Discovery

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2024

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Registration number 1999/007789/06

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DISCOVERY LIMITED

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BASIS OF PREPARATION

The consolidated and separate Annual Financial Statements have been prepared in accordance with JSE Limited (JSE) Listings Requirements and JSE Debt Listings Requirements, IFRS® Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards), the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council (FRSC), and the requirements of the South African Companies Act. They have been prepared in accordance with the going concern principle using the historical cost basis, except where otherwise stated in the accounting policies (refer Annexure B).

The Annual Financial Statements have been prepared under the supervision of Deon Viljoen CA(SA), Group Chief Financial Officer. The Annual Financial Statements are reviewed by management, the Discovery Limited Audit Committee and Board, and are audited by the external auditors of the Group.

The embedded value statements has been prepared by Peter Bolink (FASSA) and supervised by Andrew Rayner (FASSA, FIA).

A copy of the set of annual consolidated and separate financial statements with the signatures of the directors is available at the Company's registered office through a secure electronic manner, at the election of the person requesting inspection.

DIRECTORS' RESPONSIBILITY STATEMENT

for the year ended 30 June 2024

Directors' responsibility to the shareholders of Discovery Limited and its subsidiaries (Discovery or the Group)

The directors of Discovery are required by the Companies Act, No. 71 of 2008, as amended (Companies Act), to maintain adequate accounting records and to prepare financial statements for each financial year that fairly present the state of affairs of Discovery at the end of the financial year and the results and cash flows for the period. In preparing the accompanying Annual Financial Statements, IFRS Accounting Standards have been used, and reasonable estimates have been made. The Annual Financial Statements incorporate full and responsible disclosure, in line with Discovery's philosophy on corporate governance.

The directors have reviewed Discovery's budget and cash flow forecast for the year to 30 June 2025. On the basis of this review, and in light of the current financial position and available cash resources, the directors have no reason to believe that Discovery will not be a going concern for the foreseeable future. The going concern basis has therefore been adopted in preparing the Annual Financial Statements.

The directors are responsible for Discovery's systems of internal control, which include internal financial controls in the various subsidiaries that are designed to provide reasonable, but not absolute, assurance against material misstatement and loss. Discovery maintains internal financial controls to provide assurance regarding:

- Safeguarding of assets against unauthorised use or disposition, and
- The maintenance of proper accounting records, written or electronic and the reliability of financial information used within the business, or for the publication thereof, including submissions to the Companies and Intellectual Property Commission (CIPC).

The controls contain self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified. Even an effective system of internal control, no matter how well designed, has inherent limitations, including the possibility of circumvention and the overriding of controls. An effective system of control therefore aims to provide reasonable assurance with respect to the reliability of financial information and, in particular, the presentation of Annual Financial Statements.

To the best of their knowledge and belief, based on the above, the directors are satisfied that no material breakdown in the operation of the systems of internal control and procedures has occurred during the year under review.

Discovery's external auditors, KPMG Inc. and Deloitte & Touche, have audited the Annual Financial Statements and their unqualified report appears on pages 10 to 13.

The Annual Financial Statements of Discovery for the year ended 30 June 2024, which appear on pages 18 to 285 have been approved by the Board of Directors on 23 September 2024, and are signed on its behalf by:

Mark Tucker
Chairperson

Adrian Gore
Group Chief Executive

GROUP CHIEF EXECUTIVE AND GROUP CHIEF FINANCIAL OFFICER'S INTERNAL FINANCIAL CONTROL RESPONSIBILITY STATEMENT

for the year ended 30 June 2024

After due, careful, and proper consideration, in accordance with the JSE Listings Requirements 3.84(k), each of the directors, whose names are stated below, hereby confirm that:

- The Annual Financial Statements set out on pages 18 to 285 fairly present, in all material respects, the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- To the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the Annual Financial Statements false or misleading;
- Internal financial controls have been put in place to ensure that material information relating to Discovery Limited and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer;
- The internal financial controls are adequate and effective and can be relied upon in compiling the Annual Financial Statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- Where we are not satisfied, we have disclosed to the Discovery Limited Audit Committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have remediated or taken steps to remedy the deficiencies; and
- We are not aware of any fraud involving directors.

Adrian Gore
Group Chief Executive
23 September 2024

Deon Viljoen
Group Chief Financial Officer
23 September 2024

CERTIFICATE BY THE COMPANY SECRETARY

for the year ended 30 June 2024

It is hereby certified in terms of section 88(2)(e) of the Companies Act, that Discovery Limited has, for the year ended 30 June 2024, lodged with the Companies and Intellectual Property Commission (CIPC) all such returns as are required by a public company in terms of this Act and that all such returns are true, correct and up to date.

Ayanda Ceba
Company Secretary
23 September 2024

REPORT OF THE DISCOVERY LIMITED AUDIT COMMITTEE

for the year ended 30 June 2024

As the Discovery Limited Audit Committee (DLAC), we are pleased to present our report for the 2024 financial year, which aligns with the requirements of the South African Companies Act, 71 of 2008, as amended (Companies Act), the King Report on Corporate Governance™ for South Africa, 2016 (King IV™), and the JSE Listings Requirements and JSE Debt Listings Requirements, as well as other regulatory requirements as applicable.

As an independent statutory committee constituted under section 94(7) of the Companies Act, the DLAC serves to assist the Board in fulfilling its responsibilities by providing governance, independent oversight and challenge pertaining to reporting processes, internal control frameworks, the adequacy and efficiency of accounting policies, standards and legislation as well as with the impact of such related matters on the Group's financial results. The DLAC also assesses the effectiveness of Discovery's internal auditors and considers and recommends to shareholders the appointment of the Discovery Group's joint external auditors ensuring both independence and effectiveness.

In this report, the DLAC details how we accomplished our various statutory obligations during the year, as well as our key focus areas and the significant audit matters we considered during the period.

Composition and governance

The scope of the DLAC extends to all activities of the Discovery Limited Group and its subsidiaries, both locally and internationally. The DLAC is chaired by an Independent Non-executive Director and consists of at least three skilled and experienced Independent Non-executive Directors who are appointed annually by the Board of Directors and subsequently approved by the shareholders at the Discovery Group's Annual General Meeting. The committee members have the appropriate balance, diversity of knowledge, financial skills, and experience to effectively execute the duties required of the DLAC.

The membership, qualifications, and attendance of the DLAC members for this financial year are detailed in the table below:

Committee member	Qualifications	Appointment to committee	Number of meetings attended
D Macready (Chairperson)	BCom (Hons), CTA, CA (SA), SEP, IDP	February 2020	6/6
LM Chiume[1]	BCom Business Finance and Economics	September 2023	4/4
MW Hlahla	BA Economics (Hons), MA, Advanced Management Programme	August 2021	6/6
KC Ramon[1]	BCompt (Hons), CA(SA), SEP	September 2023	4/4
M Schreuder	BCom (Hons), FIA, FASSA	February 2021	6/6

1 LM Chiume and KC Ramon were both appointed as Independent Non-executive Directors and as members of the DLAC with effect from 18 September 2023.

Members of the DLAC also serve on other key Board committees to ensure we maintain collective and integrated oversight of key matters across the Discovery Group.

Committee member	Actuarial committee	Remuneration committee	Risk and compliance committee	Social and Ethics committee
D Macready	x		x	
LM Chiume			x	
MW Hlahla		x		x
KC Ramon		x		x
M Schreuder	x		x	

The Board Chairperson and other Non-executive Directors can attend any DLAC meetings upon request. The Group Chief Executive, Group Chief Financial Officer (CFO), Actuarial Committee Chairperson and Executive Directors attend DLAC meetings, or parts thereof, by invitation only. Other members of management are invited to attend meetings to provide the DLAC with greater insights into specific issues or areas of the Group.

REPORT OF THE DISCOVERY LIMITED AUDIT COMMITTEE *continued*

for the year ended 30 June 2024

Effectiveness review

The DLAC undertook an effectiveness review during the year which garnered positive feedback and highlighted that the committee is well managed, thorough, proactive and appropriately resourced to deliver on its mandates.

Meetings cycle for the year

Committee meetings	We convened six scheduled meetings during the year, as well as four ad hoc meetings to specifically consider the Group's Annual Financial Statements, results, annual reporting suite and in particular, the transition to IFRS 17 *Insurance Contracts* (IFRS 17).
Management engagements	The DLAC Chairperson regularly meets with the Group CFO, the Heads of Actuarial, Risk and Compliance functions and, as and when necessary, with executive management.
Auditor engagements	The Group's internal and external auditors have direct access to the DLAC Chairperson, including closed sessions without management present, on any matter they consider relevant to fulfilling the committee's responsibilities. In addition, the Chairperson meets regularly with the internal and external auditors before each meeting and at other times as necessary before committee meetings.
Regulatory engagements	The DLAC participated in the annual bilateral and trilateral meetings as set up with the respective regulatory bodies.
Subsidiary Audit Committee engagements	The DLAC Chairperson meets regularly with the individual Chairpersons of the Subsidiary Audit Committees and can attend their subsidiary meetings as an invitee. Subsidiary Chairpersons are formally invited to give feedback to the DLAC during reporting periods on subsidiary significant matters.
Feedback to the Discovery Board	Following the meetings and engagements noted above, the DLAC Chairperson reports to the Discovery Board on the committee's activities and the matters discussed, highlighting any areas the DLAC believes require attention or action.
Annual General Meeting	The DLAC Chairperson attends Annual General Meetings and is available to answer any questions concerning matters pertaining to the committee's responsibilities.

KEY FOCUS AREAS FOR FY2024

Evaluating the effectiveness of the Group Governance Framework

Following the implementation of Discovery's revised Group Governance Framework (previously referred to as Subsidiary Governance Framework)in FY2023, this year we monitored the efficiency thereof in light of the new independent statutory Audit Committees that were formed for Discovery Life, Discovery Invest, Discovery Insure and Discovery Health. These committees supplemented the existing independent Audit Committees of Discovery Group Europe Limited – which incorporates both VitalityLife and VitalityHealth – and Discovery Bank Holdings Limited, as well as the Vitality Group International Audit and Finance Committee.

The DLAC further ensures the new Group Governance Framework structure supports each statutory Audit Committee in discharging its duties by having the right skills, capacity and workplan in place. At a Group level, we also strengthened our skills and experience by appointing Lisa Chiume and Christine Ramon to the DLAC.

We believe the new Group Governance Framework significantly enhances and strengthens the governance and oversight of subsidiaries within the broader Discovery multi-national groupings while upholding Discovery's common purpose, values and Shared-value model.

Transition to IFRS 17

IFRS 17 became effective for Discovery on 1 July 2023, and the final transition and implementation were key focus areas of the DLAC during the year. As part of the transition, Discovery also had to restate comparative numbers for FY2023, including the financial position as at 1 July 2022.

The DLAC was integral to the overall governance and oversight of the IFRS 17 project, which included the appropriateness, integrity and veracity of key policy elections and interpretations, as well as consideration of the disclosures, communication and overall assurance obtained of the impact of transitioning from IFRS 4 *Insurance Contracts* (IFRS 4) to IFRS 17.

The DLAC Chairperson was also the Chairperson of the IFRS 17 Governance Committee which comprised a subset of the various Discovery and Vitality UK Audit and Actuarial committees. The DLAC and the IFRS 17 Governance Committee received detailed feedback from the respective IFRS 17 Executive Working Groups, which enabled robust debates on accounting and actuarial policy and modelling elections and ensured the project's progress was monitored continually.

The FY2024 reporting period saw the final transition and implementation of IFRS 17. We completed the following key activities under the IFRS 17 project:

- Discovery sought assurance from independent external joint auditors, KPMG Inc. (KPMG) and Deloitte & Touche (Deloitte), to develop policies and apply the standard's requirements when preparing for the transition to IFRS 17. The assurance culminated in a report during the release of the Group's half-year results, including the restated comparative information required under IFRS 17. We obtained final assurance once the external audit for the year ended 30 June 2024 was finalised
- We focused on how management embedded IFRS 17, along with the appropriate processes, models, financial reporting controls and the requirements of accounting policies. The committee also focused on understanding how IFRS 17 impacts the Group's financial results, considering the approach adopted by management, and closely monitored its application throughout the process
- We focused on the consistency of elections and accounting treatment across the Group and its subsidiaries

REPORT OF THE DISCOVERY LIMITED AUDIT COMMITTEE *continued*

for the year ended 30 June 2024

Transition to IFRS 17 *Insurance Contracts* continued

During the finalisation of the restated results for FY2023, we also oversaw the correction of prior period errors including the insurance accounting of the Prudential Assurance Company Limited (PAC) arrangements and mapping corrections in the VitalityInvest and Discovery Insure business lines. We reviewed the appropriate assessment of the technical analysis and the proposed corrections. In addition, we noted the corrections in mapping of accounts for insurance contracts, which did not affect earnings. The correction of these errors are fully disclosed in Section 7 of these financial statements.

As part of ongoing training for directors, the committee received comprehensive training on IFRS 17 and related transition methodologies during the year under review, with a particular focus on its impact on opening balances in the Group's financial statements.

Appointment of joint external auditors

PricewaterhouseCoopers Inc. finalised its tenure as joint external auditor for the financial year ended 30 June 2023. The financial year saw Deloitte commencing as joint external auditors with KPMG from 1 July 2023. To assist in the transition, KPMG and Deloitte were engaged on Discovery's transition to IFRS 17 from the onset to provide the external assurance for IFRS 17, in preparation of their capacity as the external auditors for FY2024, the first year Discovery applied the standard.

Analysing Discovery's ESG financial reporting practices

During the year, the DLAC remained updated on developments in sustainability and climate-related disclosures, including the requirements of IFRS S1 – which outlines general sustainability-related disclosure requirements – and IFRS S2, which specifies climate-related disclosure requirements. The committee also monitored Discovery's participation in these developments.

Discovery continues to analyse evolving global expectations to develop reporting strategies and sustainability initiatives that will improve Discovery's ESG-related disclosure. Our Climate and Environment Steering Committee, which has representatives from several business functions, is convened monthly at a Group level to manage and drive climate-related transformation and implementing the TCFD recommendations. These recommendations are then incorporated into Discovery's annual reporting suite.

Evaluating the effectiveness of Group Internal Audit and the appropriateness of the insourcing model

The DLAC annually reviews the skills, capacity and effectiveness of Group Internal Audit (GIA). Furthermore, an independent assessment is conducted every 5 years.

During the current year our assessment focussed on the efficacy of the current internal audit model in terms of existing internal skill sets, experience and capacity versus the current co- source model which relies on external consultants and subject matter experts for certain technical assignments.

FINANCIAL, LEGAL, COMPLIANCE AND REGULATORY REPORTING FOR FY2024

The DLAC receives regular reports from Discovery's CFO on the Group's financial performance, budgets, forecasts, long-term plans and capital expenditure, financial reporting controls and processes, and the adequacy and reliability of management information used during the financial reporting process. We reviewed and were satisfied with the appropriateness of Discovery's Finance function's expertise, resources, and experience, including the Group's CFO, Deon Viljoen.

As part of our annual work plan, we evaluate management's assessment of the findings in the most recent JSE Proactive Monitoring Report. Management performs a detailed assessment of the JSE's findings against Discovery's Annual Financial Statements to identify any potential areas of non-compliance or potential improvements or enhancements in disclosures. We noted the JSE Proactive Monitoring Report 2023 and no significant deficiencies were identified, but smaller changes were incorporated into the financial statements.

The DLAC is responsible for reviewing any major breach of Discovery's code of conduct and ethics and relevant legal, regulatory and other obligations reported by the Social and Ethics Committee. We are satisfied there were no material breaches of these standards or material non-compliance with laws and regulations during the year. We are satisfied that we have complied with all its legal, regulatory, and other obligations during the year.

REPORT OF THE DISCOVERY LIMITED AUDIT COMMITTEE *continued*

for the year ended 30 June 2024

KEY AUDIT MATTERS

Every year, the DLAC assesses the key audit matters (KAMs) reported by the Group's external auditors and considers the key judgements and estimates pertaining to the Annual Financial Statements. The FY2024 KAMs raised by our joint auditors were addressed as detailed below.

Key Audit Matter	How DLAC responded
Valuation of assets and liabilities arising from insurance contracts	We reviewed reports from the Group Chief Actuary and the external auditors on actuarial assumptions and basis changes. We evaluated the appropriateness of actuarial assumptions used in the determination of measuring insurance and reinsurance contracts, considering the recommendations made by the Actuarial Committee. Particularly, the DLAC considered the recommendations of the assumption changes within the SA Life business relating to negative lapse and policy alterations, long-term expense and claims as well as morbidity assumptions The UK Life business had also strengthened its lapse basis assumption. The Annual financial statements set out significant judgements and estimates in measuring the insurance and reinsurance contracts.
The annual assessment for impairment of goodwill and intangible assets	The DLAC reviewed the impairment assessments based on the latest business planning inputs. We considered the sensitivity of these estimates to various scenarios. The most material of which is the valuation of Discovery Bank, which is sensitive to the discount rate, business plan performance and, most notably, the terminal growth rate. Management re-engaged an external valuator to perform an independent valuation. This valuation and the work performed by the auditors confirmed that there was acceptable headroom at a Discovery Bank and Group level against both respective carrying values. The financial statements set out the significant judgements and estimates in measuring the valuation in use.

Other significant matters considered

Significant matters are those that the DLAC views as material in nature, requiring either the exercise of judgement or matters otherwise considered subjective from an accounting or auditing perspective. During the year, the following areas received attention from the DLAC:

- Evaluation of management's assessment of impairment of specified assets under IAS 36 *Impairment of Assets*. In addition to focusing on the goodwill of Discovery Bank, as noted in the KAMs above, we also considered the goodwill of VitalityHealth and VitalityLife and the carrying value of material associate investments. We are satisfied there was no risk of impairment of any material assets.
- Review of management's assessment of the recognition and measurement of deferred tax assets arising from unutilised assessed tax losses. We considered the appropriateness of the measurement and was satisfied with the level of caution applied in the recognition process.

ANNUAL FINANCIAL STATEMENTS, ACCOUNTING PRACTICES AND REPORTING PROCESSES

We reviewed the accounting policies of all entities included in the consolidated Annual Financial Statements and is satisfied that these appropriate, consistently applied and comply with IFRS Accounting Standards. We are satisfied that Discovery has established financial reporting procedures to ensure access to all financial information required by the issuer to prepare and report on the Group's financial statements of Discovery effectively. We are comfortable that the Group remains a going concern, and that the financial statements were prepared on this basis. Finally, we considered the accounting treatments of material or unusual transactions and accounting judgements.

During the year, we reviewed the following financial reporting matters to ensure the integrity and fairness of financial information:

- Reviewed and debated key accounting, actuarial and tax judgements and assumptions – including KAMs reported by the Group's external auditors – and were satisfied with how these were addressed
- Reviewed financial information included in the Group's interim and year-end results announcements to ensure the accuracy and integrity of financial data disclosed externally
- Evaluated the consistent application of accounting policies for insurance reserves

The DLAC receives and deals with any complaints or whistleblowing, whether from within or outside Discovery, relating to Discovery's accounting practices, internal audit, the content or auditing of Discovery's financial statements, the internal financial controls of Discovery and related matters. Discovery immediately deals with any such issues raised. No such issues were raised during the financial year.

The DLAC evaluated management's judgements and reporting decisions in relation to the Integrated Annual Report and ensured all material disclosures were included. In addition, it reviewed both financial and non-financial information, forward-looking statements and sustainability information. It also:

- Reviewed the Sustainability Report, including understanding sources of data, metrics, methodologies and narrative
- Considered the level of both internal and external assurance obtained on ESG reporting and disclosures, including reviews of the workplans and procedures
- Reviewed the Climate Report, focusing on the disclosure of climate-related risks, opportunities, and financial implications

REPORT OF THE DISCOVERY LIMITED AUDIT COMMITTEE *continued*

for the year ended 30 June 2024

Restatement as a result of prior period errors

As noted in section 7 of the Discovery consolidated results, Discovery restated its previously published results for errors applied in previous accounting.

We reviewed the corrections proposed by management, the control environment to process the corrections, and the external audit work to ensure the changes were implemented correctly. In addition, we considered the transparency of the disclosures in the financial statements, required communication with the relevant regulatory bodies and confirmed it has discharged all its obligations as required.

EXTERNAL AUDIT

The DLAC is responsible to appoint, approve the audit budget and oversee the Group's independent joint external auditors – namely KPMG and Deloitte, who were appointed as joint auditors effective 1 July 2023. During the year, the DLAC:

- Assessed the independence and objectivity of the Group's external auditors we are satisfied these two companies are independent of Discovery and the requisite assurance was sought and provided by the auditors that internal governance processes within each audit firm support and demonstrate its claim to independence.
- Reviewed the appropriate accreditation of the individual audit partners responsible for the audit sign-off and the respective auditors' most recent Independent Regulatory Board for Auditors (IRBA) inspection reports. The DLAC has assessed the suitability of the audit firm and individual in accordance with paragraphs 3.84(g)(iii) and 7.3(e)(iii) of the JSE Debt Listings Requirements.
- Following consultation with executive management, approved the engagement letter, terms, audit plan, main areas of focus and budgeted audit fees for FY2024. This included consideration of the split of work between the joint auditors.
- Through its Chairperson met with the lead partners from both KPMG and Deloitte before every committee meeting to discuss the FY2024 audit plan, key areas of focus, scope and findings, as well as the suitability of any reliance on GIA.
- Received feedback from the external auditors on the audit of the Group's Annual Financial Statements, the critical accounting estimates and judgements and cross reviews, including the Summary of Audit Differences for the year ended 30 June 2024. The DLAC notes the unqualified independent auditors' report in relation to Discovery Limited and the Group.

