Statement of financial position

at 30 June 2017

R million	Group 2017 Audited	Group 2016 Audited
ASSETS		
Assets arising from insurance contracts	**37 691**	33 815
Property and equipment	**1 210**	1 052
Intangible assets including deferred acquisition costs	**5 096**	4 584
Goodwill	**2 107**	2 447
Investment in equity-accounted investees	**979**	491
Financial assets		
– Available-for-sale investments	**7 298**	9 794
– Investments at fair value through profit or loss	**58 948**	50 948
– Derivatives	**392**	590
– Loans and receivables including insurance receivables	**6 470**	4 891
Deferred income tax	**1 337**	824
Current income tax asset	**34**	97
Reinsurance contracts	**263**	410
Cash and cash equivalents	**9 098**	8 634
Total assets	**130 923**	118 577
EQUITY		
Capital and reserves		
Ordinary share capital and share premium	**8 306**	8 300
Perpetual preference share capital	**779**	779
Other reserves	**346**	1 934
Retained earnings	**22 859**	19 594
	32 290	30 607
Non-controlling interest	*****	*
Total equity	**32 290**	30 607
LIABILITIES		
Liabilities arising from insurance contracts	**52 477**	44 673
Liabilities arising from reinsurance contracts	**6 746**	4 894
Financial liabilities		
– Negative reserve funding	**847**	4 248
– Borrowings at amortised cost	**8 524**	5 400
– Investment contracts at fair value through profit or loss	**14 867**	13 514
– Derivatives	**135**	49
– Trade and other payables	**7 369**	8 563
Deferred income tax	**6 963**	6 035
Deferred revenue	**291**	291
Employee benefits	**191**	169
Current income tax liability	**223**	134
Total liabilities	**98 633**	87 970
Total equity and liabilities	**130 923**	118 577

* *Amount is less than R500 000.*

Income statement

for the year ended 30 June 2017

R million	Group 2017 Audited	Group 2016 Audited	% change
Insurance premium revenue	**33 533**	33 074	
Reinsurance premiums	**(3 837)**	(4 316)	
Net insurance premium revenue	**29 696**	28 758	
Fee income from administration business	**8 372**	7 651	
Vitality income	**4 267**	3 844	
Investment income	**758**	745	
– investment income earned on shareholder investments and cash	**150**	265	
– investment income earned on assets backing policyholder liabilities	**608**	480	
Net realised gains on available-for-sale financial assets	**8**	5	
Net fair value gains on financial assets at fair value through profit or loss	**2 108**	2 720	
Net income	**45 209**	43 723	3%
Claims and policyholders' benefits	**(19 237)**	(19 163)	
Insurance claims recovered from reinsurers	**2 816**	3 586	
Recapture of reinsurance	**(858)**	–	
Net claims and policyholders' benefits	**(17 279)**	(15 577)	
Acquisition costs	**(5 237)**	(6 185)	
Marketing and administration expenses	**(15 652)**	(14 789)	
Amortisation of intangibles from business combinations	**(171)**	(275)	
Recovery of expenses from reinsurers	**2 985**	1 346	
Transfer from assets/liabilities under insurance contracts	**(3 362)**	(1 745)	
– change in assets arising from insurance contracts	**5 346**	5 591	
– change in assets arising from reinsurance contracts	**(109)**	41	
– change in liabilities arising from insurance contracts	**(6 625)**	(6 250)	
– change in liabilities arising from reinsurance contracts	**(1 974)**	(1 127)	
Fair value adjustment to liabilities under investment contracts	**(248)**	(695)	
Profit from operations	**6 245**	5 803	8%
Gain from business combination	**–**	8	
Finance costs	**(478)**	(293)	
Foreign exchange (losses)/gains	**(21)**	18	
Share of net profits/(losses) from equity-accounted investments	**26**	(66)	
Profit before tax	**5 772**	5 470	6%
Income tax expense	**(1 278)**	(1 740)	27%
Profit for the year	**4 494**	3 730	20%
Profit attributable to:			
– ordinary shareholders	**4 411**	3 655	21%
– preference shareholders	**83**	75	
– non-controlling interest	*****	*	
	4 494	3 730	20%
Earnings per share for profit attributable to ordinary shareholders of the company during the year (cents):			
– undiluted	**684.2**	573.1	19%
– diluted	**683.6**	568.8	20%

* *Amount is less than R500 000.*

Statement of other comprehensive income

for the year ended 30 June 2017

R million	Group 2017 Audited	Group 2016 Audited	% change
Profit for the year	**4 494**	3 730	
Items that are or may be reclassified subsequently to profit or loss:			
Change in available-for-sale financial assets	**17**	4	
– unrealised gains	**29**	24	
– capital gains tax on unrealised gains	**(6)**	(16)	
– realised gains transferred to profit or loss	**(8)**	(5)	
– capital gains tax on realised gains	**2**	1	
Currency translation differences	**(1 575)**	62	
– unrealised gains	**(1 581)**	86	
– tax on unrealised gains	**6**	(24)	
Cash flow hedges	**33**	(195)	
– unrealised (losses)/gains	**159**	(129)	
– tax on unrealised losses/gains	**(25)**	14	
– gains recycled to profit or loss	**(123)**	(95)	
– tax on recycled gains	**22**	15	
Share of other comprehensive (loss)/income from equity-accounted investments	**(58)**	39	
– change in available-for-sale financial assets	**(1)**	(11)	
– currency translation differences	**(57)**	50	
Other comprehensive loss for the year, net of tax	**(1 583)**	(90)	
Total comprehensive income for the year	**2 911**	3 640	(20%)
Attributable to:			
– ordinary shareholders	**2 828**	3 565	(21%)
– preference shareholders	**83**	75	
– non-controlling interest	*****	*	
Total comprehensive income for the year	**2 911**	3 640	(20%)

* *Amount is less than R500 000.*

Headline earnings

for the year ended 30 June 2017

R million	Group 2017 Audited	Group 2016 Audited	% change
Normalised headline earnings per share (cents):			
– undiluted	**722.2**	676.3	7%
– diluted	**721.5**	671.1	8%
Headline earnings per share (cents):			
– undiluted	**683.1**	571.1	20%
– diluted	**682.5**	566.7	20%
The reconciliation between earnings and headline earnings is shown below:			
Net profit attributable to ordinary shareholders	**4 411**	3 655	
Adjusted for:			
– gains from business combination	**–**	(8)	
– gain on disposal of property and equipment	**(1)**	(2)	
– realised gains on available-for-sale financial assets net of CGT	**(6)**	(4)	
Headline earnings	**4 404**	3 641	21%
– accrual of dividends payable to preference shareholders	**(1)**	(4)	
– additional 54.99% share of Discovery Card profits	**–**	86	
– amortisation of intangibles from business combinations net of deferred tax	**154**	224	
– rebranding and business acquisitions expenses	**99**	365	
Normalised headline earnings	**4 656**	4 312	8%
Weighted number of shares in issue (000's)	**644 651**	637 608	
Diluted weighted number of shares (000's)	**645 236**	642 534	

Statement of changes in equity

for the year ended 30 June 2017

R million	Attributable to equity holders of the Company		
	Share capital and share premium	Preference share capital	Share-based payment reserve
Year ended 30 June 2017			
At beginning of year	**8 300**	**779**	**319**
Total comprehensive income/(loss) for the year	**–**	**83**	**–**
Profit for the year	–	83	–
Other comprehensive income/(losses)	–	–	–
Transactions with owners	**6**	**(83)**	**(5)**
Increase in treasury shares	(4)	–	–
Delivery of treasury shares	11	–	–
Share buy-back	(1)	–	–
Employee share option schemes:			
– Share schemes cancelled	–	–	(19)
– Value of employee services	–	–	14
Dividends paid to preference shareholders	–	(83)	–
Dividends paid to ordinary shareholders	–	–	–
At end of year	**8 306**	**779**	**314**
Year ended 30 June 2016			
At beginning of year	7 488	779	319
Total comprehensive income/(loss) for the year	–	75	–
Profit for the year	–	75	–
Other comprehensive income/(losses)	–	–	–
Transactions with owners	812	(75)	–
Increase in treasury shares	(5)	–	–
Proceeds from treasury shares	*	–	–
Share issue	817	–	–
Share issue costs	*	–	–
Share buy-back	*	–	–
Dividends paid to preference shareholders	–	(75)	–
Dividends paid to ordinary shareholders	–	–	–
At end of year	8 300	779	319

