

This pack has been prepared to aid discussion and provide further supplementary information only and has not been subject to an external review or audit

CUSTOMERS PER ENTITY

Life Policyholders

	December 2019	June 2019	December 2018	June 2018	December 2017	June 2017	December 2016
Individual	452,561	446,475	440,747	429,817	423,707	413,346	407,402
Invest							
Invest - DRO*	127,831	124,135	120,253	115,670	111,258	105,722	101,168
Invest - Other	189,210	185,025	179,975	172,929	164,878	153,804	147,960
Group (lives)	514,320	537,472	539,552	512,715	506,141	502,258	466,172
Group schemes	2,740	2,657	2,635	2,585	2,552	2,503	2,453

*Discovery Retirement Optimiser (DRO) product has been moved from the Individual category to Invest - DRO from December 2015 onwards

This count is the full number of DRO policies (underlying Endowments and Retirement Annuities counted individually), including Paid-up policies.

Prior period comparatives have been restated to be consistent with this approach, since paid-up policies were not previously included in the counts disclosed before June 2017.

Life NB APE

	6 months to December 2019	12 months to June 2019	6 months to December 2018	12 months to June 2018	6 months to December 2017	Year ended June 2017	6 months to December 2016
Individual	1,165	2,215	1,157	2,042	1,038	1,970	1,001
Group	75	97	55	146	79	205	52
Invest - Recurring	686	1,221	661	1,205	632	1,219	658
Invest - Single APE**	671	1,382	726	1,248	588	1,277	620
Total Life APE**	2,597	4,915	2,599	4,641	2,337	4,671	2,331

** APE shown at 10% of Single premium

Health Members

	December 2019	June 2019	December 2018	June 2018	December 2017	June 2017	December 2016
DHMS - Keycare	243,046	240,140	251,951	247,357	254,165	248,430	256,591
DHMS - Non-Keycare	1,108,674	1,110,401	1,098,903	1,093,745	1,069,492	1,062,964	1,041,166
In-House Schemes	317,408	316,410	315,875	310,773	311,879	299,353	275,293
Total	1,669,128	1,666,951	1,666,729	1,651,875	1,635,536	1,610,747	1,573,050

Health Lives

	December 2019	June 2019	December 2018	June 2018	December 2017	June 2017	December 2016
DHMS - Keycare	420,869	415,436	436,543	428,103	440,722	430,363	443,485
DHMS - Non-Keycare	2,387,237	2,394,336	2,382,596	2,374,976	2,337,485	2,327,651	2,292,201
In-House Schemes	689,688	686,114	677,530	667,116	663,807	635,178	581,821
Total	3,497,794	3,495,886	3,496,669	3,470,195	3,442,014	3,393,192	3,317,507

Vitality SA

	December 2019	June 2019	December 2018	June 2018	December 2017	June 2017	December 2016
Total Vitality Health, Vitality Drive and Vitality Money programme lives	2,060,011	1,987,237	2,001,919	2,001,710	2,010,302	1,991,948	2,001,773

VitalityHealth Members

	December 2019	June 2019	December 2018	June 2018	December 2017	June 2017	December 2016
Individual	104,997	101,702	96,277	90,375	85,942	84,070	82,171
SME	209,509	201,960	190,835	181,795	174,376	168,844	165,813
Corporate	78,050	70,583	61,970	59,954	56,762	53,472	56,773
Trust and Cost Plus	-	-	-	-	-	-	-
Total	392,556	374,245	349,082	332,124	317,080	306,486	304,757

VitalityHealth Lives

	December 2019	June 2019	December 2018	June 2018	December 2017	June 2017	December 2016
Individual	186,559	179,811	168,609	156,488	148,309	145,379	142,044
SME	353,763	342,431	327,594	314,773	304,280	297,186	292,506
Corporate	131,991	120,157	107,570	105,083	100,242	94,662	101,104
Trust and Cost Plus	-	-	-	-	-	-	-
Total	672,313	642,399	603,773	576,344	552,831	537,227	535,654

VitalityLife Policies

	December 2019	June 2019	December 2018	June 2018	December 2017	June 2017	December 2016
Policies	458,317	434,072	408,728	385,818	357,704	337,900	322,364

VitalityLife Lives

	December 2019	June 2019	December 2018	June 2018	December 2017	June 2017	December 2016
Lives	605,996	575,731	542,720	506,823	467,750	438,862	415,169