In terms of the conditions laid out in section 94(8) of the Companies Act and based on its assessment – and considering the requirements of King IV™, the JSE and general guidance to audit committees – we are satisfied with the performance and quality of the external audit, the external auditor firms and lead partners for the year ended 30 June 2024.

The appointment of the external auditors for the financial year end 30 June 2024 will be tabled at the next Annual General Meetings, scheduled for November 2024.

We have a formal policy in place that guides the non-audit services provided to Discovery and its subsidiaries. This is supported by a formal procedure that governs the process of appointing auditors to provide any non-audit services, including a limitation on fees for non-audit services – which shall not exceed 25% of each joint auditor audit fee. In addition, the DLAC Chairperson pre-approves the nature and extent of any non-audit services provided by the external auditors in line with the agreed pre-approval policy. The schedule of approved non-audit services is reviewed annually by the DLAC.

A summary of the audit and auditors related services and non-audit services rendered for FY2024 can be summarised as follows:

R million	Deloitte	KPMG	Other	Total
Audit of the financial statements, including the transition to IFRS 17	130	74	4	**208**
Regulatory related services required to be performed by external auditor	7	8	–	**15**
Auditor services	137	82	4	**223**
Non-audit services	1	–	–	**1**
Total	138	82	4	**224**
% Non-audit services compared to auditor services	<1%	0%		

REPORT OF THE DISCOVERY LIMITED AUDIT COMMITTEE *continued*

for the year ended 30 June 2024

GROUP INTERNAL AUDIT

The GIA function provides independent objective assurance that the Group's governance processes – including professional ethics, risk management and systems of internal controls – are both adequate and effective. The Chief Audit Executive (CAE) has a functional reporting line to the DLAC Chairperson and an administrative reporting line to the Group CFO.

In assessing the quality, performance and delivery of the internal audit plan, along with the scope of work performed, the level of resources and coverage of the audit plan, the DLAC:

- Reviewed and approved the internal audit plan and challenged its focus, relevance and risk-based emphasis
- Approved the Group-wide internal audit rating methodology and the dispute resolution and escalation protocol
- Noted results of the IFC and financial reporting controls (FRCs) audits conducted by GIA
- Reviewed significant issues raised by the internal audit processes and the adequacy of corrective action and accountability taken in response to such findings
- Assessed the independence, effectiveness and performance of the CAE and GIA, as well as the quality and extent of audit resources, and found them satisfactory
- Reviewed the external auditors' annual assessment of the internal audit function in terms of the requirements of ISA 610 *Using the Work of Internal Auditors*, reaffirming the extent of reliance that could be placed on the internal audit work
- Reviewed and approved the Internal Audit Charter in June 2023 (the current year review of the charter has been postponed to November 2024 due to the implementation of the new Global Institute of Internal Audit Standards)

The DLAC is satisfied that GIA displays high professional objectivity and professional ethics in performing its work.

OTHER MATTERS CONSIDERED

The DLAC oversees the design and implementation of sound risk management and internal control systems and functions. We considered assessments on the effectiveness of the Group's systems of internal control, governance, risk management and combined assurance, and is satisfied that the existing systems were effective.

Combined assurance

The Combined Assurance model provides an integrated plan of the various activities and sources of assurance, including risk and compliance, external and internal audit, corporate finance functions and the actuarial committees. We reviewed and noted the Combined Assurance model, which has been implemented throughout the Group, and considers that the model is appropriate in addressing Discovery's risks. We note that the model has matured significantly reflected in the more efficient and effective planning demonstrated, and well-coordinated audit, compliance and risk work. The role of the combined assurance is regarded by management as an important overall component of risk mitigation in the Group.

Internal financial controls and financial reporting controls

Discovery continues to maintain a strong risk culture, implementing appropriate and effective IFCs to enable the integrity and reliability of the financial statements. These controls protect, verify and maintain accountability of our financial position and performance. The DLAC assists the Board in evaluating the adequacy and efficiency of the Group's IFCs, accounting controls and FRCs. Accordingly, the committee reviews the effectiveness of Discovery's IFC systems – including the reliability and accuracy of the financial information provided in reports by, among others, external audit, GIA and management – and makes recommendations to the Board. This includes a formal documented review by the Internal Audit function of Discovery's IFC's and FRC design, implementation and effectiveness. This year, Internal Audit focused on updating the Group's control environment as it relates to IFRS 17.

Discovery successfully completed the fourth year of the IFC attestation process in terms of paragraph 3.84(k) of the JSE Listings Requirements. Any deficiencies in the design and operating effectiveness of IFCs identified via the Group's three lines of defence are reported to the DLAC. The DLAC considered these deficiencies together with the appropriateness of management's response, including remediation, reliance on compensatory controls and additional review procedures. The DLAC noted and supported the Group Chief Executive and Group CFO's positive attestations under their names and signatures.

The DLAC believes that, based on the results of these reviews, Discovery's IFCs and FRCs effectively produce accurate financial information and a fair presentation of the financial performance of Discovery in the Annual Financial Statements.

REPORT OF THE DISCOVERY LIMITED AUDIT COMMITTEE *continued*

for the year ended 30 June 2024

KEY FOCUS AREAS FOR FY2025

The following are the key focus areas for the forthcoming financial year:

- **Assessing the effectiveness of the Group Governance Framework:** Evaluating the performance and impact of Subsidiary Audit Committees within the Group's overall governance structure.
- **Enhancing ESG Financial Reporting:** Ongoing review of Discovery's ESG financial reporting practices, benchmarking them against industry-leading standards and emerging trends. Special focus will be placed on the implementation of the new IFRS Sustainability Disclosure Standards and ensuring robust assurance processes to fulfil the Group's disclosure obligations.
- **Embedding IFRS 17 and new IFRS Accounting Standards:** Monitoring Discovery's seamless integration of IFRS 17 into business as usual, focusing on internal model governance, improving systems, and strengthening both internal and external assurance processes. In addition, preparing for future amendments to IFRS Accounting Standards, particularly the forthcoming IFRS 18 *Presentation and Disclosure in Financial Statements*.
- **Improving shareholder reporting:** Conducting a comprehensive review of shareholder reporting, which includes integrating management-defined performance measures alongside IFRS information and embedded value statements.
- **Review the effectiveness of GIA and the appropriateness of the co-sourcing model.** The DLAC will conclude on the current co-source model following final assessment.

Conclusion

The DLAC is satisfied that it complied with all statutory duties and duties given to it by the Board under its Terms of Reference.

The DLAC reviewed Discovery Limited's consolidated and separate financial statements for the year ended 30 June 2024 and based on the information provided, considers that Discovery complies, in all material respects, with the requirements of the Companies Act and IFRS Accounting Standards.

The DLAC recommended the Annual Financial Statements to the Board for approval. The Board subsequently approved the Annual Financial Statements, which will be open for discussion at the forthcoming Annual General Meeting.

D Macready
Chairperson: Discovery Limited Audit Committee

23 September 2024

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Group Chief Executive and Group Chief Financial Officer's internal financial control responsibility statement
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INDEPENDENT AUDITORS' REPORT

for the year ended 30 June 2024

TO THE SHAREHOLDERS OF DISCOVERY LIMITED

Report on the audit of the consolidated and separate financial statements

OPINION

We have audited the consolidated and separate financial statements of Discovery Limited (the Group and Company) set out on pages 18 to 285, which comprise:

- the Group and Company statements of financial position as at 30 June 2024;
- the Group and Company income statements for the year then ended;
- the Group and Company statements of other comprehensive income for the year then ended;
- the Group and Company statements of cash flows for the year then ended;
- the Group and Company statements of changes in equity for the year then ended and
- the notes to the Group and Company financial statements (including Annexures A and C), including a summary of material accounting policies (Annexure B).

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Discovery Limited as at 30 June 2024, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with the JSE Limited (JSE) Listings Requirements and JSE Debt Listings Requirements, IFRS® Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards), the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council (FRSC), and the requirements of the South African Companies Act.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the consolidated and separate financial statements section of our report.

We are independent of the Group and Company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current year. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in respect of the separate financial statements of the Company.

Valuation of assets and liabilities arising from insurance contracts issued

Refer to policy 12 of Annexure B – Group accounting policies, Section 02 and Section 07, note 7.3.3, in the notes to the group financial statements.

Key audit matter	How the matter was addressed in our audit
As at 30 June 2024, the Group held assets arising from insurance contracts issued to the value of R41 816 million (2023: R33 624 million (restated)) and liabilities arising from insurance contracts issued of R105 070 million (2023: R94 660 million (restated)). Assets and liabilities arising from insurance contracts issued are measured in accordance with IFRS 17 Insurance Contracts (IFRS 17) that became effective for the Discovery Group from 1 July 2023. In retrospectively applying IFRS 17, the Group has restated the 1 July 2022 and 30 June 2023 assets and liabilities arising from insurance contracts issued to reflect the requirements of the new standard. In adopting IFRS 17, group management has made certain key judgments and assumptions to develop its accounting policies.	The primary procedures we performed to address this key audit matter included the following: In respect of the adoption of IFRS 17: Due to the nature of IFRS 17, the procedures performed to address this key audit matter in respect of the adoption of IFRS 17 were performed in conjunction with our actuarial specialists. ■ Assessing whether the Group's elected accounting policies and methodologies were in compliance with IFRS 17 and that the nature and substance of the policies issued by the Group supported the policy elections made on transition. ■ Evaluating the impracticability assessments made by management for groups of business where the fully retrospective approach was not applied.

INDEPENDENT AUDITORS' REPORT *continued*

for the year ended 30 June 2024

Valuation of assets and liabilities arising from individual life insurance contracts issued *continued*

Refer to policy 12 of Annexure B – Group accounting policies, Section 02 and Section 07, note 7.3.3, in the notes to the group financial statements.

Key audit matter	How the matter was addressed in our audit
Within these assets and liabilities arising from insurance contracts issued, the key audit matter relates to the following aggregated groups of insurance contracts where management's application of the significant judgements, inputs, assumptions and estimates is the most complex: ■ SA Life and Invest (Risk) with a net liability value of R2 368 million (2023: R4 932 million net liability (restated)), ■ SA Life and Invest (Participating) with a net liability value of R73 721 million (2023: R66 308 million net liability (restated)), and ■ UK Life (Risk) with a net asset value of R9 999 million (2023: R7 807 million net asset (restated)), as disaggregated in note 2.3.1 within section 02 to the group financial statements. These insurance contracts are underwritten by Discovery Life in South Africa and Vitality Life in the United Kingdom. These balances include estimates and judgement in the determination of fulfilment cash flows (FCF), specifically the present value of future cash flows (PVFCF), as well as the risk adjustment for non- financial risk (RA). Also included in the balances is the Contract Services Margin (CSM). **ADOPTION OF IFRS 17** The significant judgements, inputs, assumptions and estimates applied in adopting IFRS 17 include: ■ The selection and application of appropriate methods and models used to value the insurance contract assets and liabilities; ■ Those that relate to the accounting policy choice to include Insurance Finance Income and Expenses (IFIE) in profit or loss using systematic allocation process, with the remainder recognised in Other Comprehensive Income (OCI); and ■ The IFRS 17 accounting policy choice to reflect the time value of money in measuring coverage units and the assumptions included in determining the appropriate discount rates. **VALUATION OF YEAR END BALANCES** The most significant judgments, inputs, assumptions, and estimates made in determining the value of the assets and liabilities arising from insurance contracts relate to: ■ determining the FCF and the CSM. Changes to these significant judgements, inputs, assumptions and estimates may result in a material change to the valuation of the insurance contract assets and liabilities due to the long duration of the underlying contracts and the unpredictability of the insured events. ■ mortality and morbidity rates; ■ surrender and lapse rates; ■ discount rates and investment returns; ■ expense assumptions; ■ the coverage units used to determine the CSM recognised for services provided; and ■ risk adjustment. We considered the adoption of IFRS 17 and the valuation of assets and liabilities arising from insurance contracts issued to be a key audit matter in our audit of the consolidated financial statements, as it involved complex and subjective judgements about future events, including policyholder behaviour and economic conditions that required judgement to be applied.	■ Evaluating the classification, unit of account, aggregation and recognition principles applied by management against the requirements of IFRS 17. This included testing of a sample of each type of contract. ■ When assessing the classification of insurance contracts sampled, as noted above, we also determined whether an investment component is present. Where this is the case, we also assessed whether the investment components are distinct or not. ■ Assessing the changes applied to existing models to cater for the requirements of IFRS 17 and new models developed specifically for IFRS 17 requirements. ■ Evaluating the appropriateness and completeness of the transition disclosures against the requirements of IFRS 17. *In respect of the valuation of the balances at year-end:* We involved our actuarial specialists to assist in: ■ Gaining an understanding of the Group's actuarial internal control environment and governance, including the functioning of the Group's Actuarial Committee (and where applicable, the subsidiaries' Actuarial Committees) and testing the design and implementation of key controls. ■ Evaluating the appropriateness of the valuation methodologies applied by the Group to determine the value of assets and liabilities arising from insurance contracts. In doing so, we considered the principles and accuracy of the Group's models against the requirements of IFRS 17 and acceptable industry standards. This also included an assessment of changes applied to existing models to cater for the requirements of IFRS 17 and industry comparable models. We compared the output of our recalculations to management's recalculations and obtained an understanding of any differences. ■ Challenging management with respect to the appropriateness of all significant assumptions adopted in the determination of the valuation of assets and liabilities arising from insurance contracts issued. This was performed by comparing these assumptions to the results of historical actuarial experience investigations conducted by management, including benchmarking these assumptions against life insurance industry trends to determine whether they are reasonable and supportable. ■ Evaluating the compliance of the methodologies, judgements and assumptions that form the basis of the valuation of the assets and liabilities arising from insurance contracts issued against the requirements of IFRS 17 and the Group's accounting policies as set out in policy 12 of Annexure B – Group Accounting policies.

Directors' responsibility statement
Group Chief Executive and Group Chief Financial Officer's internal financial control responsibility statement
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Report of the Discovery Limited Audit Committee
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INDEPENDENT AUDITORS' REPORT *continued*

for the year ended 30 June 2024

Impairment assessment of goodwill for the Discovery Bank cash-generating unit (CGU)

Refer to section 6 and 7 of Annexure B – Group accounting policies, and section 05, note 5.3 to the group financial statements.

Key audit matter	How the matter was addressed in our audit
As at 30 June 2024, the Group held goodwill in relation to the Discovery Bank cash-generating unit (CGU) at a carrying value of R2 417 million. This goodwill arose from the acquisition of the DiscoveryCard business. In accordance with the requirements of IAS 36 *Impairment of Assets* (IAS 36), the Group annually assesses goodwill allocated to the Discovery Bank CGU for impairment. The recoverable amount of the Discovery Bank CGU is estimated on a fair value less costs to sell basis, using the income approach. Estimation uncertainty is inherent in the determination of fair value less costs to sell given the significant unobservable inputs into the calculation, which results in the fair value estimate being categorised as level 3 in terms of the fair value hierarchy in IFRS 13 *Fair Value Measurement*. Management has applied judgement in determining the inputs used in deriving their fair value estimate for the Discovery Bank CGU. These inputs include customer growth rates, regulatory capital requirements, macro-economic forecasts, and customer behaviour assumptions and the expensing of system-build costs, which drive forecasts of future cashflows. In addition, management has applied judgement in the determination of their estimated discount rate, notably the beta factor used in deriving a cost of equity, and the terminal growth rate. We considered the impairment assessment of goodwill for the Discovery Bank CGU to be a key audit matter in our audit of the consolidated financial statements, as it involves complex and subjective judgements and is subject to estimation uncertainty.	The primary procedures we performed to address this key audit matter included the following: ■ Gaining an understanding of the process followed by management to assess the Discovery Bank CGU goodwill for impairment, including the derivation of management's key assumptions. ■ Testing the design and implementation of certain relevant key controls related to this assessment. ■ Assessing management's attribution of assets and liabilities to the Discovery Bank CGU against the requirements of IAS 36. ■ Assessing the appropriateness of disclosures included in the consolidated financial statements in accordance with the group accounting policies and the requirements of IAS 36. We involved our valuation and economic specialists to assist in: ■ Evaluating the appropriateness of the valuation methodology applied by management to calculate the recoverable amount of the Discovery Bank CGU. In doing so, we considered the principles and integrity of the discounted cash flow model against the requirements of IAS 36 and acceptable industry standards. ■ Evaluating the appropriateness of management's assumptions against external market data or industry benchmarks, including the discount rate applied and customer growth rates that drive forecasted cashflows. This includes an assessment of the reasonableness of the capital requirements and credit loss ratios applied in the future cashflows. ■ Performing various sensitivity analyses over management's forecast cash flows, the terminal growth rate and discount rate applied to assess the impact of changes in these key assumptions on the recoverable amount of the Discovery Bank CGU.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Discovery Annual Financial Statements for the year ended 30 June 2024", which includes the Directors' Report, the Report of the Discovery Limited Audit Committee and the Certificate by the Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditors' report, and the document titled "Discovery Integrated Annual Report for the year ended 30 June 2024" which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditors' report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information, and we do not, and will not, express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with JSE Limited (JSE) Listings Requirements and JSE Debt Listings Requirements, IFRS ® Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards), the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council (FRSC), and the requirements of the South African Companies Act, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT *continued*

for the year ended 30 June 2024

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide directors with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that this is the first year KPMG Inc. and Deloitte & Touche have been the joint auditors of Discovery Limited.

Prior to the commencement of the joint audit relationship, KPMG Inc. audited Discovery Limited jointly with PricewaterhouseCoopers Inc. for two years.

KPMG Inc.
Registered Auditor

Per: Mark Danckwerts
Chartered Accountant (SA)
Registered Auditor
Director

KPMG Crescent
85 Empire Road
Parktown
2193

24 September 2024

Deloitte & Touche
Registered Auditors

Per: Stephen Munro
Chartered Accountant (SA)
Registered Auditor
Partner

5 Magwa Crescent
Waterfall City
2090

24 September 2024

DIRECTORS' REPORT

for the year ended 30 June 2024

Nature of business

Discovery Limited (the Company) is listed on the JSE and is an integrated financial services organisation specialising in health insurance, life assurance, wellness, investments and savings, short-term insurance, and banking.

Discovery is a shared-value insurance and banking group whose purpose and ambition are achieved through a pioneering business model that incentivises people to be healthier and enhances and protects their lives.

Our unique and sophisticated Shared-value Insurance model delivers better health and value for clients, superior actuarial dynamics for the insurer, and a healthier society. It is a powerful platform of integrated assets and capabilities, which has positioned us well to respond to the following key trends that were accelerated by COVID-19 and remain relevant:

- a focus on health, wellness and resilience (nature of risk)
- accelerated use of technology and increased digitisation
- increased importance of purpose and trust

Year under review

Discovery Group achieved strong growth in the year ended 30 June 2024, with normalised operating profit up 17% to R11 604 million, headline earnings up 7% to R7 202 million, normalised headline earnings up 15% to R7 329 million, and core new business annualised premium income (API) up 18% to R26 667 million.

The year under review was characterised by continued macroeconomic complexities. Global inflation rates declined from the prior year highs, but cumulative interest rate increases heightened consumer pressures in many regions, constraining economic growth. The uncertainty around elections in South Africa (SA) created further economic headwinds during the year. A positive election outcome towards the end of the reporting period, following the formation of the Government of National Unity (GNU), resulted in a significant shift in confidence, with some immediate relief in market indicators. The National Health Insurance (NHI) Act, which was signed over the period, is not workable in its current form, however the Group is engaging at multiple levels to facilitate a viable journey to universal healthcare coverage in SA. In the United Kingdom (UK), fiscal challenges, and the knock-on impact on the National Health Service (NHS) backlogs, accelerated the demand for and utilisation of private medical insurance (PMI). Many markets in Asia experienced post-COVID-19 recoveries, however, China continued to face significant macroeconomic and growth constraints.

SALIENT GROUP RESULTS FOR THE YEAR ENDED 30 JUNE 2024

	Unit	June 2024	Restated June 2023[1]	Change
Group earnings				
Normalised profit from operations	R million	**11 604**	9 917	17%
Normalised headline earnings	R million	**7 329**	6 400	15%
Headline earnings	R million	**7 202**	6 720	7%
Basic earnings per share	Cents	**1 082.7**	972.6	11%
Basic headline earnings per share	Cents	**1 089.4**	1 021.5	7%
Basic normalised headline earnings per share	Cents	**1 108.6**	972.8	14%
Business volumes				
Core new business annualised premium income[2]	R million	**26 667**	22 622	18%
Total income from non-insurance lines[3]	R million	**6 191**	5 349	16%
Group net asset value and embedded value				
Net asset value	R million	**57 719**	49 724	16%
Embedded value[4]	R million	**110 354**	98 176	12%
Annualised ROEV	%	**13.2**	13.2	
Basic embedded value per share	R	**166.95**	149.11	12%
Financial leverage and capital management				
Financial leverage ratio, including 50% CSM (FLR)[5]	%	**20.0**	20.4	
Shareholder free cash increase, before ordinary dividend	R million	**2 643**	397	>100%
Final dividend per share	Cents	**152**	110.0	38%

1 *Includes restatements as a result of the adoption of IFRS 17 Insurance Contracts. Refer discussion below.*
2 *Core new business API excludes products of VitalityInvest, Discovery Business Insurance and PAHI reinsurance business in run down.*
3 *Includes income from business lines and activities not covered by the new business API definition. Restated to include solutions revenue from external clients for Vitality Network.*
4 *Non-covered businesses are included at their net asset values only.*
5 *Allowing for the inclusion of 50% of the contractual service margin (CSM) net of reinsurance and net of tax in the denominator.*

The Group focused on the following over the year:

1. Delivering strong growth in earnings, value, cash generation and capital resilience;
2. Entering a new phase in the lifecycle of the Group; and
3. Arranging the Group into two distinct composites to drive the new phase of growth.