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

Attributable to equity holders of the Company						
Available-for-sale investments[1]	Foreign currency translation reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total
164	**1 485**	**(34)**	**19 594**	**30 607**	*****	**30 607**
16	**(1 632)**	**33**	**4 411**	**2 911**	*****	**2 911**
–	**–**	**–**	**4 411**	**4 494**	*****	**4 494**
16	**(1 632)**	**33**	**–**	**(1 583)**	*****	**(1 583)**
–	**–**	**–**	**(1 146)**	**(1 228)**	**–**	**(1 228)**
–	**–**	**–**	**–**	**(4)**	**–**	**(4)**
–	**–**	**–**	**(11)**	**–**	**–**	**–**
–	**–**	**–**	**1**	**–**	**–**	**–**
–	**–**	**–**	**12**	**(7)**	**–**	**(7)**
–	**–**	**–**	**–**	**14**	**–**	**14**
–	**–**	**–**	**–**	**(83)**	**–**	**(83)**
–	**–**	**–**	**(1 148)**	**(1 148)**	**–**	**(1 148)**
180	**(147)**	**(1)**	**22 859**	**32 290**	*****	**32 290**
171	1 373	161	17 065	27 356	*	27 356
(7)	112	(195)	3 655	3 640	*	3 640
–	–	–	3 655	3 730	*	3 730
(7)	112	(195)	–	(90)	*	(90)
–	–	–	(1 126)	(389)	–	(389)
–	–	–	–	(5)	–	(5)
–	–	–	–	*	–	*
–	–	–	–	817	–	817
–	–	–	–	*	–	*
–	–	–	–	*	–	*
–	–	–	–	(75)	–	(75)
–	–	–	(1 126)	(1 126)	–	(1 126)
164	1 485	(34)	19 594	30 607	*	30 607

Statement of cash flows

for the year ended 30 June 2017

R million	Group 2017 Audited	Group 2016 Audited
Cash flow from operating activities	**(832)**	985
Cash generated by operations	**9 672**	8 481
Net purchase of investments held to back policyholder liabilities[1]	**(7 084)**	(9 597)
Working capital changes	**(4 146)**	1 699
	(1 558)	583
Dividends received	**197**	171
Interest received	**1 711**	1 478
Interest paid	**(437)**	(277)
Taxation paid	**(745)**	(970)
Cash flow from investing activities	**15**	(2 428)
Net disposal of financial assets[2]	**2 125**	286
Purchase of property and equipment	**(239)**	(465)
Proceeds from disposal of property and equipment	**5**	20
Purchase of software and other intangible assets	**(1 353)**	(2 253)
Proceeds from the disposal of intangible assets	**7**	4
Increase in investment in associate	**(530)**	–
Purchase of businesses	**–**	(20)
Cash flow from financing activities	**1 913**	4 009
Proceeds from issuance of ordinary shares	**–**	817
Share buy-back	*****	*
Share issue costs	**–**	*
Dividends paid to ordinary shareholders	**(1 152)**	(1 130)
Dividends paid to preference shareholders	**(83)**	(75)
Increase in borrowings	**3 514**	7 608
Repayment of borrowings	**(366)**	(3 211)
Net increase in cash and cash equivalents	**1 096**	2 566
Cash and cash equivalents at beginning of year	**8 614**	6 251
Exchange losses on cash and cash equivalents	**(613)**	(203)
Cash and cash equivalents at end of year	**9 097**	8 614
Reconciliation to statement of financial position		
Cash and cash equivalents	**9 098**	8 634
Bank overdraft included in borrowings at amortised cost	**(1)**	(20)
Cash and cash equivalents at end of year	**9 097**	8 614
1 Net purchase of investments held to back policyholder liabilities	**(7 084)**	(9 597)
Purchase of investments held to back policyholder liabilities	**(32 104)**	(20 098)
Disposal of investments held to back policyholder liabilities	**25 020**	10 501
2 Net disposal of financial assets	**2 125**	286
Purchase of financial assets	**(14 083)**	(14 409)
Disposal of financial assets	**16 208**	14 695

* *Amount is less than R500 000.*

Additional information

at 30 June 2017

Fair value hierarchy of financial instruments

The Group's financial instruments measured at fair value have been disclosed using a fair value hierarchy. The hierarchy has three levels that reflect the significance of the inputs used in measuring fair value. These are as follows:

Level 1 includes financial instruments that are measured using unadjusted, quoted prices in an active market for identical financial instruments. Quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 includes financial instruments that are valued using techniques based significantly on observable market data. Instruments in this category are valued using:

(a) quoted prices for similar instruments or identical instruments in markets which are not considered to be active or

(b) valuation techniques where all the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data.

Level 3 includes financial instruments that are valued using valuation techniques that incorporate information other than observable market data and where at least one input (which could have a significant effect on instruments' valuation) cannot be based on observable market data.

	30 June 2017			
R million	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments at fair value through profit or loss:				
– Equity securities	24 069	–	–	24 069
– Equity linked notes	–	2 557	–	2 557
– Debt securities	11 815	462	–	12 277
– Inflation linked securities	386	–	–	386
– Money market securities	590	5 628	–	6 218
– Mutual funds	13 441	–	–	13 441
Available-for-sale financial instruments:				
– Equity securities	145	–	–	145
– Equity linked notes	–	17	–	17
– Debt securities	94	147	–	241
– Inflation linked securities	5	–	–	5
– Money market securities	642	1 588	–	2 230
– Mutual funds	4 660	–	–	4 660
Derivative financial instruments at fair value:				
– Hedges	–	354	–	354
– Non-hedges	–	38	–	38
	55 847	10 791	–	66 638
Financial liabilities				
Derivative financial instruments at fair value:				
– Hedges	–	29	–	29
– Non-hedges	–	106	–	106
	–	135	–	135

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

Additional information

at 30 June 2017 (continued)

Fair value hierarchy of financial instruments continued

SPECIFIC VALUATION TECHNIQUES USED TO VALUE FINANCIAL INSTRUMENTS IN LEVEL 2

- Discovery has invested in equity linked notes offered by international banks in order to back certain unit-linked contract liabilities. The calculation of the daily value of the equity linked investments is made by the provider of the note. Discovery has procedures in place to ensure that these prices are correct. Aside from the daily reasonableness checks versus similar funds and movement since the prior day's price, the fund values are calculated with reference to a specific formula or index, disclosed to the policyholders, which is recalculated by Discovery in order to check if the price provided by the provider is correct.
- If a quoted market price is not available on a recognised stock exchange or from a broker for non-exchange traded financial instruments, the fair value of the instrument is estimated by the asset managers, using valuation techniques including the use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or other valuation techniques that provide a reliable estimate of prices obtained in actual market transactions.
- The fair value of the hedged derivatives is calculated by the issuers of those instruments, as follows:
  - (a) The fair value of call options is calculated on a Black-Scholes model.
  - (b) The fair value of the return swaps is calculated by discounting the future cash flows of the instruments.
  - (c) The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

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

Exchange rates used in the preparation of these results

	USD	GBP
30 June 2017		
– Average	**13.61**	**17.29**
– Closing	**13.12**	**17.03**
30 June 2016		
– Average	14.60	21.44
– Closing	14.73	19.78