Discovery Insure Policies

	December 2019	June 2019	December 2018	June 2018	December 2017	June 2017	December 2016
Policies	169,920	159,171	152,947	144,072	137,412	121,785	111,605

NAV BY ENTITY

The NAV by legal entity (net of non-controlling interests)

R million	December 2019	June 2019	December 2018	June 2018	December 2017	June 2017	December 2016
Holdings and other (including consolidation effects)	8,428	8,413	8,689	8,827	5,022	4,519	4,192
Discovery Health	2,147	1,784	1,403	901	2,416	1,917	1,612
Discovery Life	29,324	27,597	25,982	24,551	22,774	20,922	19,203
Discovery Vitality	346	305	220	215	719	841	858
The Vitality Group Inc.	1,900	1,821	990	663	584	573	485
VitalityHealth	5,588	4,396	4,956	4,817	5,348	5,025	4,275
VitalityLife	6,101	6,273	5,205	4,594	3,393	3,314	2,692
Discovery Insure	1,816	1,733	1,638	1,551	1,260	1,076	958
Discovery Connect	(478)	(430)	(367)	(320)	(267)	(219)	(163)
Goodwill and intangibles from business combinations	2,289	2,225	2,268	2,247	2,416	2,496	2,511
Loan	(12,780)	(11,034)	(11,030)	(10,452)	(9,453)	(8,174)	(6,332)
Total	44,681	43,083	39,954	37,594	34,212	32,290	30,291

VALUE OF NEW BUSINESS AT POINT OF SALE VS VALUATION DATE

December 2019

VNB at Point of Sale

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Acquisition Costs and Initial strain	(197)	(1,364)	(576)	(807)
Value of In Force	588	1,934	697	1,095
Cost of Capital	(14)	(44)	(26)	(90)
	377	526	95	198

New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Value of In Force	586	1,831	548	1,093
Cost of Capital	(13)	(44)	(13)	(112)
	573	1,787	535	981

June 2019

VNB at Point of Sale

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Acquisition Costs and Initial strain	(379)	(2,675)	(1,180)	(1,671)
Value of In Force	1,211	3,917	1,510	2,191
Cost of Capital	(27)	(82)	(59)	(134)
	805	1,160	271	386

New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Value of In Force	1,206	3,578	1,161	2,151
Cost of Capital	(27)	(82)	(27)	(267)
	1,179	3,496	1,134	1,884

December 2018

VNB at Point of Sale

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Acquisition Costs and Initial strain	(183)	(1,356)	(605)	(797)
Value of In Force	611	2,024	724	1,027
Cost of Capital	(14)	(41)	(26)	(64)
	414	627	93	166

New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Value of In Force	611	1,890	536	1,031
Cost of Capital	(14)	(41)	(14)	(105)
	597	1,849	522	926

June 2018

VNB at Point of Sale

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Acquisition Costs and Initial strain	(364)	(2,388)	(1,030)	(1,387)
Value of In Force	1,349	3,764	1,293	1,794
Cost of Capital	(29)	(74)	(44)	(58)
	956	1,302	219	349

New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Value of In Force	1,364	3,536	1,017	1,876
Cost of Capital	(29)	(74)	(29)	(109)
	1,335	3,462	988	1,767

December 2017

VNB at Point of Sale

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Acquisition Costs and Initial strain	(176)	(1,225)	(492)	(607)
Value of In Force	578	1,941	504	854
Cost of Capital	(14)	(37)	(23)	(28)
	388	679	(11)	219

New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Value of In Force	579	1,864	375	850
Cost of Capital	(14)	(37)	(14)	(24)
	565	1,827	361	826

June 2017

VNB at Point of Sale

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Acquisition Costs and Initial strain	(349)	(2,394)	(873)	(1,438)
Value of In Force	1,169	3,698	1,030	1,870
Cost of Capital	(31)	(73)	(46)	(126)
	789	1,231	111	306

New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Value of In Force	1,176	3,437	824	1,842
Cost of Capital	(30)	(73)	(30)	(185)
	1,146	3,364	794	1,657

December 2016

VNB at Point of Sale

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Acquisition Costs and Initial strain	(170)	(1,220)	(423)	(760)
Value of In Force	503	1,909	450	1,003
Cost of Capital	(15)	(37)	(17)	(67)
	318	652	10	176