DIRECTORS' REPORT *continued*

for the year ended 30 June 2024

STRONG GROWTH IN EARNINGS, VALUE, CASH GENERATION AND CAPITAL RESILIENCE

The IFRS 17 *Insurance Contracts* accounting standard became effective for the Discovery Group on 1 July 2023. Full-year earnings have been reported under the standard for the first time, with comparative restatement of the prior year, and a restatement of the opening Statement of financial position as at 1 July 2022. The details of these restatements are covered in section 7.3.

The Group grew normalised profit from operations by 17% with strong contributions from Discovery SA and Vitality Global (VG), increasing 16% and 57% respectively. Vitality UK declined 14%, impacted by two specific issues: claims experience in VitalityHealth and a basis strengthening for the back book under VitalityLife.

Normalised headline earnings grew 15% while headline earnings increased 7%, the difference explained by the considerable prior period fair value gain from the UK interest rate swaption. The swaption was realised towards the end of the prior financial year, with no profit impact in the current period. Consistent with prior reporting, headline earnings were normalised for this.

The Group's embedded value increased to R110 billion, which represents a 13.2% return on embedded value (RoEV). This included a positive contribution from experience variances over the period, reflecting the competitive dynamics of the Shared-value Insurance model, as well as a strong improvement from non-covered businesses.

The Group demonstrated continued financial resilience over the year. The financial leverage ratio (FLR) improved to 20.0%, despite prudently raising R1.5 billion of debt, ahead of the election in SA, to derisk the refinancing of a maturity towards the end of the current calendar year. Capital and liquidity ratios remained strong across every business and central liquidity increased, even before the additional debt. This was driven by improved organic cash generation, with cash conversion now at 66% of after-tax normalised operating profit (64% in the prior period) and lower spend on new initiatives.

BUSINESS-UNIT PERFORMANCE

R million	Normalised profit from operations (Current year, in ZAR million)	% change (Current year vs prior year)	Core new business API (Current year, in ZAR million)	% change (Current year vs prior year)
Discovery Health	3 972	7%	11 069	26%
Discovery Life	4 765	9%	2 942	4%
Discovery Invest	1 522	20%	3 300	8%
Discovery Insure[1]	248	>100%	1 388	11%
Discovery Bank	(454)	41% lower		
Other SA initiatives and central costs	(336)	20%	1 038	38%
Discovery SA	**9 717**	**16%**	**19 737**	**19%**
VitalityHealth	435	(47%)	2 488	21%
VitalityLife	375	(20%)	1 956	14%
Closure costs of VitalityInvest and VitalityCar	(75)	84% lower		
Other UK initiatives and central costs	(88)	10%		
Vitality UK	**647**	**(14%)**	**4 444**	**17%**
Vitality Network	533	30%		
VHI – Ping An Health Insurance (PAHI)	1 124	85%	2 486	14%
VHI – Other	(386)	98%		
Other VG initiatives and central costs	(31)	11% lower		
Vitality Global	**1 240**	**57%**	**2 486**	**14%**
Normalised profit from operations	**11 604**	**17%**		
Normalised headline earnings	**7 329**	**15%**		
Core new business API			**26 667**	**18%**

1 *Includes Discovery Insure's share of equity accounted profits of its associates.*

DIRECTORS' REPORT *continued*

for the year ended 30 June 2024

WITHIN THE COMPOSITES:

Discovery SA performed strongly, with a compelling contribution from each business in the composite.

- Discovery Bank exceeded expectations, with excellent progress across all metrics. The acquisition of quality clients continued to accelerate, resulting in strong revenue growth.
- Discovery Life delivered robust earnings, despite the result for Group Life being elevated in the prior year.
- Discovery Health generated solid earnings growth, while continuing to invest in technology, innovation and artificial intelligence (AI).
- Discovery Invest delivered strong profit growth due to an increase in the value of assets under management. In addition, the earnings profile of certain contracts was amended to provide a more even ongoing profit release profile.
- Discovery Insure delivered a strong recovery in the second half of the reporting year, as prior period management actions took effect.

Vitality UK achieved strong growth in customers, new business and earned premiums. Normalised operating profit was impacted by two specific issues: claims experience in VitalityHealth and a basis strengthening for the back book under VitalityLife.

- VitalityHealth's membership reached 1 million during the reporting year, having grown strongly from the increased demand for private medical insurance (PMI) given the backlogs experienced by the National Health Service (NHS). There was a concomitant increase in claims during the reporting period which negatively impacted earnings by £30 million, given the lag of premium increases. VitalityHealth has significantly increased prices in response to the higher claims, in line with the market, with little impact on observed lapse rates. Post the reporting period, claim levels are in line with actuarial expectation. As such, margins are expected to recover strongly in the 2025 financial year.
- VitalityLife's underlying performance was robust with new business value generation improving in the second half of the reporting year. In light of continued lower lapses than expected for a block of whole of life business within the Prudential Assurance Company (PAC) book, VitalityLife strengthened the lapse basis resulting in a negative impact on earnings of £12.5 million for the period. While VitalityLife has contractual service (CSM) and risk adjustment (RA) margins in excess of £400 million, these margins are not applicable to this particular cohort resulting in the basis change directly impacting in period earnings. This is not expected to recur.

Vitality Global delivered exceptional performance over the year.

- Ping An Health Insurance delivered an excellent operating result, with a reduction in the combined ratio, and strong cash generation. Importantly, Ping An Health Insurance commenced the payment of dividends at a payout ratio of 30% of 2023 calendar year distributable profits.
- Vitality Network generated strong profit and membership growth, with improving margins.
- Vitality Health International represents a key growth area for the Group, with investment made over the period to capitalise on the opportunity.

Share capital

Details of the authorised and issued share capital, together with details of shares issued during the year, are set out in section 2 to the Company Annual Financial Statements.

Ownership

For details of shareholders, refer to Annexure D.

Group structure

The Company is directly and indirectly the holding company of subsidiaries and investments as set out in Annexure A. In addition, Discovery is required to consolidate certain unit trusts that are deemed to be under the Group's control in terms of IFRS 10 *Consolidated Financial Statements*. These are also set out in Annexure A.

Dividends

Details of dividends paid and declared are set out in section 7.5.1 to the Annual Financial Statements.

Capital

SOLVENCY AND LIQUIDITY TESTS

The directors have performed the requisite solvency and liquidity tests where required by the Companies Act as amended.

STATUTORY CAPITAL REQUIREMENTS

With effect from 1 July 2018, the Insurance Act 18 of 2017 (Insurance Act) and the related Prudential Standards were implemented in South Africa. Discovery Life and Discovery Insure are regulated under the Insurance Act, while VitalityHealth and VitalityLife are regulated under the European Solvency II regulatory regime, which was implemented from 1 January 2016. The values below are estimated based on information extracted from the audited Annual Financial Statements.

	June 2024		June 2023	
	Statutory capital requirements	**Cover**	Statutory capital requirements	Cover
Discovery Life	**R22 365 million**	**1.8 times**	R20 814 million	1.9 times
Discovery Insure	**R1 222 million**	**1.6 times**	R1 113 million	1.6 times
VitalityHealth	**£116 million** **R2 670 million**	**1.6 times**	£130.8 million R3 139 million	1.4 times
VitalityLife	**£350 million** **R8 070 million**	**2.0 times**	£272.1 million R6 528 million	2.1 times

Discovery Bank's common equity tier 1 (CET1) ratio is 17.63% (FY2023: 16.82%). In addition, the Bank holds an internal management buffer to cater for future unexpected growth and volatility in risk weighted exposures, as well as an estimation risk buffer.

DIRECTORS' REPORT *continued*

for the year ended 30 June 2024

Directors and prescribed officers

The following were directors and prescribed officers of the Company during the current financial year unless otherwise indicated:

Executive directors	Independent non-executive directors	
A Gore (Group Chief Executive)	ME Tucker (Chairperson)	TT Mboweni
B Swartzberg	LM Chiume[1]	KC Ramon[1]
DM Viljoen (Group Chief Financial Officer)	WM Hlahla	M Schreuder
	FN Khanyile	BA van Kralingen
	D Macready	SV Zilwa[2]
	Dr TV Maphai[2]	

Prescribed officers	Non-executive directors
HD Kallner	R Farber
NS Koopowitz	

1 L Chiume has been appointed as a member of the Group Audit Committee and the Group and South African Risk and Compliance Committee. KC Ramon has been appointed as a member of the Group Audit Committee and the Social and Ethics Committee with effect from 18 September 2023. Both appointments are important to Discovery's continued global expansion. L Chiume brings a wealth of financial services and investment experience and KC Ramon will bring diverse leadership and board experience in multiple sectors.

2 In terms of the JSE Listings Requirements and Debt Listings Requirements, and following the formal retirement of Dr Vincent Maphai and Mrs Sindi Zilwa, effective 16 November 2023 as non-executive Directors of the Company and subsequent retirement as members of the Committees on which they serve,the Committee compositions have been revised with effect from 17 November 2023:

- *Mr Tito Mboweni has been appointed as a member of the Nominations Committee.*
- *Ms Faith Khanyile has been nominated as the chairperson of the Social and Ethics Committee.*
- *Ms Christine Ramon has been appointed as a member of the Treating Customers Fairly and Remuneration Committees, respectively.*

Following the above, all Discovery Board Committees remain duly constituted.

The notice for the forthcoming Annual General Meeting of shareholders will include the names of individuals who retire by rotation and are eligible and available for re-election.

Directors' interests

Details of the directors' emoluments, participation in share incentive schemes and interests in the Company are reflected in Annexure C.

No material contracts involving directors' interests were entered into in the current year. The directors had no interest in any third party or company responsible for managing any of the business activities of Discovery.

Indemnification and insurance of directors and officers

The Company entered into agreements to indemnify its directors to the extent permitted by law against all liabilities, including legal costs, incurred by the director in connection with or as a consequence of the director acting in any capacity, including as an authorised representative of a Group company. During the financial year, the Company paid insurance premiums in respect of a Directors and Officers Liability insurance contract, which insures directors and officers of the Company against certain liabilities arising in the course of their duties to the Company or Group companies. Details of the nature of the liabilities covered and the amount of premium paid are not disclosed, as such disclosure is prohibited under the terms of the contract.

Company secretary

Ayanda Ceba is the Group Company Secretary

Registered office	Postal address
1 Discovery Place	PO Box 786722
Sandton	Sandton
2196	2146

Borrowing powers

The directors may exercise all the powers of the Company to borrow money. In terms of the Memorandum of Incorporation, the borrowing powers of the Company are unlimited. In terms of the Insurance Act, both Discovery Life and Discovery Insure may not encumber its assets or directly or indirectly borrow.

Events after the reporting date

Refer to Group note 7.5 for a list of the events after reporting date.

Auditors

KPMG Inc. and Deloitte & Touche are current joint external auditors. The appointment of external auditors will be proposed at the Annual General Meeting of shareholders in accordance with section 90(1) of the Companies Act.

GROUP STATEMENT OF FINANCIAL POSITION

as at 30 June 2024

R million	Notes	Group 2024	Restated[1] Group 2023	Restated[1] Group 1 July 2022
Assets				
Goodwill	5.3	**5 292**	5 406	4 912
Intangible assets	5.4	**7 239**	7 064	6 584
Property and equipment	5.5	**3 581**	3 910	3 811
Assets arising from insurance contracts issued	2.3.1	**41 816**	33 624	29 761
Assets arising from reinsurance contracts held	2.3.1	**837**	604	873
Deferred tax asset	5.9.1	**5 631**	6 370	5 717
Assets arising from contracts with customers	5.6	**2 598**	2 221	1 709
Investment in equity-accounted investees	5.7	**8 189**	7 398	6 338
Financial assets				
– Loans and advances to customers at amortised cost	3.3	**6 028**	4 702	3 944
– Investments at amortised cost	3.3	**11 100**	9 910	7 161
– Investments at fair value through profit or loss	3.3	**165 671**	152 515	138 095
– Derivative financial instruments at fair value through profit or loss	3.4	**43**	119	276
Contract receivables and other receivables	5.8	**6 729**	5 684	5 224
Non-current assets held for sale	5.5.1	**136**	–	171
Current tax asset		**250**	41	183
Cash and cash equivalents	3.6	**18 971**	19 171	17 186
TOTAL ASSETS		**284 111**	258 739	231 945
Equity				
Capital and reserves				
Ordinary share capital and share premium	4.3	**10 667**	10 351	10 178
Perpetual preference share capital	4.4	**779**	779	779
Other reserves		**6 275**	4 690	2 455
Retained earnings		**39 998**	33 900	27 402
Equity attributable to equity holders of the Company		**57 719**	49 720	40 814
Non-controlling interest		*	4	5
TOTAL EQUITY		**57 719**	49 724	40 819
Liabilities				
Liabilities arising from insurance contracts issued	2.3.1	**105 070**	94 660	83 924
Liabilities arising from reinsurance contracts held	2.3.1	**5 396**	4 819	5 252
Deferred tax liability	5.9.1	**8 184**	6 706	6 327
Contract liabilities to customers	5.6	**512**	656	944
Third-party interest in consolidated funds		**31 456**	28 346	24 320
Financial liabilities				
– Borrowings at amortised cost	3.7	**21 662**	20 586	20 584
– Other financial payables at amortised cost	3.9	**8 007**	8 568	8 075
– Deposits from customers	3.10	**18 467**	14 333	10 881
– Investment contracts at fair value through profit or loss	3.8	**25 710**	28 903	28 955
– Derivative financial instruments at fair value through profit or loss	3.4	**31**	20	202
Provisions	5.10	**449**	187	170
Other payables	5.10	**1 216**	1 066	1 003
Current tax liability		**232**	165	489
TOTAL LIABILITIES		**226 392**	209 015	191 126
TOTAL EQUITY AND LIABILITIES		**284 111**	258 739	231 945

* *Amount less than R500 000.*

1 *The comparative information has been restated for the initial adoption of IFRS 17, restatements due to correction of prior period errors and the order of liquidity was updated to better reflect the liquidity of financial statement line items. Refer to note 7.3 for more detail.*

GROUP INCOME STATEMENT

for the year ended 30 June 2024

R million	Notes	Group 2024	Restated[1] Group 2023
Insurance revenue	2.3.11	**51 857**	45 254
Insurance service expenses	5.11.1	**(46 145)**	(39 826)
Net expenses from reinsurance contracts		**(915)**	(126)
Insurance service result		**4 797**	5 302
Net financial result from insurance finance income and expense		**(7 245)**	(7 395)
– Net finance expense from insurance contracts	2.3.12	**(6 902)**	(7 089)
– Net finance expense from reinsurance contracts	2.3.12	**(343)**	(306)
Investment income using the effective interest rate method		**860**	616
Net fair value gains on financial assets at fair value through profit or loss	3.11	**16 245**	17 232
Fair value adjustment to liabilities under investment contracts		**(2 142)**	(3 099)
Third party interest: fair value adjustment to liabilities under investment contracts		**(2 873)**	(2 978)
Other gains on financial instruments		**5**	–
Net insurance and investment results		**9 647**	9 678
Fee income from administration businesses	5.6.1	**14 093**	13 224
Vitality income	5.6.1	**4 655**	3 891
Net banking fee and commission income		**1 398**	965
– Banking fee and commission income	5.6.1	**1 872**	1 292
– Banking fee and commission expense		**(474)**	(327)
Net bank interest and similar income		**779**	574
– Bank interest and similar income using the effective interest rate		**1 840**	1 318
– Bank interest and similar expense using the effective interest rate		**(1 061)**	(744)
Other income		**1 380**	1 544
Non-insurance revenue and income		**22 305**	20 198
Net income		**31 952**	29 876
Non-insurance acquisition costs		**(988)**	(880)
Expected credit losses		**(183)**	(139)
Marketing and administration expenses	5.11.3	**(19 644)**	(18 540)
Impairment of goodwill		**–**	(9)
Operating profit		**11 137**	10 308
Gain/(loss) on dilution and disposal of equity-accounted investments		**22**	(5)
Share of net profits from equity-accounted investments		**975**	525
Profit before financing and income tax		**12 134**	10 828
Interest expenses on borrowings and lease liabilities	3.12	**(2 036)**	(1 919)
Foreign exchange (losses)/gains	5.12	**(87)**	149
Profit before income tax		**10 011**	9 058
Income tax expense	5.9.2	**(2 647)**	(2 486)
Profit for the year		**7 364**	6 572
Profit attributable to:			
– Ordinary shareholders		**7 283**	6 510
– Preference shareholders		**91**	69
– Non-controlling interest		**(10)**	(7)
		7 364	6 572
Earnings per share for profit attributable to ordinary shareholders of the company during the year (cents):			
– Basic	1.2.2	**1 082.7**	972.6
– Diluted	1.2.2	**1 076.3**	967.8

1 *The comparative information has been restated for the initial adoption of IFRS 17, restatements due to correction of prior period errors and additional subtotals have been included to enhance understandability of income statement. Refer to note 7.3 for more detail.*

GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2024

R million	Group 2024	Restated[1] Group 2023
Profit for the year	**7 364**	6 572
Income and expenses that will be reclassified to profit or loss when specific conditions are met:		
Currency translation differences	**(823)**	3 316
Unrealised (losses)/gains	**(846)**	3 431
Tax on unrealised losses/(gains)	**23**	(115)
Cash flow hedges	**(61)**	76
– Unrealised (losses)/gains	**(65)**	76
– Tax on unrealised (gains)/losses	**–**	–
– Gains/(losses) reclassified to profit or loss	**4**	(1)
– Tax on reclassified (gains)/losses	**–**	1
Net finance income/(expense) from insurance contracts issued	**2 672**	(2 444)
– Unrealised income/(expense)	**3 595**	(3 381)
– Tax on unrealised (income)/expense	**(923)**	937
Net finance income/(expense) from reinsurance contracts held	**(221)**	454
– Unrealised (expense)/income	**(290)**	617
– Tax on unrealised expense/(income)	**69**	(163)
Share of other comprehensive income from equity-accounted investments	**(236)**	433
– Change in fair value of debt instruments at fair value through other comprehensive income	**45**	(10)
– Currency translation differences	**(281)**	443
Total income and expenses that will be reclassified to profit or loss when specific conditions are met	**1 331**	1 835
Income and expenses that will not be reclassified to profit or loss:		
– Change in fair value of equity instruments at fair value through other comprehensive income	**17**	8
Total income and expenses that will not be reclassified to profit or loss	**17**	8
Other comprehensive income for the year, net of tax	**1 348**	1 843
Total comprehensive income for the year	**8 712**	8 415
Attributable to:		
– Ordinary shareholders	**8 625**	8 353
– Preference shareholders	**91**	69
– Non-controlling interest	**(4)**	(7)
Total comprehensive income for the year	**8 712**	8 415

1 *The comparative information has been restated for the initial adoption of IFRS 17 and restatements due to correction of prior period errors. Refer to note 7.3 for more detail.*

GROUP STATEMENT OF CASH FLOWS

for the year ended 30 June 2024

R million	Notes	Group 2024	Restated[1] Group 2023
Cash flows from operating activities		**2 733**	4 221
Cash generated from operations	6.2.1	**2 997**	1 083
Interest received		**2 325**	1 825
Interest paid	6.2.4	**(2 627)**	(2 245)
Taxation paid	6.2.2	**(1 522)**	(1 839)
Net movement in operating assets and liabilities		**1 560**	5 397
– Increase in operating assets	6.2.1.1	**(7 513)**	(5 297)
– Increase in operating liabilities	6.2.1.2	**9 073**	10 694
Cash flows from investing activities		**(1 886)**	(2 202)
Purchase of property and equipment		**(414)**	(551)
Proceeds from disposal of property and equipment		**29**	2
Purchase of intangible assets		**(1 789)**	(1 760)
Acquisition of business net of cash		**–**	(3)
Additional investment in equity-accounted investments		**(17)**	(182)
Proceeds from disposal of sale of non-current assets held for sale		**–**	184
Dividends from equity-accounted investments		**305**	108
Cash flows from financing activities		**(780)**	(1 234)
Purchase of treasury shares		**(131)**	–
Dividends paid to ordinary shareholders		**(1 178)**	–
Dividends paid to preference shareholders		**(91)**	(69)
Proceeds from borrowings	6.2.3	**2 005**	7 442
Repayment of borrowings	6.2.3	**(1 385)**	(8 607)
Net increase in cash and cash equivalents		**67**	785
Cash and cash equivalents at beginning of the year		**19 138**	17 030
Effects of exchange rate changes on cash and cash equivalents		**(240)**	1 323
Cash and cash equivalents at end of the year	3.6	**18 965**	19 138
Reconciliation to statement of financial position			
Cash and cash equivalents		**18 971**	19 171
Bank overdraft included in borrowings at amortised cost		**(6)**	(33)
Cash and cash equivalents at end of the year	3.6	**18 965**	19 138

1 *The comparative information has been restated for the initial adoption of IFRS 17, restatements due to correction of prior period errors and changes in presentation. Refer to note 7.3 for more detail.*

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GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2024