Segmental information

for the year ended 30 June 2017

R million	SA Health	SA Life	SA Invest	SA Vitality
Income statement				
Insurance premium revenue	16	9 993	11 515	–
Reinsurance premiums	(2)	(1 838)	–	–
Net insurance premium revenue	14	8 155	11 515	–
Fee income from administration business	6 314	26	1 677	–
Vitality income	–	–	–	2 472
Investment income earned on assets backing policyholder liabilities	–	431	38	–
Finance charge on negative reserve funding	–	–	–	–
Inter-segment funding[1]	–	(573)	573	–
Net fair value gains on financial assets at fair value through profit or loss	–	476	1 317	–
Net income	6 328	8 515	15 120	2 472
Claims and policyholders' benefits	(1)	(6 241)	(6 800)	–
Insurance claims recovered from reinsurers	1	1 365	–	–
Recapture of reinsurance	–	–	–	–
Net claims and policyholders' benefits	–	(4 876)	(6 800)	–
Acquisition costs	–	(1 565)	(1 022)	(89)
Marketing and administration expenses				
– depreciation and amortisation	(303)	(15)	–	–
– other expenses	(3 520)	(1 521)	(663)	(2 333)
Recovery of expenses from reinsurers	–	–	–	–
Transfer from assets/liabilities under insurance contracts				
– change in assets arising from insurance contracts	–	3 577	–	–
– change in assets arising from reinsurance contracts	–	(4)	–	–
– change in liabilities arising from insurance contracts	–	(124)	(5 867)	–
– change in liabilities arising from reinsurance contracts	–	(397)	–	–
Fair value adjustment to liabilities under investment contracts	–	(2)	(24)	–
Share of net profits from equity-accounted investments	–	–	–	–
Normalised profit/(loss) from operations	2 505	3 588	744	50
Investment income earned on shareholder investments and cash	55	26	21	17
Net realised gains on available-for-sale financial assets	–	1	7	–
Rebranding and business acquisitions expenses	–	–	–	–
Amortisation of intangibles from business combinations	–	–	–	–
Finance costs	(49)	(8)	–	–
Foreign exchange losses	–	–	(8)	–
Profit before tax	2 511	3 607	764	67
Income tax expense	(685)	(1 008)	(214)	(20)
Profit for the year	1 826	2 599	550	47

1 *The inter-segment funding of R573 million reflects a notional allocation of interest earned on the negative reserve backing policyholders' funds of guaranteed investment products and hence is transferred to Discovery Invest.*

				IFRS reporting adjustments			
UK Health	UK Life	All other segments	Segment total	UK Life[2]	DUT[3]	Normalised profit adjustments[4]	IFRS total
7 040	3 617	2 076	34 257	(724)	–	–	33 533
(1 335)	(1 183)	(203)	(4 561)	724	–	–	(3 837)
5 705	2 434	1 873	29 696	–	–	–	29 696
24	–	331	8 372	–	–	–	8 372
538	94	1 163	4 267	–	–	–	4 267
15	18	106	608	–	–	(608)	–
–	(43)	–	(43)	43	–	–	–
–	–	–	–	–	–	–	–
–	(109)	–	1 684	–	424	–	2 108
6 282	2 394	3 473	44 584	43	424	(608)	44 443
(4 376)	(740)	(1 426)	(19 584)	347	–	–	(19 237)
1 125	407	265	3 163	(347)	–	–	2 816
(858)	–	–	(858)	–	–	–	(858)
(4 109)	(333)	(1 161)	(17 279)	–	–	–	(17 279)
(574)	(1 744)	(200)	(5 194)	(43)	–	–	(5 237)
(214)	(6)	(161)	(699)	–	–	–	(699)
(2 533)	(1 431)	(2 548)	(14 549)	(103)	(202)	(99)	(14 549)
1 566	1 419	–	2 985	–	–	–	2 985
–	1 406	–	4 983	363	–	–	5 346
(111)	8	–	(107)	(2)	–	–	(109)
(25)	(14)	(35)	(6 065)	2	–	(562)	(6 625)
–	(1 214)	–	(1 611)	(363)	–	–	(1 974)
–	–	–	(26)	–	(222)	–	(248)
1	–	25	26	–	–	–	26
283	485	(607)	7 048	(103)	–	(1 269)	5 676
2	6	23	150	–	–	608	758
–	–	–	8	–	–	–	8
(91)	–	(8)	(99)	–	–	99	–
–	–	(171)	(171)	–	–	–	(171)
(2)	(1)	(418)	(478)	–	–	–	(478)
–	–	(13)	(21)	–	–	–	(21)
192	490	(1 194)	6 437	(103)	–	(562)	5 772
(21)	(119)	124	(1 943)	103	–	562	(1 278)
171	371	(1 070)	4 494	–	–	–	4 494

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

2 *The VitalityLife results, for business written on the Prudential Assurance Company license, are reclassified to account for the contractual arrangement as a reinsurance contract under IFRS 4.*

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

4 *Normalised profit adjustments:*

Investment income on assets backing policyholder liabilities is included as part of the normalised profit from operations in the segmental disclosure, but is included together with shareholder investment income for IFRS purposes. Rebranding and business acquisitions expenses are excluded from normalised profit from operations, but are included in marketing and administration expenses for IFRS purposes.

The accounting impact of the recognition of a deferred tax asset arising from the Discovery Life Individual Policyholder Fund ('IPF'), has been excluded from normalised profit from operations for segmental purposes.

Segmental information

for the year ended 30 June 2016

Audited and restated

R million	SA Health	SA Life Restated[2]	SA Invest Restated[2]	SA Vitality
Income statement				
Insurance premium revenue	16	8 974	10 968	–
Reinsurance premiums	(1)	(2 014)	–	–
Net insurance premium revenue	15	6 960	10 968	–
Fee income from administration business	5 582	17	1 541	–
Vitality income	–	–	–	2 253
Investment income earned on assets backing policyholder liabilities	–	320	29	–
Finance charge on negative reserve funding	–	–	–	–
Inter-segment funding[1]	–	(452)	452	–
Net fair value gains on financial assets at fair value through profit or loss	–	285	1 638	–
Net income	5 597	7 130	14 628	2 253
Claims and policyholders' benefits	(1)	(5 670)	(5 741)	–
Insurance claims recovered from reinsurers	1	1 658	–	–
Net claims and policyholders' benefits	–	(4 012)	(5 741)	–
Acquisition costs	–	(1 489)	(981)	(82)
Marketing and administration expenses				
– depreciation and amortisation	(253)	(23)	–	–
– other expenses	(3 079)	(1 410)	(567)	(2 127)
Recovery of expenses from reinsurers	–	–	–	–
Transfer from assets/liabilities under insurance contracts				
– change in assets arising from insurance contracts	–	3 429	–	–
– change in assets arising from reinsurance contracts	–	17	–	–
– change in liabilities arising from insurance contracts	–	(15)	(6 556)	–
– change in liabilities arising from reinsurance contracts	–	(354)	–	–
Fair value adjustment to liabilities under investment contracts	–	(2)	(118)	–
Share of net profits/(losses) from equity-accounted investments	–	–	–	–
Normalised profit/(loss) from operations	2 265	3 271	665	44
Investment income earned on shareholder investments and cash	90	77	19	14
Net realised gains on available-for-sale financial assets	–	1	4	–
Rebranding and business acquisitions expenses	–	–	–	–
Gain from business combination	–	–	–	–
Amortisation of intangibles from business combinations	–	–	–	–
Finance costs	(37)	(15)	–	–
Foreign exchange gains/(losses)	–	–	(1)	–
Profit before tax	2 318	3 334	687	58
Income tax expense	(646)	(925)	(192)	(16)
Profit for the year	1 672	2 409	495	42

1 *The inter-segment funding of R452 million reflects a notional allocation of interest earned on the negative reserve backing policyholders' funds of guaranteed investment products and hence is transferred to Discovery Invest.*

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

The segment information is presented on the same basis as reported to the Chief Executive Officers (CEO) of the reportable segments. At each reporting date, Discovery must review whether the segments being disclosed still comply with IFRS8 – Segment reporting. Based on this review, the following changes were required:

2 Since the beginning of the current financial year, the performance of the Discovery Retirement Optimiser (DRO) product is reported to the CEO of Discovery Invest. DRO was previously reported as part of the SA Life segment. The comparatives have been restated to include the DRO product in the SA Invest segment, in line with the current year disclosure.

The segment total, as reported to the CEO, is adjusted for accounting reclassifications and entries required to produce IFRS compliant results. These adjustments include the following:

3 The VitalityLife results, for business written on the Prudential Assurance Company license, are reclassified to account for the contractual arrangement as a reinsurance contract under IFRS 4.

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

5 Investment income on assets backing policyholder liabilities is included as part of the normalised profit from operations in the segmental disclosure, but is included together with shareholder investment income for IFRS purposes. Rebranding and business acquisitions expenses are excluded from normalised profit from operations, but are included in marketing and administration expenses for IFRS purposes.