New business contribution to value of in force at valuation date

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife
Value of In Force	504	1,783	326	955
Cost of Capital	(14)	(37)	(14)	(135)
	490	1,746	312	820

EV RECONCILIATION TO INCOME STATEMENT

for the six months ended 31 December 2019

R million	Embedded Value Earnings	Value of In-Force	Cost of required Capital	Impact on Income Statement	Adjustment to Shareholders Funds	Statement of Changes in Equity
Total profit from new business	1,196	3,866	(174)	(2,496)	-	-
- Health and Vitality	377	571	(14)	(180)	-	-
- Life	526	1,752	(44)	(1,182)	-	-
- VitalityHealth	95	536	(26)	(415)	-	-
- VitalityLife	198	1,007	(90)	(719)	-	-
Profit from existing business						
* Expected return	2,609	(428)	-	3,037	-	-
- Health and Vitality	785	(423)	8	1,200	-	-
Expected transfer from VIF to net worth	-	(1,200)	-	1,200	-	-
Unwinding of the risk discount rate	785	777	8	-	-	-
- Life	1,530	852	(5)	683	-	-
Expected transfer from VIF to net worth	-	(683)	-	683	-	-
Unwinding of the risk discount rate	1,530	1,535	(5)	-	-	-
- VitalityHealth	179	(452)	25	606	-	-
Expected transfer from VIF to net worth	-	(606)	-	606	-	-
Unwinding of the risk discount rate	179	154	25	-	-	-
- VitalityLife	115	(405)	(28)	548	-	-
Expected transfer from VIF to net worth	-	(548)	-	548	-	-
Unwinding of the risk discount rate	115	143	(28)	-	-	-
* Change in methodology and assumptions	(765)	(1,595)	71	759	-	-
- Health and Vitality	(204)	(203)	(1)	-	-	-
- Life	(531)	(1,323)	2	790	-	-
- VitalityHealth	(15)	(15)	-	-	-	-
- VitalityLife	(15)	(54)	70	(31)	-	-
* Experience variances	542	553	(44)	33	-	-
- Health and Vitality	371	164	(3)	210	-	-
- Life	30	238	(6)	(202)	-	-
- VitalityHealth	409	266	2	141	-	-
- VitalityLife	(268)	(115)	(37)	(116)	-	-
Increase in goodwill and intangibles	(271)	-	-	-	(271)	-
Other initiatives	(526)	20	-	(546)	-	-
Non-recurring expenses	-	-	-	-	-	-
Acquisition costs	(10)	(4)	-	(6)	-	-
Finance costs	(553)	-	-	(553)	-	-
Other	1	1	-	-	-	-
Foreign Exchange Rate Movements	393	432	(42)	(230)	(98)	331
Intangibles	(86)	-	-	-	(86)	-
DAC	(12)	-	-	-	(12)	-
Puttable NCI Liability	-	-	-	-	-	-
Other	491	432	(42)	(230)	-	331
Return on shareholders' funds	199	-	-	170	-	29
Unrealised gain on investments and realised gain on investments transferred to income statement	31	-	-	2	-	29
Health and Vitality investment income	28	-	-	28	-	-
Life investment income	115	-	-	115	-	-
VitalityHealth investment income	25	-	-	25	-	-
VitalityLife investment income	-	-	-	-	-	-
Amortisation of Intangibles	(8)	-	-	(129)	121	-
Amortisation of intangibles from business combinations	(8)	-	-	(28)	20	-
Amortisation of systems intangibles	-	-	-	(101)	101	-
VitalityHealth and VitalityLife DAC and unemployment reserve	-	-	-	(37)	37	-
Reversal of 1 Discovery Place IAS 17 financial lease accounting	-	-	-	(219)	219	-
Life assets under insurance contracts	-	-	-	1,591	(1,591)	-
Vitality Life Limited and Discovery funded VitalityLife business on the Prudential license net assets under insurance contracts	-	-	-	419	(419)	-
VitalityHealth FinRe	-	-	-	285	(285)	-
Embedded value earnings	2,807	2,845	(189)	2,078	(2,287)	360
Adjustment to Shareholders' Funds:						
Change in:						
DAC	17					
Intangibles & Goodwill	(228)					
Life negative reserve	(1,591)					
VitalityLife negative reserve	(419)					
VitalityLife FinRe liability	(285)					
1 DP IAS 17 financial lease accounting	219					