R million	Share capital and share premium	Perpetual preference share capital	Share-based payment reserve	Investment reserve[1]	Insurance finance reserve	Foreign currency translation reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total Equity
	Attributable to equity holders of the Company				Attributable to equity holders of the Company						
Year ended 30 June 2024											
At beginning of the year	**10 351**	**779**	**1 190**	**19**	**(3 184)**	**6 624**	**41**	**33 900**	**49 720**	**4**	**49 724**
Total comprehensive income for the year	**–**	**91**	**–**	**62**	**2 451**	**(1 110)**	**(61)**	**7 283**	**8 716**	**(4)**	**8 712**
Profit for the year	**–**	**91**	**–**	**–**	**–**	**–**	**–**	**7 283**	**7 374**	**(10)**	**7 364**
Other comprehensive income	**–**	**–**	**–**	**62**	**2 451**	**(1 110)**	**(61)**	**–**	**1 342**	**6**	**1 348**
Transactions with owners	**316**	**(91)**	**243**	**–**	**–**	**–**	**–**	**(1 185)**	**(717)**	**–**	**(717)**
Share issue	**432**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**432**	**–**	**432**
Increase in treasury shares	**(563)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(563)**	**–**	**(563)**
Delivery of treasury shares	**447**	**–**	**(440)**	**–**	**–**	**–**	**–**	**(7)**	**–**	**–**	**–**
Employee share option schemes:											
– Value of employee services, net of tax	**–**	**–**	**683**	**–**	**–**	**–**	**–**	**–**	**683**	**–**	**683**
Dividends paid to preference shareholders	**–**	**(91)**	**–**	**–**	**–**	**–**	**–**	**–**	**(91)**	**–**	**(91)**
Dividends paid to ordinary shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1 178)**	**(1 178)**	**–**	**(1 178)**
At end of the year	**10 667**	**779**	**1 433**	**81**	**(733)**	**5 514**	**(20)**	**39 998**	**57 719**	**–**	**57 719**
Year ended 30 June 2023											
At beginning of the year	10 178	779	798	35	–	2 823	(35)	38 972	53 550	5	53 555
– New IFRS transitional adjustments	–	–	–	(14)	(1 194)	–	–	(11 373)	(12 581)	–	(12 581)
– Prior period error adjustments	–	–	–	–	–	42	–	(197)	(155)	–	(155)
Restated balance at beginning of the year[2]	10 178	779	798	21	(1 194)	2 865	(35)	27 402	40 814	5	40 819
Total comprehensive income for the year	–	69	–	(2)	(1 990)	3 759	76	6 510	8 422	(7)	8 415
Profit for the year	–	69	–	–	–	–	–	6 510	6 579	(7)	6 572
Other comprehensive income	–	–	–	(2)	(1 990)	3 759	76	–	1 843	–	1 843
Transactions with owners	173	(69)	392	–	–	–	–	(12)	484	6	490
Share issue	514	–	–	–	–	–	–	–	514	–	514
Increase in treasury shares	(514)	–	–	–	–	–	–	–	(514)	–	(514)
Delivery of treasury shares	173	–	(161)	–	–	–	–	(12)	–	–	–
Acquisition of subsidiaries with non-controlling interest	–	–	–	–	–	–	–	–	–	6	6
Employee share option schemes:											
– Value of employee services, net of tax	–	–	553	–	–	–	–	–	553	–	553
Dividends paid to preference shareholders	–	(69)	–	–	–	–	–	–	(69)	–	(69)
At end of the year	10 351	779	1 190	19	(3 184)	6 624	41	33 900	49 720	4	49 724

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

2 The comparative information has been restated for the initial adoption of IFRS 17 and restatements due to correction of prior period errors. Refer to note 7.3 for more detail.

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for the year ended 30 June 2024

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OPERATING SEGMENT AND EARNINGS

Description of segments and segment information >

Earnings, headline earnings and normalised earnings >

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

SECTION 1: Operating Segment and earnings

1.1 SEGMENT INFORMATION

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

Discovery

SA Health

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

SA Invest

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

SA Life

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

SA Insure

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

SA Bank

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

Vitality

UK Health

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

UK Life

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

All other segments

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

SECTION 1: Operating Segment and earnings *continued*

1.1 SEGMENT INFORMATION *continued*

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

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

a) Unit trusts which the Group controls in terms of IFRS 10 Consolidated Financial Statements are consolidated into Discovery's results for IFRS purposes. The IFRS reporting adjustments include the effects of consolidating the unit trusts into Discovery's results, effectively being the income and expenses relating to units held by third parties.

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

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

Effective 1 July 2023, the following changes have been made to the Segment information and the comparative information has been restated accordingly:

1. The Segment information has been updated, consistent with the changes to the Group income statement, to reflect the new presentation requirements of IFRS 17.
2. SA Vitality is no longer presented as a separate reportable segment. Instead, SA Vitality is presented as part of 'All other segments'.
3. Africa Health results are included in the SA Health segment as management control of this operation had been moved from Vitality Global to Discovery Health. This was previously disclosed in 'All other segments' as a new initiative.
4. Definitions of 'Investment income on assets backing policyholder liabilities' and 'Investment income earned on shareholder investments and cash' have been refined in order to achieve consistent treatment across the regulated insurance entities of the Group. Discovery includes in 'Investment income on assets backing policyholder liabilities' all investment income from those assets backing client and policyholder liabilities, including those assets held for regulatory capital requirements and related additional risk appetite margins. This refinement resulted in a reallocation of investment income such that the component attributable to normalised profit from operations, increased by R266 million for the year ended 30 June 2024 (30 June 2023: R186 million) while investment income earned on shareholder investments and cash decreased by the same amount.
5. In line with current year management view of intra-segment transactions, SA Health has been restated to reduce other income by R292 million, with a corresponding decrease in marketing and administration expenses. This change in management view of the SA Health segment information had no resultant change in the Group income statement.

   Furthermore 'All other segments' changed its management view of which costs it considers being refund of expenses incurred (included within marketing and administration expenses) versus whether those costs are for services provided (included in Vitality Income). 'All other segments' have been accordingly adjusted to increase Vitality income with R257 million with an equal reduction in marketing and administration expenses. This change in management view of the 'All other segments' had no resultant change in the Group income statement.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

SECTION 1: Operating Segment and earnings *continued*

1.1 SEGMENT INFORMATION *continued*

R million	SA Health	SA Life	SA Invest	SA Insure	SA Bank	UK Health	UK Life	All other segments	Segment total	IFRS reporting adjustments	IFRS total
30 June 2024											
Income statement											
Insurance revenue	435	17 249	4 360	5 737	–	16 474	6 904	698	51 857	–	51 857
– Contracts measured under the General measurement model/Variable fee approach	–	13 741	4 360	–	–	–	6 904	–	25 005	–	25 005
– Contracts measured under Premium allocation approach	435	3 508	–	5 737	–	16 474	–	698	26 852	–	26 852
Insurance service expenses	(341)	(15 235)	(2 671)	(5 471)	–	(15 456)	(6 217)	(754)	(46 145)	–	(46 145)
– Claims and benefits	(224)	(12 104)	(462)	(3 540)	–	(9 562)	(3 098)	(472)	(29 462)	–	(29 462)
– Insurance service expense and other	(54)	(1 124)	(1 148)	(1 069)	–	(4 127)	(509)	(135)	(8 166)	–	(8 166)
– Insurance acquisition cash flows	(63)	(2 007)	(1 061)	(862)	–	(1 767)	(2 610)	(147)	(8 517)	–	(8 517)
Insurance service result (pre-reinsurance)	94	2 014	1 689	266	–	1 018	687	(56)	5 712	–	5 712
Net expenses from reinsurance contracts	(1)	(458)	–	(24)	–	(8)	(408)	(16)	(915)	–	(915)
– Reinsurance expense	(1)	(3 692)	–	(474)	–	(8)	(5 738)	(275)	(10 188)	–	(10 188)
– Insurance claims recovered from reinsurers	–	3 234	–	450	–	–	5 330	259	9 273	–	9 273
Insurance service result	93	1 556	1 689	242	–	1 010	279	(72)	4 797	–	4 797
Net financial result from insurance finance income and expense	–	2 674	(9 850)	–	–	–	231	–	(6 945)	(300)	(7 245)
– Net finance income/(expense) from insurance contracts	–	2 869	(9 850)	–	–	–	379	–	(6 602)	(300)	(6 902)
– Net finance expense from reinsurance contracts	–	(195)	–	–	–	–	(148)	–	(343)	–	(343)
Investment income using the effective interest rate method	–	22	49	209	–	175	65	22	542	318	860
Net fair value (losses)/gains on financial instruments at fair value through profit or loss	(6)	971	10 098	1	1	60	–	1 401	12 526	3 719	16 245
Fair value adjustments to liabilities under investment contracts	–	(1)	(738)	–	–	–	–	(1 403)	(2 142)	–	(2 142)
Third party interest: fair value adjustments to liabilities under investment contracts	–	–	–	–	–	–	–	–	–	(2 873)	(2 873)
Intersegment funding	(13)	(169)	169	13	–	–	–	–	–	–	–
Other gains on financial instruments	–	–	–	–	5	–	–	–	5	–	5
Net insurance and investment results	74	5 053	1 417	465	6	1 245	575	(52)	8 783	864	9 647
Fee income from administration businesses	9 233	–	1 712	–	–	54	–	3 094	14 093	–	14 093
Vitality income	–	–	–	–	–	640	264	3 751	4 655	–	4 655
Net banking fee and commission income	–	–	–	–	1 367	–	–	31	1 398	–	1 398
– Banking fee and commission income	–	–	–	–	1 872	–	–	–	1 872	–	1 872
– Banking fee and commission expense	–	–	–	–	(505)	–	–	31	(474)	–	(474)
Net bank interest and similar income	–	–	–	–	779	–	–	–	779	–	779
– Bank interest and similar income using the effective interest rate	–	–	–	–	1 840	–	–	–	1 840	–	1 840
– Bank interest and similar expense using the effective interest rate	–	–	–	–	(1 061)	–	–	–	(1 061)	–	(1 061)
Other income	1 173	3	–	16	–	42	–	86	1 320	60	1 380
Non-insurance revenue and income	10 406	3	1 712	16	2 146	736	264	6 962	22 245	60	22 305
Net income	10 480	5 056	3 129	481	2 152	1 981	839	6 910	31 028	924	31 952
Non-insurance acquisition costs	–	–	(880)	–	–	–	–	(108)	(988)	–	(988)
Expected credit losses	–	–	–	–	(183)	–	–	–	(183)	–	(183)
Marketing and administration expenses											
– depreciation and amortisation	(171)	–	(17)	(72)	(339)	(465)	(49)	(822)	(1 935)	(224)	(2 159)
– derecognition of intangible assets and property and equipment	–	–	–	(16)	–	(1)	–	(38)	(55)	–	(55)
– impairment of intangible assets and property and equipment	–	–	–	–	–	(13)	–	(9)	(22)	–	(22)
– other expenses	(6 337)	(291)	(710)	(194)	(2 084)	(1 065)	(421)	(6 164)	(17 266)	(142)	(17 408)
Share of net profits from equity-accounted investments	–	–	–	49	–	(2)	6	972	1 025	(50)	975
Normalised profit/(loss) from operations	3 972	4 765	1 522	248	(454)	435	375	741	11 604	508	12 112
Investment income earned on shareholder investments and cash	120	27	16	–	–	–	–	155	318	(318)	–
Intercompany investment income	–	–	–	–	–	–	–	1 046	1 046	(1 046)	–
Net fair value gains/(losses) on financial assets at fair value through profit or loss	–	87	75	–	–	–	–	–	162	(162)	–
Gain/(loss) from dilution of equity accounted investments	–	–	–	22	–	–	–	–	22	–	22
Amortisation of intangibles from business combinations	–	–	–	(49)	–	–	–	(56)	(105)	105	–
Market rentals related to Head Office building adjusted for finance costs and depreciation	–	–	–	–	–	–	–	(105)	(105)	105	–
Restructuring costs	–	–	–	–	–	–	–	(48)	(48)	48	–
Interest expenses on borrowings and lease liabilities	(2)	(1)	–	–	–	(17)	(217)	(1 513)	(1 750)	(286)	(2 036)
Intercompany finance expenses on borrowings	(412)	–	–	–	–	–	(464)	(170)	(1 046)	1 046	–
Foreign exchange (losses)/gains	(6)	(11)	(20)	–	–	–	–	(50)	(87)	–	(87)
Profit/(loss) before income tax	3 672	4 867	1 593	221	(454)	418	(306)	–	10 011	–	10 011
Income tax expense	(987)	(1 314)	(339)	(58)	171	(144)	25	(1)	(2 647)	–	(2 647)
Profit/(loss) for the year	2 685	3 553	1 254	163	(283)	274	(281)	(1)	7 364	–	7 364
Profit attributable to:											
– Ordinary shareholders	2 695	3 553	1 254	163	(283)	274	(281)	(92)	7 283	–	7 283
– Preference shareholders	–	–	–	–	–	–	–	91	91	–	91
– Non-controlling interest	(10)	–	–	–	–	–	–		(10)	–	(10)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

SECTION 1: Operating Segment and earnings *continued*

1.1 SEGMENT INFORMATION *continued*

R million	SA Health	SA Life	SA Invest	SA Insure	SA Bank	UK Health	UK Life	All other segments	Segment total	IFRS reporting adjustments	IFRS total
30 June 2023 Restated											
Income statement											
Insurance revenue	303	16 758	3 231	5 176	–	13 670	5 580	536	45 254	–	45 254
– Contracts measured under the General measurement model/Variable fee approach	–	13 464	3 231	–	–	–	5 580	–	22 275	–	22 275
– Contracts measured under Premium allocation approach	303	3 294	–	5 176	–	13 670	–	536	22 979	–	22 979
Insurance service expenses	(234)	(14 699)	(2 050)	(4 893)	–	(12 178)	(5 112)	(660)	(39 826)	–	(39 826)
– Claims and benefits	(152)	(11 282)	(331)	(3 246)	–	(7 341)	(2 316)	(410)	(25 078)	–	(25 078)
– Insurance service expense and other	(47)	(1 632)	(957)	(867)	–	(3 435)	(748)	(150)	(7 836)	–	(7 836)
– Insurance acquisition cash flows	(35)	(1 785)	(762)	(780)	–	(1 402)	(2 048)	(100)	(6 912)	–	(6 912)
Insurance service result (pre-reinsurance)	69	2 059	1 181	283	–	1 492	468	(124)	5 428	–	5 428
Net (expenses)/income from reinsurance contracts	–	(225)	–	(70)	–	(9)	154	24	(126)	–	(126)
– Reinsurance expense	(1)	(3 549)	–	(413)	–	(1 846)	(3 482)	(222)	(9 513)	–	(9 513)
– Insurance claims recovered from reinsurers	1	3 324	–	343	–	1 837	3 636	246	9 387		9 387
Insurance service result	69	1 834	1 181	213	–	1 483	622	(100)	5 302	–	5 302
Net financial result from insurance finance income and expense	–	2 225	(9 815)	–	–	–	(26)	–	(7 616)	221	(7 395)
– Net finance income/(expense) from insurance contracts	–	2 450	(9 815)	–	–	–	55	–	(7 310)	221	(7 089)
– Net finance expense from reinsurance contracts	–	(225)	–	–	–	–	(81)	–	(306)	–	(306)
Investment income using the effective interest rate method	–	28	51	145	–	90	71	15	400	216	616
Net fair value (losses)/gains on financial instruments at fair value through profit or loss	(6)	760	10 904	–	–	–	–	1 788	13 446	3 786	17 232
Fair value adjustments to liabilities under investment contracts	–	(3)	(1 326)	–	–	–	–	(1 770)	(3 099)	–	(3 099)
Third party interest: fair value adjustments to liabilities under investment contracts	–	–	–	–	–	–	–	–	–	(2 978)	(2 978)
Intersegment funding	–	(126)	126	–	–	–	–	–	–	–	–
Net insurance and investment results	63	4 718	1 121	358	–	1 573	667	(67)	8 433	1 245	9 678
Fee income from administration businesses	8 575	–	1 566	17	–	46	–	3 020	13 224	–	13 224
Vitality income	–	–	–	–	–	462	238	3 448	4 148	(257)	3 891
Net banking fee and commission income	–	–	–	–	943	–	–	22	965	–	965
– Banking fee and commission income	–	–	–	–	1 292	–	–	–	1 292	–	1 292
– Banking fee and commission expense	–	–	–	–	(349)	–	–	22	(327)	–	(327)
Net bank interest and similar income	–	–	–	–	574	–	–	–	574	–	574
– Bank interest and similar income using the effective interest rate	–	–	–	–	1 318	–	–	–	1 318	–	1 318
– Bank interest and similar expense using the effective interest rate	–	–	–	–	(744)	–	–	–	(744)	–	(744)
Other income	1 089	3	–	14	–	48	–	85	1 239	305	1 544
Non-insurance revenue and income	9 664	3	1 566	31	1 517	556	238	6 575	20 150	48	20 198
Net income	9 727	4 721	2 687	389	1 517	2 129	905	6 508	28 583	1 293	29 876
Non-insurance acquisition costs	–	–	(780)	–	–	–	–	(100)	(880)	–	(880)
Expected credit losses	–	–	–	–	(139)	–	–	–	(139)	–	(139)
Marketing and administration expenses											
– depreciation and amortisation	(144)	–	(12)	(64)	(314)	(420)	(49)	(799)	(1 802)	(168)	(1 970)
– derecognition of intangible assets and property and equipment	(4)	–	–	(3)	–	(241)	(19)	(57)	(324)	–	(324)
– impairment of intangible assets and property and equipment	–	–	–	–	–	(45)	–	–	(45)	–	(45)
– other expenses	(5 881)	(346)	(622)	(233)	(1 831)	(790)	(371)	(5 973)	(16 047)	(154)	(16 201)
Share of net profits from equity-accounted investments	–	–	–	(16)	–	1	2	584	571	(46)	525
Normalised profit/(loss) from operations	3 698	4 375	1 273	73	(767)	634	468	163	9 917	925	10 842
Fair value losses on VitalityLife interest rate derivatives	–	–	–	–	–	–	516	–	516	(516)	–
Investment income earned on shareholder investments and cash	92	–	20	–	–	–	–	104	216	(216)	–
Intercompany investment income	–	–	–	–	–	–	–	1 184	1 184	(1 184)	–
Net fair value gains/(losses) on financial assets at fair value through profit or loss	–	45	95	–	–	–	–	(2)	138	(138)	–
Gain/(loss) from dilution of equity accounted investments	–	–	–	(5)	–	–	–	–	(5)	–	(5)
Impairment of goodwill	–	–	–	–	–	–	–	(9)	(9)	–	(9)
Amortisation of intangibles from business combinations	–	–	–	(46)	–	–	–	(56)	(102)	102	–
Market rentals related to Head Office building adjusted for finance costs and depreciation	–	–	–	–	–	–	–	(134)	(134)	134	–
Interest expenses on borrowings and lease liabilities	(2)	(1)	–	–	–	(8)	(195)	(1 422)	(1 628)	(291)	(1 919)
Intercompany finance expenses on borrowings	(348)	–	–	–	–	–	(316)	(520)	(1 184)	1 184	–
Foreign exchange (losses)/gains	(4)	33	36	–	–	1	–	83	149	–	149
Profit/(loss) before income tax	3 436	4 452	1 424	22	(767)	627	473	(609)	9 058	–	9 058
Income tax expense	(941)	(1 192)	(377)	(24)	226	(141)	(65)	28	(2 486)	–	(2 486)
Profit/(loss) for the year	2 495	3 260	1 047	(2)	(541)	486	408	(581)	6 572	–	6 572
Profit attributable to:											
– Ordinary shareholders	2 502	3 260	1 047	(2)	(541)	486	408	(650)	6 510	–	6 510
– Preference shareholders	–	–	–	–	–	–	–	69	69	–	69
– Non-controlling interest	(7)	–	–	–	–	–	–	–	(7)	–	(7)

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NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 1: Operating Segment and earnings *continued*

1.2 EARNINGS, HEADLINE EARNINGS AND NORMALISED EARNINGS

1.2.1 Normalised profit from operations

The following table shows the main components of the normalised profit from operations for the year ended 30 June 2024:

R million	Group 2024	Restated Group 2023	% Change
Discovery Health	**3 972**	3 698	7
Discovery Life	**4 765**	4 375	9
Discovery Invest	**1 522**	1 273	20
Discovery Insure – Personal lines	**248**	73	>100
Discovery Bank	**(454)**	(767)	(41)
Other initiatives and central costs*	**(336)**	(281)	20
Normalised profit from SA composite	**9 717**	8 371	16
VitalityHealth[1]	**435**	823	(47)
VitalityLife	**375**	468	(20)
Closure costs of VitalityInvest* and VitalityCar in rundown[2]	**(75)**	(455)	(84)
Other initiatives and central costs*	**(88)**	(80)	10
Normalised profit from UK Composite	**647**	756	(14)
Vitality Health International – Ping An Health Insurance*	**1 124**	609	85
Vitality Health International – Other*	**(386)**	(195)	98
Vitality Network*	**533**	411	30
Other initiatives and central costs*	**(31)**	(35)	(11)
Normalised profit from Vitality Global composite	**1 240**	790	57
Normalised profit from operations	**11 604**	9 917	17

* *Presented in 'All other segments' on the Segment information disclosure note in section 1.1.*
1 *For the year ended 30 June 2023, the difference between VitalityHealth normalised profit compared to that shown in the segment information is the accelerated write-off of VitalityCar's capitalised systems and intangible assets, with a pre-tax impact of R189 million. The write-off is disclosed as described in footnote 2 below.*
2 *Closure costs of VitalityInvest and VitalityCar are separately presented as in run down and include:*
– VitalityInvest R75 million (2023: R266 million)
– VitalityCar nil (2023: R189 million).