Review of Group results

for the year ended 30 June 2017

New business annualised premium income

R million	June 2017	June 2016	% change
Discovery Health – DHMS	**5 157**	4 558	13%
Discovery Health – Closed Schemes[1]	**952**	629	51%
Discovery Life[2]	**2 175**	1 866	17%
Discovery Invest[2]	**2 496**	2 413	3%
Discovery Insure[3]	**895**	749	19%
Discovery Vitality	**167**	162	3%
VitalityHealth	**972**	1 161	(16%)
VitalityLife	**1 068**	1 332	(20%)
Ping An Health	**3 111**	1 732	80%
Core new business API of Group	**16 993**	14 602	16%
New Closed Schemes[1]	**623**	1 392	(55%)
New business API of Group including new Closed Schemes	**17 616**	15 994	10%
Gross revenue Vitality Group[4]	**634**	512	24%
Total new business API and other new business	**18 250**	16 506	11%

1 *The new business API for Closed Schemes includes additional lives on existing closed schemes. The new business API for New Closed Schemes includes contracted new business API and business in the first twelve months of on-boarding. Closed Schemes are restricted to certain employers and industries.*

2 *The comparatives have been restated to include the Discovery Retirement Optimiser (DRO) in the Discovery Invest new business API which was previously included in the Discovery Life new business API.*

3 *The comparative for Discovery Insure has been restated to only include first year servicing, and is net of indirect taxes.*

4 *Vitality Group new business includes gross recurring and lump sum revenues earned by Vitality Group and specifically excludes fees collected for administrative and implementation services.*

In the past two years, Discovery Health has brought on a number of new Closed Schemes, of varying sizes, resulting in large fluctuations in the new business annualised premium income in the year of acquisition. By excluding the new business annualised premium income for these new schemes, hence reducing the volatility caused, the new business annualised premium income for Discovery increased 16% for the year ended 30 June 2017, when compared to the same period in the prior year.

CALCULATION OF NEW BUSINESS ANNUALISED PREMIUM INCOME (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 policies. The amounts exclude indirect taxes and the comparatives have been restated where necessary.

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

- *The timing of inclusion of policyholders in the calculation of new business API* – In the embedded value, new business is included from the earlier of the date that the first premium has been received or when the policy is on risk, whereas in the table above, new business is included when the policy has been contractually committed.
- *Inclusion of automatic premium increases and servicing increases on existing life policies* – These are included in the table above but excluded in the embedded value API values disclosed.

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

Refer to the footnotes to Table 7: Embedded Value of New Business for a more detailed description of the differences in new business disclosures between the embedded value and the table above.

Gross inflows under management

Gross inflows under management measures the total funds collected by Discovery. Gross inflows under management increased 10% for the year ended 30 June 2017 when compared to the same period in the prior year.

R million	June 2017	June 2016	% change
Discovery Health	**68 226**	59 303	15%
Discovery Life[1]	**10 019**	8 991	11%
Discovery Invest[1]	**19 461**	17 818	9%
Discovery Insure	**2 099**	1 583	33%
Discovery Vitality	**2 472**	2 253	10%
VitalityHealth	**7 602**	9 132	(17%)
VitalityLife	**3 711**	3 921	(5%)
All other businesses	**1 471**	1 408	4%
Gross inflows under management	**115 061**	104 409	10%
Less: collected on behalf of third parties	**(68 165)**	(59 014)	16%
Discovery Health	**(61 896)**	(53 705)	15%
Discovery Invest	**(6 269)**	(5 309)	18%
Gross income of Group per the segmental information	**46 896**	45 395	3%
Gross income is made up as follows:			
– Insurance premium revenue	**34 257**	33 900	1%
– Fee income from administration business	**8 372**	7 651	9%
– Vitality income	**4 267**	3 844	11%
Gross income of Group per the segmental information[2]	**46 896**	45 395	3%

1 *The comparatives have been restated to include the Discovery Retirement Optimiser (DRO) inflows in Discovery Invest. This was previously reported under Discovery Life.*
2 *The appreciation of the rand over the period had a negative impact of 6% on Gross income of the Group.*

Normalised profit from operations

The following table shows the main components of the normalised profit from operations for the year ended 30 June 2017:

R million	June 2017	June 2016	% change
Discovery Health	**2 505**	2 265	11%
Discovery Life[1]	**3 588**	3 271	10%
Discovery Invest[1]	**744**	665	12%
Discovery Vitality	**50**	44	14%
VitalityHealth	**283**	186	52%
VitalityLife	**485**	678	(28%)
Additional 54.99% share of Discovery Card after tax profit	**140**	121	16%
– Included in profit or loss in 'All other segments'	**140**	35	
– included in normalised headline earnings	**–**	86	
Normalised profit from established businesses	**7 795**	7 230	8%
All other segments (excluding additional 54.99% share of Discovery Card after tax profit)	**(747)**	(823)	9%
– Emerging businesses	**(170)**	(439)	61%
– Development and other segments	**(577)**	(384)	(50%)
Normalised profit from operations[2]	**7 048**	6 407	10%

1 *The comparatives have been restated to include the Discovery Retirement Optimiser (DRO) profits in Discovery Invest. This was previously reported under Discovery Life.*
2 *The comparative figure does not agree to the normalised profit from operations per the segmental information due to the inclusion of the additional 54.99% share of Discovery Card after tax profit of R86 million, which is adjusted for in Normalised headline earnings and not included in earnings.*

Emerging businesses are those businesses that have achieved sufficient scale to be profitable or profitable in the near future, although not yet significant in cash generation for the Group and likely to require funds to support new business growth. These businesses are approximately 5 years into their launch. Discovery Insure, excluding commercial insurance, and Vitality Group have been disclosed as Emerging businesses.

Development and other segments include costs of start-up businesses and expenses incurred to investigate new products and markets. Start-up costs include costs in relation to the bank, the planned UK investment business, a commercial offering in Discovery Insure, and an Umbrella Fund offering in Discovery Invest. Head office costs are also included in this segment.

Review of Group results

for the year ended 30 June 2017 (continued)

Significant transactions affecting the current results

INCREASE IN BORROWINGS

United Kingdom borrowings

During the past two financial years, Discovery entered into term facilities totalling GBP 150 million, of which GBP 120 million was utilised by the end of June 2016. In the current financial year, Discovery utilised the remaining GBP 30 million of its facilities. These borrowings have been used to fund the new business acquisition costs incurred by VitalityLife. These costs were previously funded by The Prudential Assurance Company Limited (Prudential) and disclosed as Negative Reserve Funding in the Statement of financial position.

Discovery repaid GBP 7.5 million of this facility on 30 November 2016 and 31 May 2017 respectively, as per the agreed terms (2016: GBP 7.5 million). The balance owing at 30 June 2017 amounts to GBP 127.5 million (R2 174 million) (2016: GBP 112.5 million (R2 226 million)).

Interest rates on these facilities are floating, linked to 3 month LIBOR, payable quarterly in arrears. Finance charges of R50 million (2016: R60 million) in respect of these borrowings have been recognised in profit or loss.

South African borrowings

During the current financial year, Discovery utilised an additional R2 billion of its bank syndicated loan programme entered into in June 2016. The amount outstanding under this programme totals R5 billion (2016: R3 billion).

The additional 5 year term facility of R2 billion, has the following profile:

Interest*	Maturity date	Amount (R million)
fixed at 10.39% per annum	30 September 2021	375
fixed at 10.31% per annum	15 December 2021	450
linked to 3 month JIBAR, (currently 9.77% per annum)	10 March 2022	175
fixed at 10.20% per annum	17 March 2022	800
fixed at 10.23% per annum	16 May 2022	200
		2 000

* *Interest is payable quarterly in arrears.*

- Furthermore, Discovery Central Services, a subsidiary of the Discovery Group, concluded a 10 year loan facility agreement of R650 million, of which R495 million was utilised in the current financial year. Interest rates on the utilised amount is fixed at a weighted average rate of 11.44% per annum, with capital and interest repayable in instalments over the duration of the loan facility.
- On 30 June 2017, R500 million was raised in the form of unsecured Investment Notes with a 5 year term, on which interest accrues at a floating margin linked to 3 month JIBAR. Interest and capital are repayable on 30 June 2022.
- The Group entered into various finance leases during the current financial year in the ordinary course of business, totalling a net increase of R209 million.

Finance charges of R368 million (2016: R155 million) in respect of these South African borrowings have been recognised in profit or loss.