EV BUILD-UP PER ENTITY

for the six months ended 31 December 2019

R million	Health and Vitality	Life and Invest	VitalityHealth	VitalityLife	Other	Total
Value of in-force business at 30 June 2019	21,071	26,100	7,462	6,191	-	60,824
Expected return (in-force business)	772	1,494	168	104	-	2,538
Release of profits (in-force business)	(1,200)	(683)	(606)	(548)	-	(3,037)
Value of new business	574	1,890	671	1,005	-	4,140
Expected return (new business)	13	36	11	11	-	71
Release of profits (new business)	(17)	(182)	(161)	(88)	-	(448)
Experience variances	161	232	268	(152)	-	509
Methodology changes	(204)	(1,321)	(15)	16	-	(1,524)
Other	-	16	213	178	-	407
Value of in-force business at 31 December 2019	21,170	27,582	8,011	6,717	-	63,480
Shareholders' funds per Balance Sheet	2,493	29,324	5,588	6,101	1,175	44,681
Adjustment to shareholders' funds	-	(22,355)	(2,965)	(6,250)	(3,407)	(34,977)
Embedded value at 31 December 2019	23,663	34,551	10,634	6,568	(2,232)	73,184

COMPONENTS OF ASSETS UNDER INSURANCE CONTRACTS AND ADJUSTMENT TO SHAREHOLDERS' FUNDS ON PUBLISHED BASIS

R million	December 2019	June 2019	December 2018	June 2018	December 2017	June 2017	December 2016
1. Assets under insurance contracts							
Discovery Life positive liabilities not netted off with negative liabilities:	1,205	1,234	1,234	4,636	3,983	3,642	3,231
Discovery Life long term reserves in respect of policies with net negative liabilities:	(32,984)	(31,295)	(31,295)	(31,713)	(29,448)	(27,650)	(25,629)
Unit reserves	-	-	-	-	-	-	-
VitalityLife net long term reserve	(9,473)	(9,351)	(9,351)	(9,124)	(8,238)	(8,530)	(8,420)
Total Assets under insurance contracts:	(41,253)	(39,412)	(39,412)	(36,201)	(33,703)	(32,538)	(30,818)
2. Negative liabilities not included under assets under insurance contracts							
Negative reserve in respect of Invest business	(5,175)	(4,829)	(4,829)	(4,059)	(3,709)	(3,428)	(3,170)
DAC and DRL in respect of Invest business	(568)	(544)	(544)	(503)	(480)	(464)	(438)
	(5,743)	(5,373)	(5,373)	(4,562)	(4,189)	(3,892)	(3,608)
3. Components to be zeroised based on the Method of Distributable Cashflows:							
Discovery Life long term reserves in respect of policies with net negative liabilities:	(32,984)	(31,295)	(31,295)	(31,713)	(29,448)	(27,650)	(25,629)
Negative reserve in respect of Invest business	(5,175)	(4,829)	(4,829)	(4,059)	(3,709)	(3,428)	(3,170)
DAC and DRL in respect of Invest business	(568)	(544)	(544)	(503)	(480)	(464)	(438)
Adjust for reduction on Deferred Tax Liability as a result of reduction in earnings	8,679	8,218	8,218	7,154	6,768	6,349	5,953
Liabilities off set against Negative reserve before zeroisation	7,693	7,686	7,686	7,642	7,015	6,839	6,026
	(22,355)	(20,764)	(20,764)	(21,479)	(19,854)	(18,354)	(17,258)
4. Other adjustments to published Shareholders' funds							
Vitality Life Limited and Discovery funded VitalityLife business on the Prudential licence net assets under insurance contracts	(6,231)	(5,812)	(5,812)	(4,834)	(3,891)	(3,620)	(3,176)
VitalityHealth FinRe Asset	(2,600)	(2,315)	(2,315)	(1,898)	(1,568)	(1,440)	(1,279)
VitalityHealth and VitalityHealth Insurance Limited deferred acquisition costs (net of deferred tax)	(365)	(382)	(382)	(331)	(254)	(252)	(233)
VitalityLife receivable relating to the Unemployment Cover benefit (net of deferred tax)	(19)	(19)	(19)	(27)	(26)	(27)	(32)
Goodwill	(2,289)	(2,225)	(2,225)	(2,247)	(2,060)	(2,107)	(2,093)
Intangible assets (net of deferred tax) relating to the acquisition of Standard Life Healthcare and the Prudential joint venture	(964)	(800)	(800)	(874)	(839)	(979)	(965)
Net preference share capital	(779)	(779)	(779)	(779)	(779)	(779)	(779)
Reversal of 1 Discovery Place IAS 17 financial lease accounting	625	406	406	208	75	-	-
Adjustment to Shareholders' funds from published basis	(34,977)	(32,690)	(32,690)	(32,261)	(29,196)	(27,558)	(25,815)