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 1: Operating Segment and earnings *continued*

1.2 EARNINGS, HEADLINE EARNINGS AND NORMALISED EARNINGS *continued*

1.2.2 Earnings, Headline earnings and Normalised Headline Earnings

R million	Notes	Group 2024	Restated Group 2023[1]
Number of shares used in calculation			
Weighted number of shares in issue ('000)		**661 071**	658 045
Diluted weighted number of shares ('000)		**665 016**	661 328
Earnings per share (cents):			
– basic		**1 082.7**	972.6
– diluted		**1 076.3**	967.8
Headline earnings per share (cents):			
– basic		**1 089.4**	1 021.5
– diluted		**1 083.0**	1 016.4
Normalised headline earnings per share (cents)[1]:			
– basic		**1 108.6**	972.8
– diluted		**1 102.1**	967.9
Weighted average number of ordinary shares			
Issued ordinary shares at 1 July	4.3	**658 424**	656 957
Effect of share options exercised and vesting of share awards		**2 647**	1 088
Weighted-average number of ordinary shares at 30 June (basic)		**661 071**	658 045
Effect of share options exercised and vesting of share awards		**3 945**	3 283
Weighted-average number of ordinary shares at 30 June (diluted)		**665 016**	661 328
EARNINGS RECONCILIATION			
Profit attributable to the ordinary shareholders		**7 283**	6 510
Adjusted for:			
– Profit attributable to non-forfeitable dividend share plan		**(125)**	(112)
Basic earnings attributable to the ordinary shareholders		**7 158**	6 398

1 *The comparative information has been restated for the initial adoption of IFRS 17 and restatements due to correction of prior period errors. Refer to note 7.3 for more detail.*

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NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 1: Operating Segment and earnings *continued*

1.2 EARNINGS, HEADLINE EARNINGS AND NORMALISED EARNINGS *continued*

1.2.2 Earnings, Headline earnings and Normalised Headline Earnings *continued*

HEADLINE EARNINGS RECONCILIATION

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

	Group 2024			Restated Group 2023		
R million	Gross	Tax	Net	Gross	Tax	Net
Basic earnings attributable to the ordinary shareholders			**7 158**			6 398
Adjusted for:						
IFRS 3: *Goodwill impairment*	**–**	**–**	**–**	9	–	9
IAS 38: *Impairment of intangibles*	**8**	**(2)**	**6**	–	–	–
IAS 16: *(Gain)/loss on disposal of property and equipment*	**(1)**	**–**	**(1)**	8	(1)	7
IAS 16: *Loss on derecognition of property and equipment*	**10**	**(3)**	**7**	34	(7)	27
IAS 36: *Impairment of property and equipment*	**14**	**–**	**14**	45	–	45
IAS 38: *Gains/losses on derecognition of intangible assets*	**45**	**(10)**	**35**	290	(60)	230
IAS 28: *(Gains)/losses on the dilution and disposal of equity-accounted investments*	**(22)**	**5**	**(17)**	5	(1)	4
Headline earnings			**7 202**			6 720

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 1: Operating Segment and earnings *continued*

1.2 EARNINGS, HEADLINE EARNINGS AND NORMALISED EARNINGS *continued*

1.2.2 Earnings, Headline earnings and Normalised Headline Earnings *continued*

NORMALISED HEADLINE EARNINGS RECONCILIATION

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

	Group 2024			Restated Group 2023		
R million	Gross	Tax	Net	Gross	Tax	Net
Headline earnings			**7 202**			6 720
Adjusted for:						
– Gain on fair value changes in respect of interest rate derivatives in VitalityLife[1]	**–**	**–**	**–**	(516)	106	(410)
– Amortisation of intangible assets arising from business combinations	**56**	**(15)**	**41**	56	(12)	44
– Restructuring costs	**48**	**(11)**	**37**	–	–	–
Adjustments attributable to equity-accounted investments:						
– Amortisation of intangible assets arising from business combinations	**–**	**–**	**49**	–	–	46
Normalised headline earnings (basic and diluted)			**7 329**			6 400

1 30 June 2023 has been corrected from the previously published information in the unaudited interim results for the six months ended 31 December 2023.

SECTION 02

INSURANCE AND REINSURANCE CONTRACTS AND MANAGEMENT OF INSURANCE RISK

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk

2.1 INTRODUCTION AND OVERVIEW

This section provides information on the group's core insurance business as well as disclosures that enable the assessment of the effect of insurance and reinsurance contracts held on the Group statement of financial position, Group income statement and Group statement of cash flows. In addition to the disclosures in terms of IFRS 17 Insurance Contracts (IFRS 17), this section will also provide information on how the Group manages the risks arising because of insurance contracts.

R million	**Group June 2024**	Restated Group June 2023	Restated 1 July 2022
Assets			
Assets arising from insurance contracts issued	**41 816**	33 624	29 761
Assets arising from reinsurance contracts held	**837**	604	873
Equity			
Other reserves[1]	**733**	3 184	1 194
Liabilities			
Liabilities arising from insurance contracts issued	**105 070**	94 660	83 924
Liabilities arising from reinsurance contracts held	**5 396**	4 819	5 252

1 The other reserves balance relates to the insurance finance reserve only.

R million	**Group June 2024**	Restated Group June 2023
Insurance revenue	**51 857**	45 254
Insurance service expenses	**(46 145)**	(39 826)
Net expenses from reinsurance contracts	**(915)**	(126)
Insurance service result	**4 797**	5 302

Refer to section 2.4 for the detailed analysis of the insurance risk and management.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.2 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS

The following disclosures enable the user to assess the effect of insurance contracts issued and reinsurance contracts held on Discovery's financial position, financial performance and cash flows. In addition to the disclosures on significant judgements and estimates above, the following disclosures provide a quantitative summary of the amount recognised in the financial statements.

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

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

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

Discovery

SA Composite

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

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

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

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

Vitality

UK Composite

UK Life (Risk) | GMM
(Own Licence and PAC book)

UK Health | PAA
(Private Medical Insurance)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.2 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

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

	Note	Description
Analysis of financial position	**2.3.1 Summary of insurance contracts issued and reinsurance contracts held**	The note summarises the total value of insurance and reinsurance contracts held across the disclosed portfolios, showing separately those insurance and reinsurance contracts in a net liability or net asset position.
	2.3.2 Insurance acquisition assets	The note provides a movement in the Insurance acquisition assets, reflecting the movement in the capitalised initial acquisition cash flows of the VitalityHealth portfolio.
	Reconciliation of insurance contracts *Analysis by remaining coverage and incurred claims* GMM 2.3.3.1 SA Life and Invest (Risk) 2.3.3.2 UK Life (Risk) VFA 2.3.5.1 SA Life and Invest (Participating) PAA 2.3.7.1 SA Life and Invest: Group Life and other 2.3.7.2 SA Insure and other 2.3.7.3 UK Health **Reconciliation of reinsurance contracts** *Analysis by remaining coverage and incurred claims* GMM 2.3.8.1 SA Life and Invest (Risk) 2.3.8.2 UK Life (Risk) PAA 2.3.10.1 SA Life and Invest: Group Life and other 2.3.10.2 SA Insure and other 2.3.10.3 UK Health	The notes provide a detailed reconciliation of disclosed portfolios showing the build-up of: ■ The liability for remaining coverage (LRC) reflects Discovery's obligation for the unexpired portion of the coverage period. For contracts measured using the simplified approach, LRC includes the unearned premium. ■ The liability of incurred claims (LIC) reflects Discovery's obligation to cover the insured events that have occurred.
	Reconciliation of insurance contracts *Analysis by measurement component* GMM 2.3.4.1 SA Life and Invest (Risk) 2.3.4.2 UK Life (Risk) VFA 2.3.6.1 SA Life and Invest (Participating) **Reconciliation of reinsurance contracts** *Analysis by measurement component* GMM 2.3.9.1 SA Life and Invest (Risk) 2.3.9.2 UK Life (Risk)	The notes provide a detailed reconciliation of disclosed portfolios showing the build-up of the measurement components, namely: ■ Estimates of the present value of expected fulfilment cash flows. ■ The Risk adjustment. ■ The Contractual service margin reflects unearned profit. The CSM is further separated to reflect how the CSM was calculated at transition, being modified retrospectively or fully retrospectively.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.2 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

	Note	Description
Analysis of income statement	**2.3.11 Insurance revenue**	The note provides a breakdown of the makeup of insurance revenue for each disclosed portfolio business unit. For those contracts not measured using the PAA approach, the amount reflects the provision of services and the recovery of insurance acquisition cash flows. The provision of services is represented by the change in the LRC, namely: ■ CSM recognised during the period for the service provided. ■ The change in the Risk adjustment for non-financial risk. ■ Expected claims and insurance services expenses. ■ Experience adjustments.
	2.3.12 Net investment result	The note provides a holistic combined view of the following: ■ The investment returns on financial assets held. ■ The insurance and reinsurance finance income and expenses, including the amounts recognised in profit or loss and other comprehensive income (OCI).
Additional information	**Effect of contracts initially recognised in the year:** 2.3.13.1 Effects of insurance contracts initially recognised in the year. 2.3.13.2 Effect of reinsurance contracts initially recognised in the year.	The notes provide a breakdown of the contracts initially recognised during the period for each disclosed portfolio business unit. ■ For insurance contracts, differentiate between profitable contracts recognised with CSM and onerous contracts. ■ Reinsurance contracts reflect contracts originated with and without the loss-recovery component.
	2.3.14 Contractual service margin.	The note provides, for each disclosed portfolio business unit, the expected recognition of CSM, with interest accretion over the lifetime of the group of insurance contracts. The note also sets out the release of accumulated IFIE OCI balances into profit or loss.
	2.3.15 OCI run-off	The note provides, for each disclosed portfolio business unit, the expected run-off of the IFIE reserve, with interest accretion over the lifetime of the group of insurance contracts.
	2.3.16 Claims development	The note provides, for the annuity type benefits, the comparison between actual in-period claims and previous estimates of the claims amount
	2.3.17 Significant accounting estimates, judgements in applying accounting policies	The note provides the significant accounting estimates, judgements in applying accounting polices 12 on the insurance contracts.
Insurance related disclosures included in other notes	**Claims and benefit**	The note provides, for each disclosed portfolio business unit, the net claims and policyholder's benefit. Refer to note 5.11.4
	Expenses	The note provides an analysis of all expenses, highlighting those that are insurance related. Refer to note 5.11

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.2 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

Definitions and Abbreviations

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS

2.3.1 Summary of insurance contracts issued and reinsurance contracts held

Group R million (Assets)/Liabilities	Navigation	SA Life and Invest Risk (GMM)	UK Life Risk (GMM)[1]	SA Life and Invest Participating (VFA)	SA Life and Invest: Group Life and other (PAA)	SA Insure (PAA)	UK Health (PAA)[1]	Total
Year ended 30 June 2024								
Insurance Contracts	A= D + E	**2 242**	**(15 269)**	**73 721**	**5 888**	**896**	**(4 224)**	**63 254**
Reinsurance Contracts	B = F	**126**	**5 270**	**–**	**(685)**	**(139)**	**(13)**	**4 559**
Total	C = A +B	**2 368**	**(9 999)**	**73 721**	**5 203**	**757**	**(4 237)**	**67 813**
Insurance contracts issued								
Assets arising from insurance contracts								
– Insurance contract balances		**(22 323)**	**(15 269)**	**–**	**–**	**–**	**683**	**(36 909)**
– Assets for insurance acquisition cash flows							**(4 907)**	**(4 907)**
Total	D	**(22 323)**	**(15 269)**	**–**	**–**	**–**	**(4 224)**	**(41 816)**
Liabilities arising from insurance contracts								
– Insurance contract balances		**24 565**	**–**	**73 721**	**5 888**	**896**	**–**	**105 070**
	E	**24 565**	**–**	**73 721**	**5 888**	**896**	**–**	**105 070**
Reinsurance contracts held								
Reinsurance contract assets		**–**	**–**	**–**	**(685)**	**(139)**	**(13)**	**(837)**
Reinsurance contract liabilities		**126**	**5 270**	**–**	**–**	**–**	**–**	**5 396**
Total	F	**126**	**5 270**	**–**	**(685)**	**(139)**	**(13)**	**4 559**
Year ended 30 June 2023								
Insurance Contracts		4 365	(12 059)	66 308	5 109	822	(3 509)	61 036
Reinsurance Contracts		567	4 252	–	(529)	(71)	(4)	4 215
Total		4 932	(7 807)	66 308	4 580	751	(3 513)	65 251
Insurance contracts issued								
Assets arising from insurance contracts								
– Insurance contract balances		(18 056)	(12 059)	–	–	–	1 035	(29 080)
– Assets for insurance acquisition cash flows		–	–	–	–	–	(4 544)	(4 544)
Total		(18 056)	(12 059)	–	–	–	(3 509)	(33 624)
Liabilities arising from insurance contracts								
– Insurance contract balances		22 421	–	66 308	5 109	822	–	94 660
		22 421	–	66 308	5 109	822	–	94 660
Reinsurance contracts held								
Reinsurance contract assets		–	–	–	(529)	(71)	(4)	(604)
Reinsurance contract liabilities		567	4 252	–	–	–	–	4 819
Total		567	4 252	–	(529)	(71)	(4)	4 215
Cross reference to related notes of insurance contracts issued								
– Analysis by remaining coverage and incurred claims		2.3.3.1	2.3.3.2	2.3.5.1	2.3.7.1	2.3.7.2	2.3.7.3	
– Analysis by measurement component		2.3.4.1	2.3.4.2	2.3.6.1				
– Insurance acquisition assets							2.3.2	
Cross reference to related notes of reinsurance contracts held								
– Analysis by remaining coverage and incurred claims		2.3.8.1	2.3.8.2		2.3.10.1	2.3.10.2	2.3.10.3	
– Analysis by measurement component		2.3.9.1	2.3.9.2					

1 *The UK Life (Risk and UK Health comparative period has been restated from the reconciliation published in the unaudited Discovery Group interim disclosures for the six-month period ended 31 December 2023. The effect of these changes are noted in item 5 of 7.3.4.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.2 Movement in asset for insurance acquisition cash flows

Group R million	UK Health (PAA)
Year ended 30 June 2024	
Balance at the beginning of the year	**4 544**
Amounts Incurred during the year	**1 659**
Amounts derecognised and included in the measurement of insurance contracts	**(1 111)**
Effect of movements in exchange rates	**(185)**
Balance at the end of the year	**4 907**
Year ended 30 June 2023	
Balance at the beginning of the year	3 358
Amounts Incurred during the year	1 355
Amounts derecognised and included in the measurement of insurance contracts	(893)
Effect of movements in exchange rates	724
Balance at the end of the year	4 544
Balance as at 1 July 2022	
Presented in insurance contract assets	3 358
Balance as at 30 June 2024	
Presented in insurance contract assets	**4 907**
Balance as at 30 June 2023	
Presented in insurance contract assets	4 544

The following table sets out when the Group expects to derecognise assets for insurance acquisition cash flows after the reporting date.

Group R million	UK Health (PAA)
30 June 2024	
Year 1	**950**
Years 1 to 2	**787**
Years 3 – 5	**1 912**
Years 6 to 10	**1 258**
> 10 years	**–**
	4 907
30 June 2023	
Year 1	878
Years 1 to 2	734
Years 3 – 5	1 790
Years 6 to 10	1 142
> 10 years	–
	4 544

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.3 Reconciliation of Insurance contracts – GMM

2.3.3.1 SA LIFE AND INVEST (RISK)

ANALYSIS BY REMAINING COVERAGE AND INCURRED CLAIMS

		2024				2023			
		Liabilities for Remaining Coverage				Liabilities for Remaining Coverage			
Group R million (Assets)/Liabilities	Navigation	**Excluding loss component**	**Loss component**	**Liabilities for Incurred Claims**	**Total**	Excluding loss component	Loss component	Liabilities for Incurred Claims	Total
Opening assets arising from insurance contracts issued		**(26 510)**	**1 833**	**6 621**	**(18 056)**	(27 422)	1 424	6 339	(19 659)
Opening liabilities arising from insurance contracts issued		**22 236**	**185**	**–**	**22 421**	21 091	133	–	21 224
Net balance at beginning of the year		**(4 274)**	**2 018**	**6 621**	**4 365**	(6 331)	1 557	6 339	1 565
Adjust: transfer of product from SA Life and Invest (Participating) to SA Life and Invest (Risk)						(22)	128		106
Opening assets arising from insurance contracts issued (rebased)						(27 444)	1 552	6 339	(19 553)
Opening liabilities arising from insurance contracts issued (rebased)						21 091	133		21 224
Net balance at beginning of the year (rebased)	A	**(4 274)**	**2 018**	**6 621**	**4 365**	(6 353)	1 685	6 339	1 671
Changes in the income statement and OCI									
Insurance revenue transitional split									
Contracts under the modified retrospective approach		**(367)**	**–**	**–**	**(367)**	(334)	–	–	(334)
All other contracts		**(14 405)**	**–**	**–**	**(14 405)**	(13 503)	–	–	(13 503)
	B	**(14 772)**	**–**	**–**	**(14 772)**	(13 837)	–	–	(13 837)
Insurance service expenses									
Incurred claims and other insurance service expenses		**–**	**–**	**11 009**	**11 009**	–	–	10 348	10 348
Amortised assets for insurance acquisition cash flows		**2 142**	**–**	**–**	**2 142**	1 713	–	–	1 713
Adjustment to liability for incurred claims		**–**	**–**	**37**	**37**	–	–	–	–
Losses and reversal of losses on onerous contracts		**–**	**(362)**	**–**	**(362)**	–	304	–	304
	C	**2 142**	**(362)**	**11 046**	**12 826**	1 713	304	10 348	12 365
Investment components	D	**(5 242)**	**–**	**5 242**	**–**	(3 817)		3 817	–
Insurance service result	E = B + C + D	**(17 872)**	**(362)**	**16 288**	**(1 946)**	(15 941)	304	14 165	(1 472)
Net finance expenses from insurance contracts	F	**(2 501)**	**9**	**416**	**(2 076)**	3 046	29	191	3 266
Net changes to income statement and OCI	G = E + F	**(20 373)**	**(353)**	**16 704**	**(4 022)**	(12 895)	333	14 356	1 794
Cash Flows									
Premiums received		**20 319**	**–**	**–**	**20 319**	17 477	–	–	17 477
Insurance acquisition cash flows		**(2 714)**	**–**	**–**	**(2 714)**	(2 503)	–	–	(2 503)
Claims and other directly attributable expenses paid		**–**	**–**	**(15 706)**	**(15 706)**	–	–	(14 074)	(14 074)
Total cash flows	H	**17 605**	**–**	**(15 706)**	**1 899**	14 974	–	(14 074)	900
Net balance at the end of the year	J = A + G + H	**(7 042)**	**1 665**	**7 619**	**2 242**	(4 274)	2 018	6 621	4 365
Closing assets arising from insurance contracts issued		**(31 412)**	**1 470**	**7 619**	**(22 323)**	(26 510)	1 833	6 621	(18 056)
Closing liabilities arising from insurance contracts issued		**24 370**	**195**	**–**	**24 565**	22 236	185	–	22 421
Net balance at the end of the year		**(7 042)**	**1 665**	**7 619**	**2 242**	(4 274)	2 018	6 621	4 365

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.3 Reconciliation of Insurance contracts – GMM *continued*

2.3.3.2 UK LIFE (RISK)

ANALYSIS BY REMAINING COVERAGE AND INCURRED CLAIMS

Group R million (Assets)/Liabilities	Navigation	2024 Liabilities for Remaining Coverage Excluding loss component	2024 Liabilities for Remaining Coverage Loss component	2024 Liabilities for Incurred Claims	2024 Total	2023[1] Liabilities for Remaining Coverage Excluding loss component	2023[1] Liabilities for Remaining Coverage Loss component	2023[1] Liabilities for Incurred Claims	2023[1] Total
Opening assets arising from insurance contracts issued		**(19 017)**	**5 327**	**1 631**	**(12 059)**	(13 500)	4 388	1 131	(7 981)
Net balance at beginning of the year	A	**(19 017)**	**5 327**	**1 631**	**(12 059)**	(13 500)	4 388	1 131	(7 981)
Changes in the income statement and OCI									
Insurance revenue transitional split									
All other contracts		**(6 904)**	**–**	**–**	**(6 904)**	(5 581)	–	–	(5 581)
	B	**(6 904)**	**–**	**–**	**(6 904)**	(5 581)	–	–	(5 581)
Insurance service expenses									
Incurred claims and other insurance service expenses		**–**	**–**	**3 453**	**3 453**	–	–	2 759	2 759
Amortised assets for insurance acquisition cash flows		**2 610**	**–**	**–**	**2 610**	2 047	–	–	2 047
Adjustment to liability for incurred claims		**–**	**–**	**–**	**–**	–	–	–	–
Losses and reversal of losses on onerous contracts		**–**	**154**	**–**	**154**	–	306	–	306
	C	**2 610**	**154**	**3 453**	**6 217**	2 047	306	2 759	5 112
Investment components	D	**46**	**–**	**(46)**	**–**	236	–	(236)	–
Insurance service result	E = B + C + D	**(4 248)**	**154**	**3 407**	**(687)**	(3 298)	306	2 523	(469)
Net finance expenses from insurance contracts	F	**(2 625)**	**(137)**	**–**	**(2 762)**	(1 032)	(248)	–	(1 280)
Net changes to income statement and OCI	G = E + F	**(6 873)**	**17**	**3 407**	**(3 449)**	(4 330)	58	2 523	(1 749)
Cash Flows									
Premiums received		**7 807**	**–**	**–**	**7 807**	5 909	–	–	5 909
Insurance acquisition cash flows		**(4 929)**	**–**	**–**	**(4 929)**	(4 103)	–	–	(4 103)
Claims and other directly attributable expenses paid		**–**	**–**	**(3 178)**	**(3 178)**	–	–	(2 278)	(2 278)
Total cash flows	H	**2 878**	**–**	**(3 178)**	**(300)**	1 806	–	(2 278)	(472)
Effect of movements in exchange rates	I	**810**	**(204)**	**(67)**	**539**	(2 993)	881	255	(1 857)
Net balance at the end of the year	J = A + G + H + I	**(22 202)**	**5 140**	**1 793**	**(15 269)**	(19 017)	5 327	1 631	(12 059)
Closing assets arising from insurance contracts issued		**(22 202)**	**5 140**	**1 793**	**(15 269)**	(19 017)	5 327	1 631	(12 059)
Net balance at the end of the year		**(22 202)**	**5 140**	**1 793**	**(15 269)**	(19 017)	5 327	1 631	(12 059)