NEGATIVE RESERVE FUNDING

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

In terms of the level premium reinsurance treaty that VitalityLife entered into, the reinsurer is required to place a security deposit with Prudential to reduce counterparty risk. At 30 June 2017, Prudential held GBP 147 million (2016: GBP 85 million) as a security deposit. The contractual arrangement in respect of the business written on the Prudential license is accounted for as a reinsurance contract under IFRS 4 and as a result, the 'deposit back' held by Prudential has been disclosed as a reduction of the negative reserve funding liability. The corresponding liability to the reinsurer has been accounted for in Trade and other payables.

The decrease in the negative reserve funding liability in the current financial year, relates to the repayment of funding by VitalityLife as well as an increase in the amount of deposit back held by Prudential.

EXPIRY OF BEE TRANSACTION

In September 2005, Discovery concluded a BEE transaction pursuant to which 38 725 909 shares were issued to a consortium of BEE parties. 1 106 455 of these shares were issued to the Maphai SPV being one of the BEE consortium members for an initial period of 11 years (initial period). The shares were issued at R0.001 each, with a subscription consideration of R1.72 per share.

The difference between the market value of the ordinary shares issued to the BEE parties and the subscription consideration, represented an outstanding funded amount provided by Discovery shareholders (funded amount). As a result, 1 017 939 of the shares issued to the Maphai SPV were treated as treasury shares.

The BEE parties committed to utilise any dividend or capital distributions made by Discovery to acquire additional Discovery shares in the market within three months of the date of any distributions. These additional shares were also treated as treasury shares.

At the end of the initial period,

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

The initial period expired in December 2016 and resulted in the following transactions:

- Discovery repurchased 582 954 Discovery shares held by the Maphai SPV at a price of R0.001 per Discovery share.
- The Maphai SPV chose not to exercise their right to acquire the shares repurchased by Discovery. These shares have been cancelled from issue.

As a result of this transaction, treasury shares have decreased by 1 200 554 shares, representing shares funded through this transaction as well additional shares purchased by the Maphai SPV utilising dividend distributions. The delivery of treasury shares purchased by the Maphai SPV using dividend distributions received in the past, resulted in an increase in Share Premium of R11 million.

All amounts funded in terms of the September 2005 BEE transaction have now been repaid.

CONSOLIDATION OF DISCOVERY UNIT TRUSTS

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

- Cash and cash equivalents decreased by R667 million.
- Loans and receivables decreased by R250 million.
- Trade and other payables decreased by R1 476 million.
- Investments at fair value through profit or loss increased by R4 099 million.
- Investment contracts at fair value through profit or loss increased by R1 412 million.

Other significant items in these results

INCREASE IN THE DISCOVERY CARD PROFIT SHARE ARRANGEMENT IN THE PRIOR PERIOD

In December 2015, Discovery increased its economic interest in the Discovery Card (a "Discovery" branded FNB credit card), by subscribing for R1.4 billion redeemable preference shares in the share capital of FirstRand Bank Limited (FRB). This entitled Discovery to receive an additional 54.99% of the profits generated by the Discovery Card effective from 1 July 2015.

The contractual rights under the preference shares were only finalised in April 2016 and as such, any profits earned prior to that, being R86 million, represented an adjustment to the purchase price rather than income received. In order to reflect the economic effect of the transaction, this was added to Normalised headline earnings for the year ended 30 June 2016.

In terms of IAS 38: Intangible Assets, the preference shares have been disclosed as an intangible asset in the Statement of financial position as the substance of the arrangement is a right to receive additional 54.99% of the profits generated by the Discovery Card. This intangible asset is amortised through profit or loss as and when profits are expected to emerge. R84 million (2016: R26 million) amortisation has been recognised for the current financial year. This has been added back in the calculation of Normalised headline earnings.

RECAPTURE OF REINSURANCE

VitalityHealth makes use of financial reinsurance as a financing tool for new business acquisition costs. The receipt from the reinsurer is recognised in profit or loss upfront in the year received. Thereafter, the repayment to the reinsurer and the cost of funding are expensed through profit or loss.

During the current financial year, VitalityHealth converted their Cash financial reinsurance to Cashless financial reinsurance to minimise the cost of funding. This was done by recapturing GBP 49.6 million of reinsurance obligations and replacing this with new cashless reinsurance treaties. The impact on the Income statement is an expense of R858 million in 'Recapture of reinsurance' which is offset by new financing recognised in 'Recovery of expenses from reinsurers'.

Review of Group results

for the year ended 30 June 2017 (continued)

MATERIAL TRANSACTIONS WITH RELATED PARTIES

Discovery Health administers the Discovery Health Medical Scheme (DHMS) and provides managed care services for which it charges an administration fee and a managed healthcare fee respectively. These fees are determined on an annual basis and approved by the trustees of DHMS. The fees totalled R5 089 million for the year ended 30 June 2017 (2016: R4 711 million). Discovery offers the members of DHMS access to the Vitality programme.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss have increased by R7.8 billion due to the sale of Discovery Invest products. This includes the impact of consolidating the Discovery Unit Trusts into the Group's results. The increase in the financial assets at fair value through profit or loss has been presented in 'Net purchase of investments held to back policyholder liabilities' of R7 084 million in the Statement of cash flows.

DEFERRED TAX

Deferred tax liability

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

A new tax basis for Life companies was promulgated in January 2017. The effective date of the new 'adjusted IFRS' tax valuation basis will align with the implementation of Solvency Assessment and Management (SAM) and has had no impact on the current year's results.

Deferred tax asset

Recent tax amendments for Life companies introduced a Risk Policy Fund for all new risk business written, effective 1 July 2016. In terms of the legislation, Discovery Life has elected to move existing risk business to this fund. A portion of the assessed loss of R16.5 billion in the Individual Policyholder Fund is now expected to be utilised over time. A value of R562 million, implicit in the valuation of insurance contract liabilities have therefore been recognised as an explicit deferred tax asset in terms of IAS 12: Income Taxes.

The impact of this recognition on the Statement of financial position is an increase in the deferred tax asset of R562 million and a corresponding increase in Liabilities arising from insurance contracts. The impact on the Income statement is an increase in Transfer from liabilities under insurance contracts of R562 million and a corresponding decrease in Income tax expense.

TAXATION

For South African entities that are in a tax paying position, tax has been provided at 28% (2016: 28%) in the financial statements. No deferred tax assets have been recognised on the assessed losses in Discovery Insure and Vitality Group and no further deferred tax asset has been raised in respect of the VitalityHealth assessed losses.

Shareholder information

DIRECTORATE

Changes to the Board of Discovery Limited from 1 July 2016 to the date of this announcement are as follows:

- Mr R Farber relinquished his role as Chief Financial Officer and Group Financial Director of Discovery with effect from 30 April 2017. Mr R Farber remains a director on the Board of Discovery.
- Mr DM Viljoen was appointed as Chief Financial Officer and Group Financial Director of Discovery with effect from 1 May 2017.
- Mr SB Epstein resigned as a non-executive director on 5 December 2016.
- Mr R Enslin was appointed as a non-executive director on 4 May 2017.

Mr MI Hilkowitz, Ms SV Zilwa, Ms F Khanyile and Mr HL Bosman retire by rotation at the forthcoming Annual General Meeting of shareholders and are eligible and available for re-election.

DIVIDEND AND CAPITAL

Interim dividends paid

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

- B preference share dividend of 529.31507 cents per share (423.45206 cents net of dividend withholding tax), paid on 13 March 2017.
- Ordinary share dividend of 88 cents per share (70.4 cents net of dividend withholding tax), paid on 20 March 2017.

Discovery

Final dividend declaration

B preference share cash dividend declaration:

On 24 August 2017, the directors declared a final gross cash dividend of 520.68493 cents (416.54794 cents net of dividend withholding tax) per B preference share for the period 1 January 2017 to 30 June 2017, payable from the income reserves of the Company. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

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

The salient dates for the dividend will be as follows:

Last day of trade to receive a dividend	Tuesday, 12 September 2017
Shares commence trading "ex" dividend	Wednesday, 13 September 2017
Record date	Friday, 15 September 2017
Payment date	Monday, 18 September 2017

B preference share certificates may not be dematerialised or rematerialised between Wednesday, 13 September 2017 and Friday, 15 September 2017, both days inclusive.

Ordinary share cash dividend declaration:

Notice is hereby given that the directors have declared a final gross cash dividend of 98 cents (78.4 cents net of dividend withholding tax) per ordinary share, out of income reserves for the year ended 30 June 2017. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

The issued ordinary share capital at the declaration date is 646 844 992 ordinary shares.