RECON OF ASSETS UNDER INSURANCE CONTRACTS

R million	HY December 2019	FY June 2019	HY December 2018 **	FY June 2018	HY December 2017	FY June 2017	HY December 2016
Balance at the beginning of the year	39,408	36,201	36,201	32,538	32,538	30,589	30,589
Movement for the year:							
Expected Movement in Policyholder Liabilities	(1,286)	(2,945)	(1,440)	(3,280)	(1,650)	(2,917)	(1,580)
Unwinding of Discount Rate	1,040	2,003	1,012	2,425	1,187	2,091	1,044
New Business Written	2,430	4,747	2,347	3,984	1,986	3,843	2,145
Experience Variances	(179)	(812)	(481)	(546)	(466)	(588)	(508)
Economic	(103)	(133)	21	(255)	(36)	91	33
Operational	(75)	(679)	(502)	(291)	(430)	(678)	(542)
Modeling and method changes	1	1,420	(58)	(155)	(155)	14	175
Benefit changes	-	2,066	-	(31)	(44)	-	-
Changes in assumptions	(958)	(2,639)	(432)	(6)	403	137	262
Economic	(751)	(679)	(483)	2,750	68	(138)	(36)
Operational	(207)	(1,960)	51	(2,756)	335	275	298
Changes in margins *	528	(529)	784	704	88	717	99
Exchange rate difference	268	(96)	87	568	(184)	(1,347)	(1,408)
Balance at the end of the year	41,252	39,415	38,020	36,201	33,703	32,538	30,818

* In line with accounting policy, the best estimate and margins are reset at every valuation date to reflect the underlying profitability of the overall portfolio.

Assets under insurance contracts	51,508	46,284	46,284	43,624	39,686	37,690	34,897
Recovery from reinsurers	(10,255)	(8,263)	(8,263)	(7,423)	(5,984)	(5,152)	(4,079)
	41,252	38,020	38,020	36,201	33,703	32,538	30,818

** Note that this comparative has been restated relative to the disclosure made at December 2018 to update allocations between operational experience variances, economic assumption changes and changes in margins

BREAKDOWN BETWEEN DISCOVERY LIFE AND VITALITYLIFE

R million	HY December 2019		
	Discovery Life	VitalityLife	Total
Balance at the beginning of the year	30,061	9,347	39,408
Movement for the year:			
Expected Movement in Policyholder Liabilities	(420)	(866)	(1,286)
Unwinding of Discount Rate	971	70	1,040
New Business Written	1,460	970	2,430
Experience Variances	(51)	(128)	(179)
Economic	(103)	-	(103)
Operational	53	(128)	(75)
Modeling and method changes	102	(102)	1
Benefit changes	-	-	-
Changes in assumptions	(871)	(87)	(958)
Economic	(739)	(12)	(751)
Operational	(132)	(75)	(207)
Changes in margins	528	-	528
Exchange rate difference	-	268	268
Balance at the end of the year	31,779	9,473	41,252

BREAKDOWN OF INVEST ASSETS UNDER ADMINISTRATION

R million	Total
December 2012	26,615
June 2013	30,153
December 2013	36,026
June 2014	41,822
December 2014	45,619
June 2015	50,473
December 2015	56,195
June 2016	60,953
December 2016	63,985
June 2017	69,547
December 2017	77,844
June 2018	81,789
December 2018	83,060
June 2019	91,597
December 2019	96,706

VIF, APE AND VNB SPLIT BETWEEN LIFE AND INVEST

R million	December 2019	June 2019	December 2018	June 2018	December 2017	June 2017	December 2016
VIF**							
Life	20,192	19,124	18,242	19,810	19,484	18,065	17,313
Invest	7,391	6,976	6,502	7,348	7,032	6,258	5,794
APE***							
Life	477	939	506	933	488	985	462
Invest	979	1,959	1,041	1,840	894	1,856	974
VNB**							
Life	409	923	480	911	496	885	434
Invest	117	237	147	391	183	346	218

*Discovery Retirement Optimiser (DRO) product moved from Life to Invest in line with disclosures for December 2016 and later periods.