1 *The UK Life (Risk) comparative period has been restated from the reconciliation published in the unaudited Discovery Group interim disclosures for the six-month period ended 31 December 2023. The effect of these changes are noted in item 5 of 7.3.4.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.4 Movement in Insurance contract balances: GMM

2.3.4.1 SA LIFE AND INVEST (RISK)

ANALYSIS BY MEASUREMENT COMPONENT

		2024				2023			
				CSM				CSM	
Group R million (Assets)/Liabilities	Navigation	**Estimates of PVFCF**	**RA for non-financial Risk**	**Other contracts**	**Total**	Estimates of PVFCF	RA for non-financial Risk	Other contracts	Total
Opening assets arising from insurance contracts issued		**(52 454)**	**6 960**	**27 438**	**(18 056)**	(55 257)	7 765	27 833	(19 659)
Opening liabilities arising from insurance contracts issued		**21 521**	**86**	**814**	**22 421**	20 578	72	574	21 224
Net balance at beginning of the year		**(30 933)**	**7 046**	**28 252**	**4 365**	(34 679)	7 837	28 407	1 565
Adjust: transfer of product from SA Life and Invest (Participating) to SA Life and Invest (Risk)						1 731	(183)	(1 442)	106
Opening assets arising from insurance contracts issued (rebased)						(53 526)	7 582	26 391	(19 553)
Opening liabilities arising from insurance contracts issued (rebased)						20 578	72	574	21 224
Net balance at beginning of the year (rebased)	A	**(30 933)**	**7 046**	**28 252**	**4 365**	(32 948)	7 654	26 965	1 671
Changes in the income statement and OCI									
Changes that relate to current services									
CSM recognised for services provided		**–**	**–**	**(1 859)**	**(1 859)**	–	–	(1 835)	(1 835)
Change in Risk Adjustment for non-financial risk that relates to expired risk		**–**	**(617)**	**–**	**(617)**	–	(599)	–	(599)
Experience adjustments		**663**	**–**	**–**	**663**	513	–	–	513
Changes that relate to future services					**–**	–	–	–	–
Contracts initially recognised in the period		**(2 257)**	**430**	**1 888**	**61**	(2 203)	450	1 836	83
Changes in estimates that adjust CSM		**5 264**	**176**	**(5 440)**	**–**	1 548	(193)	(1 355)	–
Changes in estimates that result in onerous contract losses or reversal of losses		**(354)**	**81**	**–**	**(273)**	350	(16)	–	334
Servicing expenses and commission for onerous contracts		**42**	**–**	**–**	**42**	32	–	–	32
Changes that relate to past services						–	–	–	–
Adjustment to liability for incurred claims		**–**	**37**	**–**	**37**	–	2	–	2
Insurance service result	B	**3 358**	**107**	**(5 411)**	**(1 946)**	240	(356)	(1 354)	(1 470)
Net finance expenses from insurance contracts	C	**(5 334)**	**792**	**2 466**	**(2 076)**	877	(252)	2 641	3 266
Net changes to income statement and OCI	D = B + C	**(1 976)**	**899**	**(2 945)**	**(4 022)**	1 117	(608)	1 287	1 796
Cash flows	E	**1 899**	**–**	**–**	**1 899**	898	–	–	898
Net balance at the end of the year	G = A + D + E	**(31 010)**	**7 945**	**25 307**	**2 242**	(30 933)	7 046	28 252	4 365
Closing assets arising from insurance contracts issued		**(54 499)**	**7 810**	**24 366**	**(22 323)**	(52 454)	6 960	27 438	(18 056)
Closing liabilities arising from insurance contracts issued		**23 489**	**135**	**941**	**24 565**	21 521	86	814	22 421
Net balance at the end of the year		**(31 010)**	**7 945**	**25 307**	**2 242**	(30 933)	7 046	28 252	4 365

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Group Chief Executive and Group Chief Financial Officer's internal financial control responsibility statement
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NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.4 Movement in Insurance contract balances: GMM *continued*

2.3.4.2 UK LIFE (RISK)

ANALYSIS BY MEASUREMENT COMPONENT

Group R million (Assets)/Liabilities	Navigation	2024 Estimates of PVFCF	2024 RA for non-financial Risk	2024 CSM Other contracts	2024 Total	2023[1] Estimates of PVFCF	2023[1] RA for non-financial Risk	2023[1] CSM Other contracts	2023[1] Total
Opening assets arising from insurance contracts issued		(27 886)	2 020	13 807	(12 059)	(21 174)	1 740	11 452	(7 982)
Net balance at beginning of the year	A	(27 886)	2 020	13 807	(12 059)	(21 174)	1 740	11 452	(7 982)
Changes in the income statement and OCI									
Changes that relate to current services									
CSM recognised for services provided		–	–	(1 242)	(1 242)	–	–	(1 102)	(1 102)
Change in Risk Adjustment for non-financial risk that relates to expired risk		–	(209)	–	(209)	–	(221)	–	(221)
Experience adjustments		224	–	–	224	266	–	–	266
Changes that relate to future services						–	–	0	–
Contracts initially recognised in the period		(1 573)	368	1 482	277	(1 226)	330	1 167	271
Changes in estimates that adjust CSM		447	(3)	(444)	–	135	12	(147)	–
Changes in estimates that result in onerous contract losses or reversal of losses		224	39	–	263	278	39	–	317
Insurance service result	B	(678)	195	(204)	(687)	(547)	160	(82)	(469)
Net finance expenses from insurance contracts	C	(3 108)	107	239	(2 762)	(1 206)	(219)	145	(1 280)
Net changes to income statement and OCI	D = B + C	(3 786)	302	35	(3 449)	(1 753)	(59)	63	(1 749)
Cash flows	E	(300)	–	–	(300)	(22)	–	–	(22)
Effect of movements in exchange rates	F	1 153	(83)	(531)	539	(4 937)	339	2 292	(2 306)
Net balance at the end of the year	G = A + D + E + F	(30 819)	2 239	13 311	(15 269)	(27 886)	2 020	13 807	(12 059)
Closing assets arising from insurance contracts issued		(30 819)	2 239	13 311	(15 269)	(27 886)	2 020	13 807	(12 059)
Net balance at the end of the year		(30 819)	2 239	13 311	(15 269)	(27 886)	2 020	13 807	(12 059)

1 The UK Life (Risk) comparative period has been restated from the reconciliation published in the unaudited Discovery Group interim disclosures for the six-month period ended 31 December 2023. The effect of these changes are noted in item 5 of 7.3.4

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.5 Movement in Insurance contract balances: VFA

2.3.5.1 SA LIFE AND INVEST (PARTICIPATING)

ANALYSIS BY REMAINING COVERAGE AND INCURRED CLAIMS

Group R million (Assets)/Liabilities	Navigation	2024 Liabilities for Remaining Coverage (LRC) Excluding loss component	 Loss component	 Liabilities for Incurred Claims (LIC)	 Total	2023 Liabilities for Remaining Coverage (LRC) Excluding loss component	 Loss component	 Liabilities for Incurred Claims (LIC)	 Total
Opening liabilities arising from insurance contracts issued		66 236	72	–	66 308	56 983	136	–	57 119
Net balance at beginning of the year		66 236	72	–	66 308	56 983	136	–	57 119
Adjust: transfer of product from SA Life and Invest (Participating) to SA Life and Invest (Risk)						2	(64)		(62)
Opening assets arising from insurance contracts issued (rebased)								–	–
Opening liabilities arising from insurance contracts issued (rebased)						56 985	72	–	57 057
Net balance at beginning of the year (rebased)	A	66 236	72	–	66 308	56 985	72	–	57 057
Changes in the income statement and OCI									
Insurance revenue transitional split									
Contracts under the modified retrospective approach		(3 157)	–	–	(3 157)	(2 809)	–	–	(2 809)
Other contracts		(172)	–	–	(172)	(53)	–	–	(53)
	B	(3 329)	–	–	(3 329)	(2 862)	–	–	(2 862)
Insurance service expenses									
Incurred claims and other insurance service expenses		–	–	999	999	–	–	1 020	1 020
Experience adjustments adjusting CSM		86	46	–	132	(77)	–	–	(77)
Amortised assets for insurance acquisition cash flows		758	–	–	758	694	–	–	694
Losses and reversal of losses on onerous contracts		–	5	–	5	–	–	–	–
	C	844	51	999	1 894	617	–	1 020	1 637
Investment components	D	(11 577)	–	11 577	–	(9 191)		9 191	–
Insurance service result	E = B + C + D	(14 062)	51	12 576	(1 435)	(11 436)	–	10 211	(1 225)
Net finance expenses from insurance contracts	F	7 810	–	–	7 810	8 283	–	–	8 283
Net changes to income statement and OCI	G = E + F	(6 252)	51	12 576	6 375	(3 153)	–	10 211	7 058
Cash Flows									
Premiums received		14 294	–	–	14 294	13 089	–	–	13 089
Insurance acquisition cash flows		(680)	–	–	(680)	(685)	–	–	(685)
Claims and other directly attributable expenses paid		–	–	(12 576)	(12 576)	–	–	(10 211)	(10 211)
Total cash flows	H	13 614	–	(12 576)	1 038	12 404	–	(10 211)	2 193
Net balance at the end of the year	J = A + G + H	73 598	123	–	73 721	66 236	72	–	66 308
Closing liabilities arising from insurance contracts issued		73 598	123	–	73 721	66 236	72	–	66 308
Net balance at the end of the year		73 598	123	–	73 721	66 236	72	–	66 308

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

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Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.6 Movement in Insurance contract balances: VFA

2.3.6.1 SA LIFE AND INVEST (PARTICIPATING)

ANALYSIS BY MEASUREMENT COMPONENT

Group R million (Assets)/Liabilities	Navigation	2024 Estimates of PVFCF	2024 RA for non-financial Risk	2024 CSM Transition: Modified retro-spective	2024 CSM Other contracts	2024 Total	2023 Estimates of PVFCF	2023 RA for non-financial Risk	2023 CSM Transition: Modified retro-spective	2023 CSM Other contracts	2023 Total
Opening liabilities arising from insurance contracts issued		**59 328**	**912**	**5 430**	**638**	**66 308**	52 546	663	3 910	–	57 119
Net balance at beginning of the year		**59 328**	**912**	**5 430**	**638**	**66 308**	52 546	663	3 910	–	57 119
Adjust: transfer of product from SA Life and Invest (Participating) to SA Life and Invest (Risk)							(1 729)	166	1 501		(62)
(rebased)							–	–	–	–	–
Opening liabilities arising from insurance contracts issued (rebased)							50 817	829	5 411	–	57 057
Net balance at beginning of the year (rebased)	A	**59 328**	**912**	**5 430**	**638**	**66 308**	50 817	829	5 411	–	57 057
Changes in the income statement and OCI											
Changes that relate to current services											
CSM recognised for services provided		**–**	**–**	**(1 080)**	**(142)**	**(1 222)**	–	–	(1 072)	(29)	(1 101)
Change in Risk Adjustment for non-financial risk that relates to expired risk		**–**	**(212)**	**–**	**–**	**(212)**	–	(149)	–	–	(149)
Experience adjustments		**(93)**	**–**	**63**	**1**	**(29)**	7	–	2	(9)	–
Changes that relate to future services											
Contracts initially recognised in the period		**(510)**	**70**	**–**	**490**	**50**	(831)	70	–	782	21
Changes in estimates that adjust CSM		**289**	**(83)**	**(122)**	**(84)**	**–**	(531)	116	362	53	–
Changes in estimates that result in onerous contract losses or reversal of losses		**(23)**	**1**	**–**	**–**	**(22)**	1	3	–	–	4
Insurance service result	B	**(337)**	**(224)**	**(1 139)**	**265**	**(1 435)**	(1 354)	40	(708)	797	(1 225)
Net finance expenses from insurance contracts	C	**6 613**	**85**	**984**	**128**	**7 810**	7 672	43	727	(159)	8 283
Net changes to income statement and OCI	D = B + C	**6 276**	**(139)**	**(155)**	**393**	**6 375**	6 318	83	19	638	7 058
Cash flows	E	**1 038**	**–**	**–**	**–**	**1 038**	2 193	–	–	–	2 193
Net balance at the end of the year	G = A + D + E	**66 642**	**773**	**5 275**	**1 031**	**73 721**	59 328	912	5 430	638	66 308
Closing liabilities arising from insurance contracts issued		**66 642**	**773**	**5 275**	**1 031**	**73 721**	59 328	912	5 430	638	66 308
Net balance at the end of the year		**66 642**	**773**	**5 275**	**1 031**	**73 721**	59 328	912	5 430	638	66 308

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

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Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.7 Movement in Insurance contract balances: PAA

2.3.7.1 SA LIFE AND INVEST: GROUP LIFE AND OTHER

ANALYSIS BY REMAINING COVERAGE AND INCURRED CLAIMS

Group R million (Assets)/Liabilities	Navigation	2024 Liabilities for Remaining Coverage	2024 Liabilities for Incurred Claims Estimates of PVFCF	2024 Liabilities for Incurred Claims RA for non-financial risk	2024 Total	2023 Liabilities for Remaining Coverage	2023 Liabilities for Incurred Claims Estimates of PVFCF	2023 Liabilities for Incurred Claims RA for non-financial risk	2023 Total
Opening liabilities arising from insurance contracts held		(162)	5 167	104	5 109	(127)	4 840	91	4 804
Net balance at beginning of the year	A	(162)	5 167	104	5 109	(127)	4 840	91	4 804
Insurance revenue	B	(3 517)	–	–	(3 517)	(3 307)	–	–	(3 307)
Insurance service expenses									
Incurred claims and other insurance service expenses		–	3 028	(32)	2 996	–	2 600	12	2 612
Gross claims and insurance service expenses		–	3 028	(32)	2 996	–	2 600	12	2 612
Salvages		–	–	–	–	–	–	–	–
Amortisation of assets for insurance acquisition cash flows		169	–	–	169	141	–	–	141
Adjustment to liability for incurred claims		–	–	19	19	–	–	–	–
	C	169	3 028	(13)	3 184	141	2 600	12	2 753
Insurance service result	D = B + C	(3 348)	3 028	(13)	(333)	(3 166)	2 600	12	(554)
Net finance expenses from insurance contracts issued	E	–	329	7	336		200	1	201
Net changes to statement of profit or loss and OCI	F = D +E	(3 348)	3 357	(6)	3	(3 166)	2 800	13	(353)
Cash flows									
Premiums received		3 537	–	–	3 537	3 272	–	–	3 272
Insurance acquisition cash flows		(169)	–	–	(169)	(141)	–	–	(141)
Claims and other directly attributable expenses paid		–	(2 592)	–	(2 592)	–	(2 473)	–	(2 473)
Gross claims and insurance service expenses paid		–	(2 592)	–	(2 592)		(2 473)	–	(2 473)
Salvages		–	–	–	–		–	–	–
Total cash flows	G	3 368	(2 592)	–	776	3 131	(2 473)	–	658
Net balance at the end of year	K = A + F + G	(142)	5 932	98	5 888	(162)	5 167	104	5 109
Closing liabilities arising from insurance contracts held		(142)	5 932	98	5 888	(162)	5 167	104	5 109
Net balance at the end of year		(142)	5 932	98	5 888	(162)	5 167	104	5 109

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Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.7 Movement in Insurance contract balances: PAA *continued*

2.3.7.2 SA INSURE AND OTHER

ANALYSIS BY REMAINING COVERAGE AND INCURRED CLAIMS

Group R million (Assets)/Liabilities	Navigation	2024 Liabilities for Remaining Coverage	2024 Liabilities for Incurred Claims: Estimates of PVFCF	2024 Liabilities for Incurred Claims: RA for non-financial risk	2024 Total	2023 Liabilities for Remaining Coverage	2023 Liabilities for Incurred Claims: Estimates of PVFCF	2023 Liabilities for Incurred Claims: RA for non-financial risk	2023 Total
Opening liabilities arising from insurance contracts held		52	758	12	822	77	749	13	839
Net balance at beginning of the year	A	52	758	12	822	77	749	13	839
Insurance revenue	B	(6 861)	–	–	(6 861)	(6 000)	–	–	(6 000)
Insurance service expenses									
Incurred claims and other insurance service expenses		–	5 445	5	5 450	–	4 828	–	4 828
Gross claims and insurance service expenses		–	5 904	5	5 909	–	5 207	–	5 207
Salvages		–	(459)	–	(459)	–	(379)	–	(379)
Amortisation of assets for insurance acquisition cash flows[1]		1 053	–	–	1 053	916	–	–	916
Adjustment to liability for incurred claims		–	61	2	63	–	141	(1)	140
	C	1 053	5 506	7	6 566	916	4 969	(1)	5 884
Insurance service result	D = B + C	(5 808)	5 506	7	(295)	(5 084)	4 969	(1)	(116)
Net changes to statement of profit or loss and OCI	F = D	(5 808)	5 506	7	(295)	(5 084)	4 969	(1)	(116)
Cash flows						–	–	–	–
Premiums received		6 827	–	–	6 827	5 975	–	–	5 975
Insurance acquisition cash flows		(1 053)	(21)	–	(1 074)	(916)	–	–	(916)
Claims and other directly attributable expenses paid		–	(5 378)	(5)	(5 383)	–	(4 961)	–	(4 961)
Gross claims and insurance service expenses paid		–	(5 825)	(5)	(5 830)	–	(5 346)	–	(5 346)
Salvages		–	447	–	447	–	385	–	385
Total cash flows	G	5 774	(5 399)	(5)	370	5 059	(4 961)	–	98
Effect of movements in exchange rates	H	1	(2)	–	(1)	–	1	–	1
Net balance at the end of year	K = A + F + G + H	19	863	14	896	52	758	12	822
Closing liabilities arising from insurance contracts held		19	863	14	896	52	758	12	822
Net balance at the end of year		19	863	14	896	52	758	12	822

1 The comparative reconciliation has been restated to present the insurance acquisition cash flow as part of the liabilities arising from insurance contracts. The restatement does not impact the total insurance service expenses disclosed in the reconciliation, the split between LIC and LRC has been updated.