The salient dates for the dividend will be as follows:

Last day of trade to receive a dividend	Tuesday, 3 October 2017
Shares commence trading "ex" dividend	Wednesday, 4 October 2017
Record date	Friday, 6 October 2017
Payment date	Monday, 9 October 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 4 October 2017 and Friday, 6 October 2017, both days inclusive.

Capital requirements

At 30 June 2017, the capital adequacy requirement on the statutory basis for Discovery Life was R705 million (2016: R628 million) and was covered 3.9 times (2016: 3.6 times). Vitality Life Limited's capital adequacy requirement on the statutory basis was GBP 87.5 million (R1 490 million) (2016: GBP 34.3 million (R678 million)) and was covered 2.15 times (2016: 2.95 times). Both VitalityHealth and Discovery Insure are adequately capitalised at 145% (2016: 140%) and 221% (2016: 265%) respectively.

Basis of preparation

The summary consolidated financial statements are prepared in accordance with JSE Limited's (JSE) requirements for summary financial statements, and the requirements of the Companies Act applicable to summary financial statements. The JSE requirements require summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

Audit

This summarised report is extracted from audited information, but is not itself audited. The annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available for inspection at the company's registered office.

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

Embedded value statement

for the year ended 30 June 2017

The embedded value of Discovery consists of the following components:

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

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

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

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

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

The embedded value includes the insurance and administration profits of the covered business in the Discovery Limited group. Covered business includes business written in South Africa through Discovery Life ("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 and Discovery Insure, no published value has been placed on the current in-force business as the businesses have not yet reached suitable scale with predictable experience.

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

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

The 30 June 2017 embedded value results and disclosures were subjected to an external review.

Table 1: Group embedded value

R million	30 June 2017	30 June 2016	% change
Shareholders' funds	**32 290**	30 607	5%
Adjustment to shareholders' funds from published basis[1]	**(27 558)**	(23 583)	
Adjusted net worth[2]	**4 732**	7 024	
Value of in-force covered business before cost of required capital	**54 756**	48 121	
Cost of required capital	**(2 194)**	(2 065)	
Discovery Limited embedded value	**57 294**	53 080	8%
Number of shares (millions)	**645.0**	644.2	
Embedded value per share	**R88.83**	R82.40	8%
Diluted number of shares (millions)	**646.2**	646.7	
Diluted embedded value per share[3]	**R88.67**	R82.17	8%

1 *A breakdown of the adjustment to shareholders' funds is shown in the table below. An additional adjustment has been included as at 30 June 2017 to reflect the methodology change in VitalityHealth where the financial reinsurance cash flows have been removed from the value of in-force and deducted from the net worth. Note that where relevant, adjustments have been converted using the closing exchange rate of R17.03/GBP (June 2016: R19.78/GBP):*

R million	*30 June 2017*	*30 June 2016*
Life net assets under insurance contracts	*(18 354)*	*(15 768)*
Vitality Life Limited and Discovery funded VitalityLife business on the Prudential licence net assets under insurance contracts	*(3 620)*	*(3 090)*
VitalityHealth financial reinsurance liability	*(1 440)*	*–*
VitalityHealth and VitalityHealth Insurance Limited deferred acquisition costs (net of deferred tax)	*(252)*	*(290)*
VitalityLife receivable relating to the Unemployment Cover benefit (net of deferred tax)	*(27)*	*(41)*
Goodwill and intangible assets (net of deferred tax) relating to the acquisition of Standard Life Healthcare and the Prudential joint venture	*(3 086)*	*(3 615)*
Net preference share capital	*(779)*	*(779)*
	(27 558)	*(23 583)*

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

R million	*30 June 2017*	*30 June 2016*
Shareholders' funds	*32 290*	*30 607*
Adjustment to shareholders' funds	*(27 558)*	*(23 583)*
Adjusted net worth	*4 732*	*7 024*
Excess of available regulatory capital over adjusted net worth	*4 100*	*2 417*
Available regulatory capital	*8 832*	*9 441*
Regulatory required capital	*4 477*	*3 947*
Required capital buffer	*2 664*	*2 257*
Required capital	*7 141*	*6 204*
Excess available capital	*1 691*	*3 237*

The excess of available regulatory capital over adjusted net worth reflects the difference between the adjusted net worth and the available regulatory capital. This includes the net preference share capital of R779 million which is included as available regulatory capital. At 30 June 2017, this adjustment also includes the difference between Vitality Life Limited's Solvency II Pillar 1 Own Funds and its adjusted net worth and adds back the negative reserves eliminated on the Discovery funded VitalityLife business on the Prudential licence.

The required capital at June 2017 for Life is R1 409 million (June 2016: R1 255 million), for Health and Vitality is R797 million (June 2016: R725 million), for VitalityHealth is R1 984 million (June 2016: R2 212 million) and for VitalityLife is R2 951 million (June 2016: R2 011 million (restated in-line with new capital position table above)). For Life, the required capital was set equal to two times the statutory Capital Adequacy Requirement. For Health and Vitality, the required capital was set equal to two times the monthly renewal expense and Vitality benefit cost. For VitalityHealth, the required capital amount was set equal to 1.4 times the Solvency II Pillar 1 Solvency Capital Requirement. For the VitalityLife business on the Prudential licence, the required capital was set equal to the UK Solvency I long term insurance capital requirement as per the agreement with Prudential. For the business sold on the Vitality Life Limited licence, the required capital was set equal to the excess of 1.4 times the Solvency II Pillar 1 Solvency Capital Requirement. The Regulatory Required Capital is calculated as the relevant regulatory solvency capital requirement for each insurance business.

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

Embedded value statement

for the year ended 30 June 2017 (continued)

Table 2: Value of in-force covered business

R million	Value before cost of required capital	Cost of required capital	Value after cost of required capital
at 30 June 2017			
Health and Vitality	**18 595**	**(352)**	**18 243**
Life and Invest[1]	**25 102**	**(780)**	**24 322**
VitalityHealth[2]	**5 959**	**(307)**	**5 652**
VitalityLife[2]	**5 100**	**(755)**	**4 345**
Total	**54 756**	**(2 194)**	**52 562**
at 30 June 2016			
Health and Vitality	16 834	(315)	16 519
Life and Invest[1]	22 411	(723)	21 688
VitalityHealth[2]	4 421	(377)	4 044
VitalityLife[2]	4 455	(650)	3 805
Total	48 121	(2 065)	46 056

1 *Included in the Life and Invest value of in-force covered business is R1 153 million (June 2016: R1 100 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 R17.03/GBP (June 2016: R19.78/GBP).*

Table 3: Group embedded value earnings

R million	Year ended 30 June 2017	Year ended 30 June 2016
Embedded value at end of period	**57 294**	53 080
Less: Embedded value at beginning of period	**(53 080)**	(52 295)
Increase in embedded value	**4 214**	784
Net change in capital[1]	**4**	(812)
Dividends paid	**1 231**	1 201
Transfer to hedging reserve	**(29)**	171
Employee share option schemes	**(7)**	–
Embedded value earnings	**5 413**	1 345
Annualised return on opening embedded value	**10.2%**	2.6%

1 *The net change in capital reflects an increase in treasury shares in the period. For the comparative period, the net change in capital includes the R817 million increase in share capital and premium associated with the Discovery Foundation BEE Share recapture in December 2015.*

Table 4: Components of Group embedded value earnings

R million	Net worth	Cost of required capital	Value of in-force covered business	Embedded value	Embedded value
	Year ended 30 June 2017				Year ended 30 June 2016
Total profit from new business (at point of sale)	(4 436)	(276)	7 149	**2 437**	2 332
Profit from existing business					
▪ Expected return	4 840	(66)	446	**5 220**	4 622
▪ Change in methodology and assumptions[1]	1 044	51	(237)	**858**	(3 764)
▪ Experience variances	(504)	17	553	**66**	(178)
Impairment, amortisation and fair value adjustment[2]	(95)	–	–	**(95)**	(37)
Increase in goodwill and intangibles	(203)	–	–	**(203)**	(366)
Other initiative costs[3]	(707)	–	16	**(691)**	(878)
Non-recurring expenses[4]	(103)	–	–	**(103)**	(508)
Acquisition costs[5]	(196)	–	–	**(196)**	(23)
Finance costs	(500)	–	–	**(500)**	(107)
Foreign exchange rate movements	(431)	145	(1 283)	**(1 569)**	(39)
Other[6]	13	–	(9)	**4**	56
Return on shareholders' funds[7]	185	–	–	**185**	235
Embedded value earnings	(1 093)	(129)	6 635	**5 413**	1 345