** These VIF and VNB numbers are *after* allowing for the Cost of required Capital

***APE is the Annual Premium Income (or Annual Premium Equivalent in the case of Single Premium Investment business) in relation to New Business only, and excludes any addition to Existing Business premiums arising from servicing increases and ACIs.

RECONCILIATION TO THE REQUIRED CAPITAL

for the 6 months ended 31 December 2019

R million	Life and Invest	Health and Vitality	VitalityLife	VitalityHealth	Total
Opening - 30 June 2019	21,724	909	6,004	2,350	30,987
- Methodology changes	(2,311)	-	-	-	(2,311)
- Expected release on in-force at start of period	(14)	(22)	(152)	(100)	(288)
- Impact of new business written	949	34	413	151	1,547
- Other changes	-	28	(730)	(57)	(759)
- Exchange rate movements	-	-	173	67	240
Change in Required Capital	(1,376)	40	(296)	61	(1,571)
Closing - 31 December 2019	20,348	949	5,708	2,411	29,416

SEGMENTAL INFORMATION

for the six months ended 31 December 2019

R million	SA Health	SA Life	SA Invest	SA Vitality	UK Health	UK Life	All other segments	Segment total	IFRS reporting adjustments			IFRS total
									UK Life ²	DUT ³	Disclosure adjustments ⁴	
Income statement												
Insurance premium revenue	114	6 419	7 001	-	4 569	2 620	2 998	23 721	(343)	-	-	23 378
Reinsurance premiums	(1)	(1 247)	-	-	(787)	(1 254)	(55)	(3 344)	343	-	-	(3 001)
Net insurance premium revenue	113	5 172	7 001	-	3 782	1 366	2 943	20 377	-	-	-	20 377
Fee income from administration businesses	3 525	-	1 121	-	16	-	908	5 570	-	-	(6)	5 564
Vitality income	-	-	-	1 187	270	98	452	2 007	-	-	-	2 007
Other income	433	24	-	-	22	-	153	632	-	-	(15)	617
Banking interest and similar income	-	-	-	-	-	-	48	48	-	-	-	48
Investment income earned on assets backing policyholder liabilities	-	22	-	-	5	23	64	114	-	-	(114)	-
Finance charge on negative reserve funding	-	-	-	-	-	(113)	-	(113)	113	-	-	-
Inter-segment funding ¹	-	(383)	383	-	-	-	-	-	-	-	-	-
Net fair value gains on financial assets at fair value through profit or loss	-	366	1 685	-	20	(146)	88	2 013	-	584	61	2 658
Net income	4 071	5 201	10 190	1 187	4 115	1 228	4 656	30 648	113	584	(74)	31 271
Claims and policyholders' benefits	(45)	(4 118)	(5 402)	-	(2 549)	(905)	(1 122)	(14 141)	204	-	-	(13 937)
Insurance claims recovered from reinsurers	-	970	-	-	618	582	16	2 186	(204)	-	-	1 982
Net claims and policyholders' benefits	(45)	(3 148)	(5 402)	-	(1 931)	(323)	(1 106)	(11 955)	-	-	-	(11 955)
Acquisition costs	(5)	(881)	(582)	(43)	(404)	(928)	(178)	(3 021)	(113)	-	-	(3 134)
Bank interest and similar expenses	-	-	-	-	-	-	(26)	(26)	-	-	-	(26)
Credit impairment charges	-	-	-	-	-	-	(36)	(36)	-	-	-	(36)
Marketing and administration expenses												
- depreciation and amortisation	(93)	(3)	(4)	(7)	(147)	(21)	(433)	(708)	-	-	(105)	(813)
- impairment	-	-	-	(2)	-	-	-	(2)	-	-	-	(2)
- other expenses	(2 355)	(1 026)	(479)	(1 130)	(1 641)	(1 021)	(2 543)	(10 195)	(6)	(127)	121	(10 207)
Recovery of expenses from reinsurers	-	-	-	-	436	1 076	-	1 512	-	-	-	1 512
Transfer from assets/liabilities under insurance contracts												
- change in assets arising from insurance contracts	-	1 724	-	-	-	377	-	2 101	483	-	-	2 584
- change in assets arising from reinsurance contracts	-	10	-	-	(12)	5	-	3	(483)	-	-	(480)
- change in liabilities arising from insurance contracts	1	44	(3 073)	-	79	(8)	(1 188)	(4 145)	(1)	(36)	-	(4 182)
- change in liabilities arising from reinsurance contracts	-	(45)	-	-	-	(519)	-	(564)	1	-	-	(563)
Fair value adjustment to liabilities under investment contracts	-	(1)	(165)	-	-	-	(20)	(186)	-	(421)	23	(584)
Share of net profits from equity-accounted investments	1	-	-	-	-	-	124	125	-	-	-	125
Normalised profit/(loss) from operations	1 575	1 875	485	5	495	(134)	(750)	3 551	(6)	-	(35)	3 510
Investment income earned on shareholder investments and cash	29	9	25	9	1	8	20	101	-	-	114	215
Net fair value gains on financial assets at fair value through profit or loss	-	87	5	-	-	-	(8)	84	-	-	(84)	-
Impairment of goodwill	-	-	-	-	-	-	(9)	(9)	-	-	-	(9)
Initial expenses related to Prudential Book transfer	-	-	-	-	-	(18)	-	(18)	-	-	18	-
Transaction costs related to VitalityLife interest rate derivatives	-	-	-	-	-	(24)	-	(24)	-	-	24	-
Amortisation of intangibles from business combinations	-	-	-	-	-	-	(36)	(36)	-	-	-	(36)
Market rentals related to Head Office building adjusted for finance costs and depreciation	-	-	-	-	-	-	(137)	(137)	-	-	137	-
Finance costs	(4)	-	-	-	(4)	(2)	(571)	(581)	-	-	(174)	(755)
Foreign exchange gains	2	-	3	-	-	-	39	44	-	-	-	44
Profit before tax	1 602	1 971	518	14	492	(170)	(1 452)	2 975	(6)	-	-	2 969
Income tax expense	(378)	(556)	(145)	(4)	(58)	27	217	(897)	6	-	-	(891)
Profit for the period	1 224	1 415	373	10	434	(143)	(1 235)	2 078	-	-	-	2 078

