gross inflows under management include flows of the schemes Discovery administers and 100% of the business conducted together with its joint venture partners.

Embedded value statement

for the six months ended 31 December 2007

The embedded value of Discovery at 31 December 2007 is calculated as the sum of the following components:

- the excess assets over liabilities at the valuation date (i.e. shareholders' funds); and
- the value of in-force business at the valuation date (less an allowance for the cost of capital and secondary tax on companies (STC)).

Assumptions underlying the projection of in-force business were based on the results of recent experience investigations.

An abridged embedded value statement is shown below. The complete embedded value statement is available on our website at www.discovery.co.za.

The auditors, PricewaterhouseCoopers Inc., have reviewed the consolidated value of in-force business and value of new business of Discovery Holdings Limited and its subsidiaries for the six months ended 31 December 2007. A copy of the auditors' unqualified report is available for inspection at the company's registered office.

Table 1: Group embedded value

R million	31 December		% Change	30 June 2007 Restated
	2007 ⁽¹⁾	2006		
Shareholders' funds	5 690	4 707	21	5 362
Adjustment to shareholders' funds from published basis ⁽²⁾	(3 318)	(2 394)	-	(2 833)
Adjusted net worth	2 372	2 313	-	2 529
Run-down costs for Destiny Health ⁽³⁾	(300)	-	-	-
Value of in-force business before cost of capital	13 648	10 956	11	11 776
Cost of capital	(60)	(132)	(2)	(32)
Cost of STC	(310)	(293)	(1)	(275)
PruHealth value of in-force after cost of capital and STC at 30 June 2007 ⁽⁴⁾	-	-	-	168
Discovery Holdings embedded value	15 350	12 844	20	14 166
Number of shares (millions)	542,7	537,4	-	538,7
Embedded value per share	R28,28	R23,90	18	R26,30
Diluted number of shares (millions)	574,7	559,4	-	559,7
Diluted embedded value per share	R27,64	R23,29	19	R25,64

(1) The term of the Health and Vitality projection has been increased from 10 years to 20 years. The comparative figures at 31 December 2006 and 30 June 2007 have also been calculated assuming a 20-year term.

(2) The published Shareholders' funds have been adjusted to eliminate assets under insurance contracts and deferred acquisition costs at December 2007 of R3 287 million (December 2006: R2 394 million; June 2007: R2 813 million) and deferred acquisition cost asset in respect of PruHealth of R31 million (June 2007: R20 million).

(3) For Destiny Health, no published value has been placed on the current in-force business. An allowance has been made for the expected costs of the run-down of the existing Destiny Health business over the next 18 months.

(4) The PruHealth business has grown and is expected to make a contribution to future profits for Discovery. The profitability indicators for the business are clearer and more predictable, and Discovery's share of the embedded value and value of new business are included in the embedded value for the group. The 30 June 2007 embedded value has been restated to include Discovery's 50% share of the PruHealth value of in-force after cost of capital and STC. No adjustment has been made to the December 2006 embedded value due to the relatively small size of the PruHealth book of business at that date.

Table 2: Value of in-force business at 31 December 2007

R million	Value before cost of capital and STC		Cost of capital	Cost of STC	Value after cost of capital and STC
	Health and Vitality	Life ⁽¹⁾			
Health and Vitality	6 521	-	(148)	(7)	6 373
Life ⁽¹⁾	6 817	(39)	(155)	(7)	6 623
PruHealth ⁽²⁾	310	(21)	(7)	-	282
Total	13 648	(60)	(310)	(14)	13 278

(1) Included in the Life value of in-force is R6 million in respect of investment management services provided on off-balance sheet investment business. The Life cost of capital is based on a statutory capital adequacy requirement at December 2007 of R183 million. (June 2007: R145 million).

(2) The values shown for PruHealth reflect Discovery's 50% shareholding in PruHealth.

Table 3: Group embedded value earnings

R million	Six months ended		Year ended 30 June 2007 Restated
	31 December 2007	31 December 2006	
Embedded value at end of period	15 350	12 844	14 166
Less: Embedded value at beginning of period	(14 166)	(10 587)	(10 587)
Increase in embedded value	1 184	2 257	3 579
Net issue of capital	(31)	(38)	(45)
Dividends paid	131	155	239
Minority share buy-back	5	1	1
Transfer to hedging reserve	(3)	7	6
Extension of modelling term for Health and Vitality from 10 years to 20 years ⁽¹⁾	-	(1 094)	(1 031)
Embedded value earnings	1 286	1 288	2 749
Annualised return on opening embedded value (including run-down costs for Destiny Health)	19.0%	25.8%	26.0%
Annualised return on opening embedded value (excluding run-down costs for Destiny Health)	23.6%	25.8%	26.0%

(1) The embedded value earnings for June 2007 and December 2006 have been adjusted to exclude the impact of the extension of the modelling term for Health and Vitality from 10 to 20 years.

Table 4: Components of Group embedded value earnings

R million	Six months ended		% change	Year ended 30 June 2007 Restated
	31 December 2007	31 December 2006		
Total profit from new business (at point of sale)	444	371	20	742
Profit from existing business	-	-	-	-
• Expected return	674	502	35	1 030
• Change in methodology and assumptions ⁽¹⁾	238	(52)	55	(13)
• Experience variances ⁽²⁾	415	357	16	645
Reversal of Destiny Health opening value of in-force	-	-	-	(5)
Inclusion of PruHealth value of in-force	-	-	-	168
Other initiative costs ⁽³⁾	(247)	(112)	54	(353)
Acquisition costs ⁽⁴⁾	(20)	(49)	59	(27)
Adjustment for minority interest in Destiny Health	-			