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 Discovery Card profit share arrangement, banking costs and the PrimeMed acquisition.*

3 *This item reflects Group initiatives including expenses relating to the investment in Vitality Group, banking development costs, Vitality International, Discovery Insure, other new business initiatives and unallocated head office costs.*

4 *This item includes rebranding costs, as well as other once-off costs relating to the acquisition of 25% of Prudential Health Holdings Limited.*

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

6 *This item includes, among other items, the tax benefit that will be obtained as the VitalityHealth DAC and intangible software assets amortise.*

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

Embedded value statement

for the year ended 30 June 2017 (continued)

Table 5: Experience variances

	Health and Vitality		Life and Invest		VitalityHealth		VitalityLife		
R million	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
Renewal expenses	161	–	60	(12)	(202)	–	22	–	**29**
Lapses and surrenders	18	198	(133)	183	–	1	(19)	(67)	**181**
Mortality and morbidity	–	–	(131)	(45)	284	–	30	–	**138**
Policy alterations	–	64	(491)	249	–	–	(29)	(43)	**(250)**
Premium and fee income[1]	16	74	(251)	60	–	–	(3)	(4)	**(108)**
Economic assumptions	–	–	14	(359)	–	–	–	–	**(345)**
Commission	–	–	–	–	32	–	–	–	**32**
Tax[2]	31	–	202	(225)	(80)	–	83	–	**11**
Reinsurance	–	–	–	–	26	–	(33)	(3)	**(10)**
Maintain modelling term[3]	–	285	–	60	–	62	–	–	**407**
Vitality benefits	17	–	–	–	(71)	–	–	–	**(54)**
Other	5	0	(24)	88	(51)	–	13	4	**35**
Total	248	621	(754)	(1)	(62)	63	64	(113)	**66**

1 *The premium and fee income experience for Life arises largely due to the impact of Vitality distribution shifts compared to expected levels.*

2 *The tax variance for Life and Invest arises due to a movement in the deferred tax asset which delays the payment of tax. The tax variance for VitalityLife arises due to actual shareholder and policyholder tax being lower than expected.*

3 *The projection term for Health and Vitality, Group Life and VitalityHealth at 30 June 2017 has not been changed from that used in the 30 June 2016 embedded value calculation. Therefore, an experience variance arises because the total term of the in-force covered business is effectively increased by twelve months.*

Table 6: Methodology and assumption changes

	Health and Vitality		Life and Invest		VitalityHealth[2]		VitalityLife		
R million	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	–	–	(114)	159	–	–	(14)	12	**43**
Expenses	–	–	–	(1)	–	(202)	148	(3)	**(58)**
Lapses	–	–	–	–	–	(505)	–	–	**(505)**
Mortality and morbidity	–	–	–	–	–	1 472	–	–	**1 472**
Benefit enhancements	–	–	–	–	–	–	–	–	**–**
Vitality benefits	–	(1)	–	–	–	(142)	2	34	**(107)**
Tax	–	–	–	(3)	–	45	–	16	**58**
Economic assumptions	–	10	3	(118)	–	(69)	(28)	74	**(128)**
Premium and fee income	–	–	(1)	(5)	–	–	–	–	**(6)**
Reinsurance[1]	–	–	1 649	(1 722)	(622)	642	–	–	**(53)**
Other	–	–	21	(12)	–	123	–	10	**142**
Total	–	9	1 558	(1 702)	(622)	1 364	108	143	**858**

1 *For Life the reinsurance item primarily relates to the impact of the financing reinsurance arrangements. For VitalityHealth this includes a change in methodology where financial reinsurance cash flows have been removed from the value of in-force and deducted from the net worth.*

2 *For VitalityHealth, the granularity, level and shape of the assumptions have been rebalanced to reflect experience. Furthermore, policy projections truncate all cash flows after the 20th anniversary of the policy from original date of inception.*

Discovery

Table 7: Embedded value of new business

R million	Twelve months ended 30 June 2017	30 June 2016	% change
Health and Vitality			
Present value of future profits from new business at point of sale	**820**	844	
Cost of required capital	**(31)**	(48)	
Present value of future profits from new business at point of sale after cost of required capital	**789**	796	(1%)
New business annualised premium income[1]	**4 533**	7 415	(39%)
Life and Invest			
Present value of future profits from new business at point of sale[2]	**1 304**	1 263	
Cost of required capital	**(73)**	(67)	
Present value of future profits from new business at point of sale after cost of required capital	**1 231**	1 196	3%
New business annualised premium income[3]	**2 840**	2 798	2%
Annualised profit margin[4]	**5.5%**	5.3%	
Annualised profit margin excluding Invest business[5]	**10.2%**	8.9%	
VitalityHealth			
Present value of future profits from new business at point of sale	**157**	109	
Cost of required capital	**(46)**	(47)	
Present value of future profits from new business at point of sale after cost of required capital	**111**	62	79%
New business annualised premium income (Rand)[6]	**958**	1 071	(11%)
Annualised profit margin[4]	**1.8%**	0.9%	
VitalityLife[7]			
Present value of future profits from new business at point of sale	**432**	593	
Cost of required capital	**(126)**	(315)	
Present value of future profits from new business at point of sale after cost of required capital	**306**	278	10%
New business annualised premium income (Rand)	**844**	1 083	(22%)
Annualised profit margin[4]	**5.2%**	3.5%	

1 Health new business annualised premium income is the gross contribution to the medical schemes. The new business annualised premium income shown above excludes premiums in respect of members who join an existing employer where the member has no choice of medical scheme, as well as premiums in respect of new business written during the period but only activated after 30 June 2017.

The total Health and Vitality new business annualised premium income written over the period was R6 276 million (June 2016: R6 764 million).

2 Included in the Life and Invest embedded value of new business is R109 million (June 2016: R159 million) in respect of investment management services provided on off balance sheet investment business.

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

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

The new business annualised premium income of R2 840 million (June 2016: R2 798 million) (single premium APE: R1 169 million (June 2016: R1 175 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 172 million (June 2016: R966 million) and servicing increases of R659 million (June 2016: R516 million), was R4 671 million (June 2016: R4 279 million) (single premium APE: R1 277 million (June 2016: R1 218 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 From 30 June 2017, Discovery Retirement Optimiser policies fall under Invest. Therefore, the "Annualised profit margin excluding Invest business" at 30 June 2017 excludes Discovery Retirement Optimiser policies, whereas these policies are included in the comparative period. On a like-for-like basis to the comparative period the "Annualised profit margin excluding Invest business" at 30 June 2017 would have been 9.5%.

6 VitalityHealth new business is defined as individuals and employer groups which incepted during the reporting period. The new business annualised premium income shown above has been adjusted to exclude premiums in respect of members who join an existing employer group after the first month, as well as premiums in respect of new business written during the period but only activated after 30 June 2017.

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

for the year ended 30 June 2017 (continued)

Table 8: Embedded value economic assumptions

		30 June 2017	30 June 2016
Beta coefficient		**0.75**	0.75
Equity risk premium (%)		**3.5**	3.5
Risk discount rate (%)			
Health and Vitality		**12.125**	11.875
Life and Invest		**12.875**	12.625
VitalityHealth		**3.90**	3.77
VitalityLife		**4.755**	4.695
Rand/GB Pound exchange rate			
Closing		**17.03**	19.78
Average		**17.29**	21.44
Medical inflation (%)			
South Africa		**9.25**	9.00
Expense inflation (%)			
South Africa		**6.25**	6.0
United Kingdom		**3.25**	2.9
Pre-tax investment return (%)			
South Africa	– Cash	**8.75**	8.50
	– Life and Invest bonds	**10.25**	10.00
	– Health and Vitality bonds	**9.50**	9.25
	– Equity	**13.75**	13.50
United Kingdom	– VitalityHealth investment return	**1.28**	1.15
	– VitalityLife investment return	**2.13**	2.07
Income tax rate (%)			
South Africa		**28**	28
United Kingdom	– long term[1]	**17**	18
Projection term			
– Health and Vitality		**20 years**	20 years
– Life		**No cap**	No cap
– Group Life		**10 years**	10 years
– VitalityHealth[2]		**20 years**	20 years

1 *The United Kingdom Corporation tax rate assumed is 20% in 2017, 19% in 2018 to 2020, and 17% beyond that.*
2 *VitalityHealth policies are projected for 20 years from the original date of inception.*

The Discovery Limited embedded value is calculated based on a risk discount rate using the CAPM approach with specific reference to the Discovery beta coefficient. The assumed beta is set with reference to the capital structure of the Group and the observed beta calculated using daily returns over a long time period. The beta is calculated with reference to the ALSI. The resulting assumed beta will be fixed at this level unless the observed beta calculated using daily returns over a long time period departs significantly from this assumption at the financial year end. As beta values reflect the historic performance of share prices relative to the market they may not allow fully for non-market related and non-financial risk. Investors may want to form their own view on an appropriate allowance for these risks which have not been modelled explicitly.