¹ The inter-segment funding of R383 million reflects a notional allocation of interest earned on the negative reserve backing policyholders' funds of guaranteed investment products and hence is transferred to Discovery Invest.

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

² The VitalityLife results, 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 The effects of eliminating intercompany transactions on consolidation and normalised operating profit adjustments.

SEGMENTAL INFORMATION - DISCOVERY INSURE (PERSONAL LINES)

for the six months ended 31 December 2019

R million	December 2019	December 2018
Income statement		
Insurance premium revenue	1,759	1,532
Reinsurance premiums	(29)	(156)
Net insurance premium revenue	1,730	1,376
Fee income from administration business	7	17
Investment income on assets backing policyholder liabilities	64	70
Net fair value losses on financial assets at fair value through profit or loss	10	1
Net income	1,811	1,464
Claims and policyholders' benefits	(1,014)	(883)
Insurance claims recovered from reinsurers	-	68
Net claims and policyholders' benefits	(1,014)	(815)
Acquisition costs	(232)	(195)
Marketing and administration expenses		
- depreciation and amortisation	(42)	(31)
- other expenses	(424)	(390)
Recovery of expenses from reinsurers		36
Transfer from assets/liabilities under insurance contracts		
- change in liabilities arising from insurance contracts	(33)	(18)
Share of net profits from equity accounted investments	9	11
Normalised profit/(loss) from operations	75	62
Investment income earned on shareholder investments and cash	2	-
Gain on dilution and disposal of equity-accounted investments	-	51
Finance costs	-	-
Profit before tax	77	113
Income tax expense	(21)	(9)
Profit for the year	56	104

RECONCILIATION OF OPERATING PROFIT TO NORMALISED OPERATING PROFIT

for the six months ended 31 December 2019

R million	December 2019	December 2018
Operating profit per income statement	3,564	3,837
Add back investment income	(215)	(234)
Add back amortisation of intangibles from business combinations	36	61
Add share of profits from equity accounted investments	125	60
Normalised profit from operations per segmental (IFRS total)	3,510	3,724
Add back VitalityLife IFRS 4 adjustment	6	34
Normalised profit adjustments	35	41
Unrealised gains on Part VII hedges	11	36
Unrealised gains on shareholder investments (IFRS 9)	(94)	(36)
Investment income earned on assets backing policyholder liabilities	114	139
Deferred tax on IPF	-	(87)
Difference between market related rental and depreciation	(44)	(36)
Initial expenses related to Prudential Book transfer	18	16
Transaction costs related to VitalityLife interest rate derivatives	24	-
Other	6	9
Normalised profit from operations	3,551	3,799