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NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

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Section 2: insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.7 Movement in Insurance contract balances: PAA *continued*

2.3.7.3 UK HEALTH

ANALYSIS BY REMAINING COVERAGE AND INCURRED CLAIMS

Group R million (Assets)/Liabilities	Navigation	2024 Liabilities for Remaining Coverage	2024 Liabilities for Incurred Claims Estimates of PVFCF	2024 Liabilities for Incurred Claims RA for non-financial risk	2024 Total	2023[1] Liabilities for Remaining Coverage	2023[1] Liabilities for Incurred Claims Estimates of PVFCF	2023[1] Liabilities for Incurred Claims RA for non-financial risk	2023[1] Total
Opening assets arising from insurance contracts held		(372)	1 350	57	1 035	105	989	37	1 131
Net balance at beginning of the year	A	(372)	1 350	57	1 035	105	989	37	1 131
Insurance revenue	B	(16 474)	–	–	(16 474)	(13 670)	–	–	(13 670)
Insurance service expenses									
Incurred claims and other insurance service expenses		–	13 713	(26)	13 687	–	10 765	11	10 776
Gross claims and insurance service expenses		–	13 713	(26)	13 687	–	10 765	11	10 776
Salvages		–	–	–	–	–	–	–	–
Amortisation of assets for insurance acquisition cash flows		1 767	–	–	1 767	1 403	–	–	1 403
Losses and reversal of losses on onerous contracts		–	–	–	–	(1)	–	–	(1)
	C	1 767	13 713	(26)	15 454	1 402	10 765	11	12 178
Insurance service result	D = B + C	(14 707)	13 713	(26)	(1 020)	(12 268)	10 765	11	(1 492)
Net changes to statement of profit or loss and OCI	F = D	(14 707)	13 713	(26)	(1 020)	(12 268)	10 765	11	(1 492)
Cash flows									
Premiums received		16 502	–	–	16 502	13 324	–	–	13 324
Insurance acquisition cash flows		(755)	–	–	(755)	(607)	–	–	(607)
Claims and other directly attributable expenses paid		–	(13 936)	–	(13 936)	–	(10 619)	–	(10 619)
Gross claims and insurance service expenses paid		–	(13 936)	–	(13 936)	–	(10 619)	–	(10 619)
Salvages		–	–	–	–	–	–	–	–
Total cash flows	G	15 747	(13 936)	–	1 811	12 717	(10 619)	–	2 098
Allocation from assets for insurance acquisition cash flows to group of insurance contracts	H	(1 111)	–	–	(1 111)	(893)	–	–	(893)
Effect of movements in exchange rates	I	17	(47)	(2)	(32)	(33)	215	9	191
Net balance at the end of year	K = A + F + G + H + I	(426)	1 080	29	683	(372)	1 350	57	1 035
Closing assets arising from insurance contracts issued		(426)	1 080	29	683	(372)	1 350	57	1 035
Net balance at the end of year		(426)	1 080	29	683	(372)	1 350	57	1 035

1 *The UK Health comparative period has been restated from the reconciliation published in the unaudited Discovery Group interim disclosures for the six-month period ended 31 December 2023. The effect of these changes are noted in item 5 of 7.3.4.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

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Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.8 Movement in reinsurance contract balances: GMM

2.3.8.1 SA LIFE AND INVEST (RISK)

ANALYSIS BY REMAINING COVERAGE AND INCURRED CLAIMS

		2024				2023			
		Assets for Remaining Coverage (ARC)				Assets for Remaining Coverage (ARC)			
Group R million (Assets)/Liabilities	Navigation	Excluding loss recovery component	Loss recovery component	Assets for Incurred Claims (AIC)	Total	Excluding loss recovery component	Loss recovery component	Assets for Incurred Claims (AIC)	Total
Opening liabilities arising from reinsurance contracts held		3 027	(202)	(2 258)	567	3 423	(148)	(2 151)	1 124
Net balance at beginning of the year	A	3 027	(202)	(2 258)	567	3 423	(148)	(2 151)	1 124
Changes in the income statement and OCI									
Allocation of reinsurance premiums paid		3 387	–	–	3 387	3 268	–	–	3 268
Amounts recoverable from reinsurers									
Recoveries of incurred claims and other insurance service expenses		–	–	(3 002)	(3 002)	–	–	(3 131)	(3 131)
Recoveries and reversals of recoveries of losses on onerous underlying contracts		–	39	–	39	–	(55)	–	(55)
Adjustments to assets for incurred claims		–	–	(10)	(10)	–	–	–	–
	B	3 387	39	(3 012)	414	3 268	(55)	(3 131)	82
Net expenses from reinsurance contracts	C = B	3 387	39	(3 012)	414	3 268	(55)	(3 131)	82
Net finance expenses from reinsurance contracts	D	177	(5)	(106)	66	(154)	1	(17)	(170)
Net changes to income statement and OCI	E = B + D	3 564	34	(3 118)	480	3 114	(54)	(3 148)	(88)
Cash Flows									
Premiums paid		(3 942)	–	–	(3 942)	(3 510)	–	–	(3 510)
Claims recovered		–	–	3 021	3 021	–	–	3 041	3 041
Total cash flows	F	(3 942)	–	3 021	(921)	(3 510)	–	3 041	(469)
Net balance at the end of the year	G = A +E + F	2 649	(168)	(2 355)	126	3 027	(202)	(2 258)	567
Closing liabilities arising from reinsurance contracts held		2 649	(168)	(2 355)	126	3 027	(202)	(2 258)	567
Net balance at the end of the year		2 649	(168)	(2 355)	126	3 027	(202)	(2 258)	567

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Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.8 Movement in reinsurance contract balances: GMM *continued*

2.3.8.2 UK LIFE (RISK)

ANALYSIS BY REMAINING COVERAGE AND INCURRED CLAIMS

Group R million (Assets)/Liabilities	Navigation	2024 Assets for Remaining Coverage (ARC) Excluding loss recovery component	2024 ARC Loss recovery component	2024 Assets for Incurred Claims (AIC)	2024 Total	2023[1] Assets for Remaining Coverage (ARC) Excluding loss recovery component	2023[1] ARC Loss recovery component	2023[1] Assets for Incurred Claims (AIC)	2023[1] Total
Opening liabilities arising from reinsurance contracts held		7 862	(2 348)	(1 262)	4 252	6 513	(1 673)	(712)	4 128
Net balance at beginning of the year	A	**7 862**	**(2 348)**	**(1 262)**	**4 252**	6 513	(1 673)	(712)	4 128
Changes in the income statement and OCI									
Allocation of reinsurance premiums paid		5 738	–	–	5 738	3 482	–	–	3 482
Amounts recoverable from reinsurers		–	–	–	–	0	0	0	0
Recoveries of incurred claims and other insurance service expenses		–	–	(5 349)	(5 349)	–	–	(3 272)	(3 272)
Recoveries and reversals of recoveries of losses on onerous underlying contracts		–	18	–	18	–	(364)	–	(364)
Adjustments to assets for incurred claims		–	–	–	–	–	–	–	–
	B	**5 738**	**18**	**(5 349)**	**407**	3 482	(364)	(3 272)	(154)
Net expenses from reinsurance contracts	C = B	**5 738**	**18**	**(5 349)**	**407**	3 482	(364)	(3 272)	(154)
Net finance expenses from reinsurance contracts	D	564	52	–	616	(169)	59	–	(110)
Net changes to income statement and OCI	E = B + D	**6 302**	**70**	**(5 349)**	**1 023**	3 313	(305)	(3 272)	(264)
Cash Flows									
Premiums paid		(4 547)	–	–	(4 547)	(3 268)	–	–	(3 268)
Claims recovered		–	–	4 730	4 730	–	–	2 907	2 907
Total cash flows	F	**(4 547)**	**–**	**4 730**	**183**	(3 268)	–	2 907	(361)
Effect of movements in exchange rates	G	(337)	89	60	(188)	1 304	(370)	(185)	749
Net balance at the end of the year	H= A +E +F + G	**9 280**	**(2 189)**	**(1 821)**	**5 270**	7 862	(2 348)	(1 262)	4 252
Closing liabilities arising from reinsurance contracts held		9 280	(2 189)	(1 821)	5 270	7 862	(2 348)	(1 262)	4 252
Net balance at the end of the year		**9 280**	**(2 189)**	**(1 821)**	**5 270**	7 862	(2 348)	(1 262)	4 252

1 The UK Life (Risk) comparative period has been restated from the reconciliation published in the unaudited Discovery Group interim disclosures for the six-month period ended 31 December 2023. The effect of these changes are noted in item 5 of 7.3.4.

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Section 2: insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.9 Movement in reinsurance contract balances: GMM

2.3.9.1 SA LIFE AND INVEST (RISK)

ANALYSIS BY MEASUREMENT COMPONENT

		2024					2023				
				CSM					CSM		
Group R million (Assets)/Liabilities	Navigation	**Estimates of PVFCF**	**RA for non-financial Risk**	**Transition: Modified retro-spective**	**Other contracts**	**Total**	Estimates of PVFCF	RA for non-financial Risk	Transition: Modified retro-spective	Other contracts	Total
Opening liabilities arising from reinsurance contracts held		**6 094**	**(698)**	**(80)**	**(4 749)**	**567**	6 315	(704)	(75)	(4 412)	1 124
Net balance at beginning of the year	A	**6 094**	**(698)**	**(80)**	**(4 749)**	**567**	6 315	(704)	(75)	(4 412)	1 124
Changes in the income statement and OCI											
Changes that relate to current services											
CSM recognised for services provided		**–**	**–**	**6**	**338**	**344**	–	–	4	307	311
Change in Risk Adjustment for non-financial risk that relates to expired risk		**–**	**71**	**–**	**–**	**71**	–	63	–	–	63
Experience adjustments		**(12)**	**–**	**–**	**–**	**(12)**	(221)	–	–	–	(221)
Changes that relate to future services											0
Contracts initially recognised in the period		**202**	**(22)**	**–**	**(186)**	**(6)**	221	(25)	–	(209)	(13)
Changes in estimates that adjust CSM		**16**	**–**	**(16)**	**40**	**40**	41	(7)	–	(31)	3
Changes in estimates that relate to losses and reversal of losses on underlying contracts		**(17)**	**4**	**–**	**–**	**(13)**	(62)	2	–	–	(60)
Changes that relate to past services											0
Adjustment to assets for incurred claims		**–**	**(10)**	**–**	**–**	**(10)**	–	(1)	–	–	(1)
Net Expenses from reinsurance contracts held	B	**189**	**43**	**(10)**	**192**	**414**	(21)	32	4	67	82
Net finance income from reinsurance contracts	C	**537**	**(48)**	**(10)**	**(413)**	**66**	269	(26)	(9)	(404)	(170)
Net changes to income statement and OCI	D = B + C	**726**	**(5)**	**(20)**	**(221)**	**480**	248	6	(5)	(337)	(88)
Cash flows	E	**(921)**	**–**	**–**	**–**	**(921)**	(469)	–	–	–	(469)
Effect of movements in exchange rates	F	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Net balance at the end of the year	G = A + D + E + F	**5 899**	**(703)**	**(100)**	**(4 970)**	**126**	6 094	(698)	(80)	(4 749)	567
Closing liabilities arising from reinsurance contracts held		**5 899**	**(703)**	**(100)**	**(4 970)**	**126**	6 094	(698)	(80)	(4 749)	567
Net balance at the end of the year		**5 899**	**(703)**	**(100)**	**(4 970)**	**126**	6 094	(698)	(80)	(4 749)	567

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

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Section 2: insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.9 Movement in reinsurance contract balances: GMM *continued*

2.3.9.2 UK LIFE (RISK)

ANALYSIS BY MEASUREMENT COMPONENT

Group R million (Assets)/Liabilities	Navigation	2024 Estimates of PVFCF	2024 RA for non-financial Risk	2024 CSM Other contracts	2024 Total	2023 Estimates of PVFCF	2023 RA for non-financial Risk	2023 CSM Other contracts	2023 Total
Opening liabilities arising from reinsurance contracts held		9 701	(429)	(5 020)	4 252	8 514	(348)	(4 038)	4 128
Net balance at beginning of the year	A	9 701	(429)	(5 020)	4 252	8 514	(348)	(4 038)	4 128
Changes in the income statement and OCI									
Changes that relate to current services									
CSM recognised for services provided		–	–	495	495	–	–	391	391
Change in Risk Adjustment for non-financial risk that relates to expired risk		–	24	–	24	–	34	–	34
Experience adjustments		22	–	–	22	(86)	–	–	(86)
Changes that relate to future services									
Contracts initially recognised in the period		1 193	(65)	(1 318)	(190)	649	(56)	(777)	(184)
Changes in estimates that adjust CSM		(30)	(2)	33	1	(231)	(28)	282	23
Changes in estimates that relate to losses and reversal of losses on underlying contracts		63	(8)	–	55	(311)	(20)	–	(331)
Net Expenses from reinsurance contracts held	B	1 248	(51)	(790)	407	21	(70)	(104)	(153)
Net finance income from reinsurance contracts	C	743	(8)	(119)	616	(114)	59	(55)	(110)
Net changes to income statement and OCI	D = B + C	1 991	(59)	(909)	1 023	(93)	(11)	(159)	(263)
Cash flows	E	183	–	–	183	(362)	–	–	(362)
Effect of movements in exchange rates	F	(415)	17	210	(188)	1 642	(70)	(823)	749
Net balance at the end of the year	G = A + D + E + F	11 460	(471)	(5 719)	5 270	9 701	(429)	(5 020)	4 252
Closing liabilities arising from reinsurance contracts held		11 460	(471)	(5 719)	5 270	9 701	(429)	(5 020)	4 252
Net balance at the end of the year		11 460	(471)	(5 719)	5 270	9 701	(429)	(5 020)	4 252

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.10 Movement in reinsurance contract balances: PAA

2.3.10.1 SA LIFE AND INVEST: GROUP LIFE AND OTHER

ANALYSIS BY REMAINING COVERAGE AND INCURRED CLAIMS

Group R million (Assets)/Liabilities	Navigation	2024 Asset for Remaining Coverage	2024 Asset for Incurred Claims Estimates of PVFCF	2024 Asset for Incurred Claims RA for non-financial risk	2024 Total	2023 Asset for Remaining Coverage	2023 Asset for Incurred Claims Estimates of PVFCF	2023 Asset for Incurred Claims RA for non-financial risk	2023 Total
Opening assets arising from reinsurance contracts held		398	(910)	(17)	(529)	378	(1 054)	(15)	(691)
Net balance at beginning of the year	A	398	(910)	(17)	(529)	378	(1 054)	(15)	(691)
Changes in the statement of profit or loss and OCI									
Reinsurance premiums expense		305	–	–	305	282	–	–	282
Claims recovered from reinsurer		–	(265)	4	(261)	–	(138)	(2)	(140)
Net finance income from reinsurance contracts held		–	(48)	(1)	(49)	–	(31)	–	(31)
Net changes to statement of profit or loss and OCI	B	305	(313)	3	(5)	282	(169)	(2)	111
Cash Flows									
Premiums paid net of commissions and other attributable expenses		(544)	–	–	(544)	(262)	–	–	(262)
Reinsurance recoveries		–	393	–	393		313	–	313
Total cash flows	C	(544)	393	–	(151)	(262)	313	–	51
Net balance at end of the year	D = A + B + C	159	(830)	(14)	(685)	398	(910)	(17)	(529)
Closing assets arising from reinsurance contracts held		159	(830)	(14)	(685)	398	(910)	(17)	(529)
Net balance at end of the year		159	(830)	(14)	(685)	398	(910)	(17)	(529)

Directors' responsibility statement | Group Chief Executive and Group Chief Financial Officer's internal financial control responsibility statement | Certificate by the Company Secretary | Report of the Discovery Limited Audit Committee | Independent auditors' report | Directors' report | Group statement of financial position | Group income statement | Group statement of other comprehensive income | Group statement of cash flows | Group statement of changes in equity | Notes to the Group annual financial statements | Company Annual Financial Statements | Annexures | Glossary

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.10 Movement in reinsurance contract balances: PAA *continued*

2.3.10.2 SA INSURE AND OTHER

ANALYSIS BY REMAINING COVERAGE AND INCURRED CLAIMS

Group R million (Assets)/Liabilities	Navigation	2024 Asset for Remaining Coverage	2024 Asset for Incurred Claims Estimates of PVFCF	2024 Asset for Incurred Claims RA for non-financial risk	2024 Total	2023 Asset for Remaining Coverage	2023 Asset for Incurred Claims Estimates of PVFCF	2023 Asset for Incurred Claims RA for non-financial risk	2023 Total
Opening assets arising from reinsurance contracts held		776	(845)	(2)	(71)	260	(440)	(2)	(182)
Net balance at beginning of the year	A	**776**	**(845)**	**(2)**	**(71)**	260	(440)	(2)	(182)
Changes in the statement of profit or loss and OCI									
Net expenses from reinsurance contracts held		–	–	–	–				
Reinsurance premiums expense		732	–	–	732	635	–	–	635
Recoveries and reversals of recoveries of losses on onerous underlying contracts		–	–	–	–	–	–	–	–
Claims recovered from reinsurer		–	(706)	–	(706)	–	(590)	–	(590)
Net changes to statement of profit or loss and OCI	B	**732**	**(706)**	**–**	**26**	635	(590)	–	45
Cash Flows									
Premiums paid net of commissions and other attributable expenses		(592)	–	–	(592)	(119)	–	–	(119)
Reinsurance recoveries		–	498	–	498	–	185		185
Total cash flows	C	**(592)**	**498**	**–**	**(94)**	(119)	185	–	66
Net balance at end of the year	D = A +B + C	**916**	**(1 053)**	**(2)**	**(139)**	776	(845)	(2)	(71)
Closing assets arising from reinsurance contracts held		916	(1 053)	(2)	(139)	776	(845)	(2)	(71)
Net balance at end of the year		**916**	**(1 053)**	**(2)**	**(139)**	776	(845)	(2)	(71)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.10 Movement in reinsurance contract balances: PAA *continued*

2.3.10.3 UK HEALTH (RISK)

ANALYSIS BY REMAINING COVERAGE AND INCURRED CLAIMS

Group R million (Assets)/Liabilities	Navigation	2024 Asset for Remaining Coverage	2024 Asset for Incurred Claims Estimates of PVFCF	2024 Asset for Incurred Claims RA for non-financial risk	2024 Total	2023 Asset for Remaining Coverage	2023 Asset for Incurred Claims Estimates of PVFCF	2023 Asset for Incurred Claims RA for non-financial risk	2023 Total
Opening assets arising from reinsurance contracts held		8	(9)	(3)	(4)	6	(5)	(2)	(1)
Net balance at beginning of the year	A	8	(9)	(3)	(4)	6	(5)	(2)	(1)
Changes in the statement of profit or loss and OCI									
Reinsurance premiums expense		(2)	–	–	(2)	1 847	–	–	1 847
Claims recovered from reinsurer		–	2	1	3	–	(1 837)	(1)	(1 838)
Net changes to statement of profit or loss and OCI	B	(2)	2	1	1	1 847	(1 837)	(1)	9
Cash Flows									
Premiums paid net of commissions and other attributable expenses		(10)	–	–	(10)	(1 845)	–	–	(1 845)
Reinsurance recoveries		–	–	–	–	–	1 833	–	1 833
Total cash flows	C	(10)	–	–	(10)	(1 845)	1 833	–	(12)
Effect of movements in exchange rates	D	–	–	–	–	–	–	–	–
Net balance at end of the year	E = A +B + C + D	(4)	(7)	(2)	(13)	8	(9)	(3)	(4)
Closing assets arising from reinsurance contracts held		(4)	(7)	(2)	(13)	8	(9)	(3)	(4)
Net balance at end of the year		(4)	(7)	(2)	(13)	8	(9)	(3)	(4)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.11 Insurance revenue

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

Group R million Income/(expense)	SA Life and Invest Risk (GMM)	SA Life and Invest Participating (VFA)	SA Life and Invest: Group Life and other (PAA)	SA Insure and other (PAA)	UK Life Risk (GMM)[1]	UK Health (PAA)	Total
Year ended 30 June 2024							
Contracts not measured under the PAA							
Amounts relating to changes in liabilities for remaining coverage	**12 630**	**2 572**	**–**	**–**	**4 294**	**–**	**19 496**
– CSM recognised for services provided	**1 858**	**1 222**	**–**	**–**	**1 241**	**–**	**4 321**
– Change in risk adjustment for non-financial risk for risk expired	**611**	**201**	**–**	**–**	**201**	**–**	**1 013**
– Expected incurred claims and other insurance service expenses	**10 214**	**1 074**	**–**	**–**	**3 146**	**–**	**14 434**
– Experience adjustments	**(53)**	**75**	**–**	**–**	**(294)**	**–**	**(272)**
Recovery of insurance acquisition cash flows	**2 142**	**757**	**–**	**–**	**2 610**	**–**	**5 509**
Contracts not measured under the PAA	**14 772**	**3 329**	**–**	**–**	**6 904**	**–**	**25 005**
Contracts measured under the PAA	**–**	**–**	**3 517**	**6 861**	**–**	**16 474**	**26 852**
Total insurance revenue	**14 772**	**3 329**	**3 517**	**6 861**	**6 904**	**16 474**	**51 857**
Year ended 30 June 2023							
Contracts not measured under the PAA							
Amounts relating to changes in liabilities for remaining coverage	12 124	2 168	–	–	3 531	–	17 823
– CSM recognised for services provided	1 836	1 101	–	–	1 102	–	4 039
– Change in risk adjustment for non-financial risk for risk expired	595	148	–	–	213	–	956
– Expected incurred claims and other insurance service expenses	9 653	927	–	–	2 397	–	12 977
– Experience adjustments	40	(8)	–	–	(181)	–	(149)
Recovery of insurance acquisition cash flows	1 713	694	–	–	2 047		4 454
Contracts not measured under the PAA	13 837	2 862	–	–	5 578	–	22 277
Contracts measured under the PAA	–	–	3 307	6 000	–	13 670	22 977
Total insurance revenue	13 837	2 862	3 307	6 000	5 578	13 670	45 254

1 The UK Life (Risk) column has been restated from the reconciliation of the revenue published in the unaudited Discovery Group interim disclosures for the six-month period ended 31 December 2023. The effect of these changes are noted in item 5 of 7.3.4.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.12 Net investment result

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

Group R million Income/(expense)	SA Life and Invest Risk (GMM)	SA Life and Invest Participating (VFA)	SA Life and Invest: Group Life and other (PAA)	SA Insure and other immaterial (PAA)	UK Life Risk (GMM)	UK Health (PAA)	Other businesses	Total
Year ended 30 June 2024								
Investment return								
Interest revenue from financial assets not measured at FVTPL	22	–	–	234	58	160	386	860
Net gains on FVTPL investments	2 243	7 843	506	1	–	60	5 592	16 245
Total investment return	2 265	7 843	506	235	58	220	5 978	17 105
Finance income/(expenses) from insurance contracts								
Changes in fair value of underlying items of direct participation contracts	–	(7 789)	–	–	–	–	–	(7 789)
Interest accreted to the CSM	(2 512)	(1 112)	–	–	(239)	–	–	(3 863)
Interest on FCF and other finance (income)/expenses[1]	2 320	1 091	(381)	–	1 643	–	–	4 673
Effect of changes in interest rates and other financial assumptions	(4)	–	40	–	1 403	–	–	1 439
Effect of changing FCF at current rates when adjusting the CSM at rates on initial recognition	2 323	–	–	–	(44)	–	–	2 279
Effect of movements in exchange rates	(51)	–	5	–	–	–	–	(46)
Net finance expenses from insurance contracts	2 076	(7 810)	(336)	–	2 763	–	–	(3 307)
Finance income/(expenses) from reinsurance contracts								
Interest accreted	(129)	–	53	–	119	–	–	43
Other	63	–	(4)	–	(735)	–	–	(676)
Net finance Income from reinsurance contracts	(66)	–	49	–	(616)	–	–	(633)
Movement in investment contract liabilities	–	–	–	–	–	–	(2 142)	(2 142)
Movement in third party interests in consolidated funds	–	–	–	–	–	–	(2 873)	(2 873)
	–	–	–	–	–	–	(5 015)	(5 015)
Represented by:								
Amounts recognised in statement of profit or loss	727	(7 810)	(394)	–	232	–	–	(7 245)
Amounts recognised in OCI	1 283	–	107	–	1 915	–	–	3 305
	2 010	(7 810)	(287)	–	2 147	–	–	(3 940)
Insurance finance income and expenses								
Amounts recognised in statement of profit or loss	986	(7 810)	(458)	–	380	–	–	(6 902)
Amounts recognised in OCI	1 090	–	122	–	2 383	–	–	3 595
	2 076	(7 810)	(336)	–	2 763	–	–	(3 307)
Net finance income from reinsurance contracts								
Amounts recognised in statement of profit or loss	(259)	–	64	–	(148)	–	–	(343)
Amounts recognised in OCI	193	–	(15)	–	(469)	–	–	(290)
	(66)	–	49	–	(616)	–	–	(633)