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

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

The VitalityHealth assumptions were derived from internal experience, augmented by industry information.

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

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

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

The South African investment return assumption for Life and Invest and Health and Vitality was based on a single interest rate derived from the risk-free zero coupon government bond yield curve. Other economic assumptions were set relative to this yield. The current and projected tax position of the policyholder funds within the Life company has been taken into account in determining the net investment return assumption.

The best estimate investment return assumption for VitalityHealth and VitalityLife was based on the single interest rate derived from the risk-free zero coupon sterling yield curve. The United Kingdom expense inflation assumption was set in line with long-term United Kingdom inflation expectations.

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

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 revised capital requirements and resources arising from Solvency II in the United Kingdom as can be seen in Table 1 note 2.

Embedded value statement

for the year ended 30 June 2017 (continued)

Sensitivity to the embedded value assumptions

The risk discount rate uses the CAPM approach with specific reference to the Discovery beta coefficient. As beta values reflect the historic performance of share prices relative to the market they may not allow fully for non-market related and non-financial risk. Investors may want to form their own view on an appropriate allowance for these risks which have not been modelled explicitly. The sensitivity of the embedded value and the embedded value of new business at 30 June 2017 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

		Health and Vitality	
R million	Adjusted net worth[2]	Value of in-force	Cost of required capital
Base	4 732	18 595	(352)
Impact of:			
Risk discount rate +1%	4 732	17 494	(383)
Risk discount rate -1%	4 732	19 818	(315)
Lapses -10%	4 659	19 235	(368)
Interest rates -1%[1]	3 621	18 533	(338)
Equity and property market value -10%	4 670	18 595	(352)
Equity and property return +1%	4 732	18 595	(352)
Renewal expenses -10%	4 831	20 489	(326)
Mortality and morbidity -5%	4 929	18 595	(352)
Projection term +1 year	4 732	18 883	(356)

1 All economic assumptions were reduced by 1%.
2 The sensitivity impact on the VitalityLife net of tax change in negative reserves is included in the adjusted net worth column.

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

Table 10: Value of new business sensitivity

	Health and Vitality	
R million	Value of new business	Cost of required capital
Base	820	(31)
Impact of:		
Risk discount rate +1%	751	(34)
Risk discount rate -1%	897	(28)
Lapses -10%	873	(33)
Interest rates -1%[1]	828	(30)
Equity and property return +1%	820	(31)
Renewal expense -10%	960	(29)
Mortality and morbidity -5%	820	(31)
Projection term +1 year	839	(31)
Acquisition costs -10%	843	(31)

1 All economic assumptions were reduced by 1%.

Life and Invest		VitalityHealth		VitalityLife			
Value of in-force	Cost of required capital	Value of in-force	Cost of required capital	Value of in-force	Cost of required capital	Embedded value	% change
25 102	(780)	5 959	(307)	5 100	(755)	**57 294**	
22 441	(683)	5 591	(399)	4 814	(883)	**52 724**	(8%)
28 398	(904)	6 367	(203)	5 421	(577)	**62 737**	10%
27 150	(832)	6 646	(327)	5 338	(868)	**60 633**	6%
25 569	(841)	6 351	(284)	5 119	(1 807)	**55 923**	(2%)
24 895	(780)	5 958	(307)	5 100	(755)	**57 024**	(0%)
25 347	(780)	5 958	(307)	5 100	(755)	**57 538**	0%
25 580	(778)	6 331	(307)	5 135	(649)	**60 306**	5%
26 716	(764)	6 896	(307)	5 153	(655)	**60 211**	5%
25 163	(780)	5 959	(307)	5 100	(755)	**57 639**	1%

Life and Invest		VitalityHealth		VitalityLife			
Value of new business	Cost of required capital	Value of new business	Cost of required capital	Value of new business	Cost of required capital	Value of new business	% change
1 304	(73)	157	(46)	432	(126)	**2 437**	
1 035	(64)	93	(60)	341	(141)	**1 921**	(21%)
1 646	(84)	231	(31)	534	(100)	**3 065**	26%
1 567	(78)	292	(51)	552	(139)	**2 983**	22%
1 367	(79)	228	(43)	442	(252)	**2 461**	1%
1 337	(73)	157	(46)	432	(126)	**2 470**	1%
1 341	(73)	231	(46)	452	(94)	**2 742**	12%
1 437	(71)	292	(46)	464	(93)	**2 772**	14%
1 311	(73)	172	(47)	432	(126)	**2 477**	2%
1 434	(73)	184	(46)	536	(126)	**2 721**	12%

Five-year review

for the year ended 30 June

	Group 2013	Group 2014	Group 2015	Group 2016	Group 2017	Compound growth %
Total new business API and other new business (R million)	9 998	11 554	17 578	16 506	**18 250**	16%
Gross inflows under management (R million)						
Gross inflows under management	65 657	78 013	89 483	104 409	**115 061**	15%
Less: Collected on behalf of third parties	(40 813)	(46 002)	(51 587)	(59 014)	**(68 165)**	14%
Gross income of Group	24 844	32 011	37 896	45 395	**46 896**	17%
Income statement extracts (R million)						
Profit from operations	3 558	5 058	5 229	5 803	**6 245**	15%
Headline earnings	2 062	3 064	5 285	3 641	**4 404**	21%
Abnormal expenses/(income)	725	393	(1 258)	671	**252**	
Normalised headline earnings	2 787	3 457	4 027	4 312	**4 656**	14%
Diluted normalised headline earnings per share (cents)[1]	496.0	580.2	663.0	671.1	**721.5**	10%
Statement of financial position extracts (R million)						
Total assets[1]	55 099	77 241	95 880	118 577	**130 923**	24%
Shareholders' funds	13 708	17 411	27 356	30 607	**32 290**	24%
Embedded value						
Embedded value (R million)	35 721	43 050	52 295	53 080	**57 294**	13%
Diluted embedded value per share (R)	63.30	74.13	82.29	82.17	**88.67**	9%
Key ratios						
Return on average equity (%)	17	21	25	13	**14**	
Return on average assets (%)[2]	4	5	6	3	**4**	
Exchange rates						
Rand/US$						
– Closing	10.01	10.63	12.18	14.73	**13.12**	
– Average	8.94	10.43	11.49	14.60	**13.61**	
Rand/GBP						
– Closing	15.22	18.17	19.19	19.78	**17.03**	
– Average	13.98	17.06	18.04	21.44	**17.29**	
Share statistics						
Number of ordinary shares in issue						
– Weighted average (000's)[1]	554 165	581 123	598 946	637 608	**644 651**	
– Diluted weighted average (000's)[1]	561 843	595 699	607 290	642 534	**645 236**	
– End of period (000's)	591 872	591 872	647 428	647 428	**646 845**	
Price/diluted headline earnings (times)	16.9	16.7	19.1	18.3	**17.7**	
Share price (cents per share):						
– High	8 700	9 831	14 195	15 467	**13 748**	
– Low	5 280	7 110	9 050	11 000	**10 910**	
– Closing	8 406	9 715	12 647	12 250	**12 792**	
Market capitalisation (R million)	49 753	57 500	81 880	79 310	**82 744**	

1 2013 has not been adjusted for the bonus element of the rights issue.

2 2013 has not been restated (Refer to change in comparatives note 43 in the Annual Financial Statements for the year ended 30 June 2016).