GROUP SHAREHOLDER FREE CASH MOVEMENT

R million	HY2020	FY2019	FY2018	FY2017
Cash Generated from In-Force Before Financing	5,876	14,598	10,612	7,623
Tax Paid	(539)	(1,157)	(1,228)	(745)
Finance Cost Paid	(524)	(1,219)	(759)	(437)
Dividends Paid	(789)	(1,480)	(1,367)	(1,235)
New Business	(4,291)	(8,096)	(7,822)	(7,071)
New Initiatives	(1,196)	(3,551)	(1,996)	(1,471)
Share Issue (Net of Share Issue Costs)	-	1,834	-	-
Transactions with Reinsurers	113	298	1,107	420
Transactions with Borrowers (Excl. Finance Costs)	1,571	471	1,976	3,148
Movement in Shareholder Free Cash	221	1,698	522	231

Group Shareholder Free Cash Movement - Reconciliation to Profit for the Period

R million	HY2020	FY2019	FY2018	FY2017
Profit for the period	2,078	6,614	5,735	4,495
Reverse non-cash profit items:				
Share of net profits/(losses) from equity accounted investments	(125)	(170)	(115)	(26)
Gains from dilution of equity accounted investments	-	(844)	-	-
Depreciation and amortisation	917	1,434	940	699
Impairment of intangible assets	(7)	32	200	-
Deferred acquisition costs (Excl. Invest DAC and exchange rate movements)	32	(72)	(61)	(2)
Deferred Revenue (Excl. exchange rate movements)	(117)	108	32	-
Amortisation of intangibles from business combinations	36	99	123	171
Non cash impact of Vitality Health Financial Reinsurance	(219)	(444)	(352)	(383)
Vitality Health Financial Reinsurance Recapture	-	-	-	(858)
UK Life IFRS reporting adjustments - Tax Accrued	3	64	(27)	(103)
Other non-cash adjustments to profit	(115)	159	42	(145)
Adjustments from IFRS to EV ANW:				
Tangible Asset Release on Transition to SAM	-	3,484	-	-
Increase in Negative Reserves and Invest DAC (Net of tax)	(2,010)	(3,747)	(4,339)	(3,116)
Add back deferred tax on Increase in Negative Reserve	(460)	(1,063)	(805)	(935)
Exchange rate movements on Vitality Life Negative Reserves	166	(67)	286	(653)
Other adjustments to arrive at EV ANW	(114)	(146)	113	47
Incurred to Cash basis:				
- Rent Paid	(149)	(286)	(128)	-
- Finance Costs Paid	(524)	(1,003)	(759)	(437)
- Finance Costs Accrued	754	1,375	959	478
- Taxation paid	(539)	(1,157)	(1,228)	(745)
- Taxation Accrued	891	1,305	1,720	1,943
Investing Activities:				
Purchase of property and equipment	(114)	(510)	(470)	(239)
Proceeds from disposal of property and equipment	2	95	7	5
Purchase of intangible assets	(810)	(1,999)	(1,940)	(1,353)
Proceeds from disposal of intangible assets	-	22	-	7
Increase in investment in associate	(136)	(224)	(20)	(530)
Card and Bank Buy-out Payment	-	(1,853)	-	-
Cash proceeds from CMT transaction	-	402	-	-
Acquisition of business net of cash required	-	(734)	-	-
Financing Activities:				
Increase in borrowings	2,320	2,147	2,654	3,514
Repayment of borrowings	(749)	(1,676)	(678)	(366)
Share Issue (Net of Share Issue Costs)	-	1,834	-	-
Dividends paid to ordinary shareholders	(749)	(1,400)	(1,284)	(1,152)
Dividends paid to preference shareholders	(41)	(81)	(83)	(83)
Movement in Shareholder Free Cash	221	1,698	522	231

Notes

(1) "Movement in Shareholder Free Cash" is an estimate of shareholder free cashflow. Life and Invest and VitalityLife are included based on the change in the Adjusted Net Worth in the Embedded Value. Changes in working capital are not allowed for in the estimate.