1 *For SA Life and Invest GMM Risk, the interest accreted on FCF and other finance (income)/expense includes for Individual life finance income of R4 195 million, and guaranteed endowments finance expense of R1 875 million.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.12 Net investment result *continued*

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

The table has been restated from the previously published information in the unaudited interest results for the six months ended 31 December 2023. The restated information includes the following changes:

- Changes which affect total net investment results
  - Correction of prior period errors as per note 7.4 item 5.
- Changes which do not affect total net investment results
  - Allocation of the net gains on FVTPL investments have been corrected between the portfolios SA Life and Invest Risk (GMM),
    SA Life and Group Risk (PAA) and Other – which includes umbrella funds.
  - The net finance expenses from insurance contracts have been reassessed, in line with June 2024 analysis, reallocated the items to correctly reflect the driver for the change

Group R million Income/(expense)	SA Life and Invest Risk (GMM)	SA Life and Invest Participating (VFA)	SA Life Group Risk (PAA)	SA Insure and other (PAA)	UK Life Risk (GMM)	UK Health (PAA)	Other businesses	Total
Year ended 30 June 2023								
Investment return								
Interest revenue from financial assets not measured at FVTPL	6	–	–	181	54	90	285	616
Net gains on FVTPL investments	1 465	8 326	228		311	1	6 901	17 232
Total investment return	1 471	8 326	228	181	365	91	7 186	17 848
Finance income/(expenses) from insurance contracts								
Changes in fair value of underlying items of direct participation contracts	–	(8 252)	–	–	–	–	–	(8 252)
Interest accreted to the CSM	(2 281)	(568)	–	–	(145)	–	–	(2 994)
Interest on FCF and other finance (income)/expenses[1]	1 478	537	(266)	–	672	–	–	2 421
Effect of changes in interest rates and other financial assumptions	(3 005)	–	84	–	(64)	–	–	(2 985)
Effect of changing FCF at current rates when adjusting the CSM at rates on initial recognition	446	–		–	–	–	–	446
Effect of movements in exchange rates	96	–	(19)	–	817	–	–	894
Net finance expenses from insurance contracts	(3 266)	(8 283)	(201)	–	1 280	–	–	(10 470)
Finance income/(expenses) from reinsurance contracts								
Interest accreted	(25)	–	43		55	–	–	73
Other	195	–	(12)		55	–	–	238
Net finance Income from reinsurance contracts	170	–	31	–	110	–		311
Movement in investment contract liabilities	–	–	–	–	–	–	(3 099)	(3 099)
Movement in third party interests in consolidated funds	–	–	–	–	–	–	(2 978)	(2 978)
	–	–	–	–	–	–	(6 077)	(6 077)
Represented by:								
Amounts recognised in statement of profit or loss	1 267	(8 283)	(355)	–	(24)	–	–	(7 395)
Amounts recognised in OCI	(4 363)	–	185	–	1 414	–	–	(2 764)
	(3 096)	(8 283)	(170)	–	1 390	–	–	(10 159)
Insurance finance income and expenses								
Net finance expenses from insurance contracts								
Amounts recognised in statement of profit or loss	1 553	(8 283)	(415)	–	56	–	–	(7 089)
Amounts recognised in OCI	(4 819)	–	214	–	1 224	–	–	(3 381)
	(3 266)	(8 283)	(201)	–	1 280	–	–	(10 470)
Net finance income from reinsurance contracts								
Amounts recognised in statement of profit or loss	(286)	–	60	–	(80)	–	–	(306)
Amounts recognised in OCI	456	–	(29)	–	190	–	–	617
	170	–	31	–	110	–	–	311

1 *For SA Life and Invest GMM Risk, the interest accreted on FCF and other finance (income)/expense includes for Individual life finance income of R2 284 million, and guaranteed endowments finance expense of R1 293 million.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.13 Effect of contracts initially recognised in the year

2.3.13.1 INSURANCE CONTRACTS

Group R million Assets/(Liabilities)	Profitable contracts issued			Onerous contracts issued			
	SA Life and Invest Risk (GMM)	SA Life and Invest Participating (VFA)	UK Life Risk (GMM)	SA Life and Invest Risk (GMM)	SA Life and Invest Participating (VFA)	UK Life Risk (GMM)	Total
Year ended 30 June 2024							
Insurance acquisition cash flows	**(1 482)**	**(421)**	**(3 766)**	**(127)**	**(113)**	**(1 022)**	**(6 931)**
Claims and other insurance service expenses payable	**(7 216)**	**(5 973)**	**(4 994)**	**(645)**	**(1 834)**	**(2 090)**	**(22 752)**
Estimates of present value of cash outflows	**(8 698)**	**(6 394)**	**(8 760)**	**(772)**	**(1 947)**	**(3 112)**	**(29 683)**
Estimates of present value of cash inflows	**10 984**	**6 940**	**10 549**	**743**	**1 911**	**2 897**	**34 024**
Risk adjustment for non-financial risk	**(398)**	**(56)**	**(307)**	**(32)**	**(14)**	**(62)**	**(868)**
CSM	**(1 888)**	**(490)**	**(1 482)**	**–**	**–**	**–**	**(3 860)**
Losses recognised on initial recognition	**–**	**–**	**–**	**(61)**	**(50)**	**(277)**	**(387)**
Year ended 30 June 2023							
Insurance acquisition cash flows	(1 380)	(437)	(3 077)	(156)	(66)	(827)	(5 943)
Claims and other insurance service expenses payable	(5 845)	(6 733)	(4 330)	(630)	(1 232)	(1 915)	(20 685)
Estimates of present value of cash outflows	(7 225)	(7 170)	(7 407)	(786)	(1 298)	(2 742)	(26 628)
Estimates of present value of cash inflows	9 474	8 019	8 846	740	1 280	2 529	30 890
Risk adjustment for non-financial risk	(413)	(67)	(271)	(37)	(3)	(59)	(851)
CSM	(1 836)	(782)	(1 167)	–	–	–	(3 785)
Losses recognised on initial recognition	–	–	–	(83)	(21)	(271)	(375)

2.3.13.2 REINSURANCE CONTRACTS

Group R million Assets/(Liabilities)	Group of contracts with a net cost on initial recognition[1]		
	SA Life and Invest Risk (GMM)	UK Life Risk (GMM)[2]	Total
Year ended 30 June 2024			
Estimates of present value of cash outflows	**(1 134)**	**(9 103)**	**(10 237)**
Estimates of present value of cash inflows	**932**	**7 910**	**8 842**
Risk adjustment for non-financial Risk	**22**	**65**	**87**
Income recognised on initial recognition (for offset)	**(6)**	**(190)**	**(196)**
CSM	**(186)**	**(1 318)**	**(1 504)**
Year ended 30 June 2023			
Estimates of present value of cash outflows	(1 241)	(6 331)	(7 572)
Estimates of present value of cash inflows	1 020	5 682	6 702
Risk adjustment for non-financial Risk	25	56	81
Income recognised on initial recognition (for offset)	(13)	(184)	(197)
CSM	(209)	(777)	(986)

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

2 The UK Life (Risk) column been restated from the reconciliation published in the unaudited Discovery Group interim disclosures for the six-month period ended 31 December 2023. The effect of these changes are noted in item 5 of 7.3.4.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.14 Contractual service margin – expected recognition profile

The following table sets out when the Group expects to recognise the remaining CSM in profit or loss after the reporting date for contracts not measured under the PAA.

Group R million (Assets)/Liabilities	Year of expected release of the CSM						
	< 1 year	1 to 2 years	3 to 5 years	6 to 10 years	10 to 20 years	>20 years	Total
Assets arising from insurance contract issued							
Year ended 30 June 2024							
SA Life and Invest Risk (GMM)							
Balance at beginning of the period	**25 307**	**25 597**	**26 186**	**29 469**	**39 435**	**71 632**	**25 307**
Accretion of interest	**2 378**	**2 527**	**8 718**	**19 559**	**63 082**	**344 304**	**440 568**
Recognised in income statement	**(2 088)**	**(1 938)**	**(5 435)**	**(9 593)**	**(30 885)**	**(415 936)**	**(465 875)**
Balance at end of the period	**25 597**	**26 186**	**29 469**	**39 435**	**71 632**	**–**	**–**
SA Life and Invest Risk (VFA)							
Balance at beginning of the period	**6 306**	**6 377**	**6 031**	**5 756**	**6 263**	**5 074**	**6 306**
Accretion of interest	**1 058**	**1 088**	**3 920**	**8 350**	**16 006**	**1 660**	**32 082**
Recognised in income statement	**(987)**	**(1 434)**	**(4 195)**	**(7 843)**	**(17 195)**	**(6 734)**	**(38 388)**
Balance at end of the period	**6 377**	**6 031**	**5 756**	**6 263**	**5 074**	**–**	**–**
UK Life Risk (GMM)							
Balance at beginning of the period	**13 312**	**12 347**	**11 471**	**9 232**	**6 276**	**2 367**	**13 312**
Accretion of interest	**249**	**227**	**586**	**749**	**827**	**411**	**3 049**
Recognised in income statement	**(1 214)**	**(1 103)**	**(2 825)**	**(3 705)**	**(4 736)**	**(2 778)**	**(16 361)**
Balance at end of the period	**12 347**	**11 471**	**9 232**	**6 276**	**2 367**	**(0)**	**(0)**
Total balance at beginning of year	**44 925**						
Year ended 30 June 2023							
SA Life and Invest Risk (GMM)							
Balance at beginning of the period	28 252	28 532	29 081	31 775	41 229	73 004	28 252
Accretion of interest	2 440	2 622	9 067	19 946	63 837	327 204	425 116
Recognised in income statement	(2 160)	(2 073)	(6 373)	(10 492)	(32 062)	(400 208)	(453 368)
Balance at end of the period	28 532	29 081	31 775	41 229	73 004	–	–
SA Life and Invest Risk (VFA)							
Balance at beginning of the period	6 068	5 881	5 686	5 596	6 460	5 644	6 068
Accretion of interest	1 077	1 120	3 926	8 699	18 170	5 344	38 336
Recognised in income statement	(1 264)	(1 315)	(4 016)	(7 835)	(18 986)	(10 988)	(44 404)
Balance at end of the period	5 881	5 686	5 596	6 460	5 644	–	–
UK Life Risk (GMM)							
Balance at beginning of the period	13 806	12 734	11 781	9 395	6 312	2 295	13 806
Accretion of interest	206	191	498	641	671	281	2 488
Recognised in income statement	(1 276)	(1 146)	(2 884)	(3 724)	(4 688)	(2 576)	(16 294)
Balance at end of the period	12 736	11 779	9 395	6 312	2 295	–	–
Total balance at beginning of year	48 126						

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.14 Contractual service margin – expected recognition profile *continued*

The following table sets out when the Group expects to recognise the remaining CSM in profit or loss after the reporting date for contracts not measured under the PAA.

Group R million Assets/(Liabilities)	Year of expected release of the CSM						
	< 1 year	1 to 2 years	3 to 5 years	6 to 10 years	10 to 20 years	>20 years	Total
Liabilities arising from reinsurance contracts held							
Year ended 30 June 2024							
SA Life and Invest Risk (GMM)							
Balance at beginning of the period	**5 070**	**5 169**	**5 298**	**5 861**	**7 051**	**10 273**	**5 070**
Accretion of interest	**457**	**480**	**1 601**	**3 269**	**8 974**	**40 606**	**55 387**
Recognised in income statement	**(358)**	**(351)**	**(1 038)**	**(2 079)**	**(5 752)**	**(50 879)**	**(60 457)**
Balance at end of the year	**5 169**	**5 298**	**5 861**	**7 051**	**10 273**	**–**	**–**
UK Life Risk (GMM)							
Balance at beginning of the period	**5 719**	**5 337**	**4 986**	**4 084**	**2 882**	**1 193**	**5 719**
Accretion of interest	**141**	**126**	**317**	**408**	**489**	**268**	**1 749**
Recognised in income statement	**(523)**	**(477)**	**(1 219)**	**(1 610)**	**(2 178)**	**(1 461)**	**(7 46)**
Balance at end of the year	**5 337**	**4 986**	**4 084**	**2 882**	**1 193**	**–**	**–**
Total balance at beginning of year	**10 789**						
Year ended 30 June 2023							
SA Life and Invest Risk (GMM)							
Balance at beginning of the period	4 829	4 907	5 002	5 467	6 506	9 478	4 829
Accretion of interest	423	445	1 478	3 009	8 206	37 711	51 272
Recognised in income statement	(345)	(350)	(1 013)	(1 970)	(5 234)	(47 189)	(56 102)
Balance at end of the year	4 907	5 002	5 467	6 506	9 478	–	–
UK Life Risk (GMM)							
Balance at beginning of the period	5 020	4 643	4 304	3 454	2 355	881	5 020
Accretion of interest	88	80	200	252	277	113	1 010
Recognised in income statement	(465)	(419)	(1 050)	(1 351)	(1 751)	(994)	(6 030)
Balance at end of the year	4 643	4 304	3 454	2 355	881	–	–
Total balance at beginning of year	9 849						

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.15 Insurance finance income and expenses reserve – expected run-off profile

The following table sets out when the Group expects to recognise the remaining insurance finance income and expense reserve the reporting date for contracts not measured under the PAA and the long-term claims in the Group Life business.

Group R million Income/(Expense)	Year of expected run-off of the IFIE reserve						
	< 1 year	1 to 2 years	3 to 5 years	6 to 10 years	10 to 20 years	>20 years	Total
Assets arising from insurance contract issued							
Year ended 30 June 2024							
SA Life and Invest Risk (GMM)							
Balance at beginning of the period	5 532	7 268	9 167	13 662	14 612	(18 519)	5 532
Movement in IFIE reserve	1 736	1 899	4 495	950	(33 131)	18 519	(5 532)
Balance at end of the period	7 268	9 167	13 662	14 612	(18 519)	–	–
SA Life and Invest: Group Life and other (PAA)							
Balance at beginning of the period	(337)	(466)	(601)	(935)	(1 229)	(46)	(337)
Movement in IFIE reserve	(129)	(135)	(334)	(294)	1 183	46	337
Balance at end of the period	(466)	(601)	(935)	(1 229)	(46)	–	–
UK Life Risk (GMM)							
Balance at beginning of the period	(2 385)	(3 010)	(3 378)	(3 877)	(4 145)	(3 276)	(2 385)
Movement in IFIE reserve	(625)	(368)	(499)	(268)	869	3 276	2 385
Balance at end of the period	(3 010)	(3 378)	(3 877)	(4 145)	(3 276)	–	–
Total balance at beginning of year	2 810						
Year ended 30 June 2023							
SA Life and Invest Risk (GMM)							
Balance at beginning of the period	6 622	8 282	10 194	16 025	22 128	14 283	6 622
Movement in IFIE reserve	1 660	1 912	5 831	6 103	(7 845)	(14 283)	(6 622)
Balance at end of the period	8 282	10 194	16 025	22 128	14 283		–
SA Life and Invest: Group Life and other (PAA)							
Balance at beginning of the period	(214)	(318)	(429)	(743)	(1 054)	(610)	(214)
Movement in IFIE reserve	(104)	(111)	(314)	(311)	444	610	214
Balance at end of the period	(318)	(429)	(743)	(1 054)	(610)	–	–
UK Life Risk (GMM)							
Balance at beginning of the period	(53)	(1 035)	(1 878)	(3 183)	(3 737)	(3 043)	(53)
Movement in IFIE reserve	(982)	(843)	(1 305)	(554)	694	3 043	53
Balance at end of the period	(1 035)	(1 878)	(3 183)	(3 737)	(3 043)	–	–
Total balance at beginning of year	6 355						

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.15 Insurance finance income and expenses reserve – expected run-off profile *continued*

The following table sets out when the Group expects to recognise the remaining insurance finance income and expense reserve the reporting date for contracts not measured under the PAA and the long-term claims in the Group Life business.

Group R million (Income)/Expense	Year of expected run-off of the IFIE reserve						
	< 1 year	1 to 2 years	3 to 5 years	6 to 10 years	10 to 20 years	>20 years	Total
Liabilities arising from reinsurance contracts from reinsurance contracts held							
Year ended 30 June 2024							
SA Life and Invest Risk (GMM)							
Balance at beginning of the period	1 552	1 739	1 935	2 350	2 452	66	1 552
Movement in IFIE reserve	187	196	415	102	(2 386)	(66)	(1 552)
Recognised in income statement	–	–	–	–	–	–	–
Balance at end of the year	1 739	1 935	2 350	2 452	66		–
SA Life Group Risk (PAA)							
Balance at beginning of the period	(44)	(61)	(79)	(123)	(162)	(7)	(44)
Movement in IFIE reserve	(17)	(18)	(44)	(39)	155	7	44
Balance at end of the period	(61)	(79)	(123)	(162)	(7)		–
UK Life Risk (GMM)							
Balance at beginning of the period	187	6	(64)	(103)	(143)	(153)	187
Movement in IFIE reserve	(181)	(70)	(39)	(39)	(10)	153	(187)
Recognised in income statement	–	–	–	–	–	–	–
Balance at end of the year	6	(64)	(103)	(143)	(153)	–	–
Total balance at beginning of year	1 695						
Year ended 30 June 2023							
SA Life and Invest Risk (GMM)							
Balance at beginning of the period	1 358	1 519	1 693	2 138	2 432	1 588	1 358
Movement in IFIE reserve	161	174	445	294	(844)	(1 588)	(1 358)
Recognised in income statement	–	–	–	–	–	–	–
Balance at end of the year	1 519	1 693	2 138	2 432	1 588	–	–
SA Life Group Risk (PAA)							
Balance at beginning of the period	(30)	(44)	(59)	(103)	(146)	(84)	(30)
Movement in IFIE reserve	(14)	(15)	(43)	(43)	61	84	30
Balance at end of the year	(44)	(59)	(102)	(146)	(85)	–	–
UK Life Risk (GMM)							
Balance at beginning of the period	672	352	125	(100)	(156)	(136)	672
Movement in IFIE reserve	(320)	(227)	(225)	(56)	20	136	(672)
Recognised in income statement	–	–	–	–	–	–	–
Balance at end of the year	352	125	(100)	(156)	(136)	–	–
Total balance at beginning of year	2 000						

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.16 Claims development

The following table outlines the expected runoff of the in-claims liabilities reconciled with the aggregate carrying amount of the groups of insurance contracts. The comparison between actual in-period claims and previous estimates of the claims amount are shown below the table.

Group R million	Estimate of cumulative claims gross of reinsurance Expected gross of reinsurance claim payments	Expected net of reinsurance claim payments
Year ended 30 June 2024		
< 1 year	1 702	1 368
1 – 2 years	1 461	1 175
2 – 3 years	1 317	1 062
3 – 4 years	1 209	979
4 – 5 years	1 129	914
6 – 10 years	4 726	3 838
10 – 20 years	5 648	4 565
> 20 years	1 648	1 368
Total income disability liability for incurred claims	18 840	15 269
Effect of discounting	(9 920)	(8 062)
Risk adjustment	121	94
Other claims settled within 1 year	4 608	3 149
Total liabilities for incurred claims in the Statement of financial position	13 649	10 450
Included in the LIC balance for the following portfolios:		
SA Life and Invest (Risk) | GMM	7 619	5 264
SA Life and Invest: Group Life and Other | PAA	6 030	5 186
Total actual recurring benefit liability claims payments made in the period 01 July to 30 June	1 707	1 341

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.16 Claims development *continued*

Group R million	Estimate of cumulative claims net of reinsurance Expected gross of reinsurance claim payments	Expected gross of reinsurance claim payments
Year ended 30 June 2023		
< 1 year	1 445	1 167
1 – 2 years	1 275	1 001
2 – 3 years	1 171	924
3 – 4 years	1 090	868
4 – 5 years	1 007	800
6 – 10 years	4 240	3 380
10 – 20 years	5 232	4 164
> 20 years	2 069	1 785
Total income disability liability for incurred claims	17 529	14 089
Effect of discounting	(9 677)	(7 700)
Risk adjustment	140	111
Creditors and debtors included in LIC	3 901	2 209
Total liabilities for incurred claims in the Statement of financial position	11 893	8 709
Included in the LIC balance for the following portfolios:		
SA Life and Invest (Risk) |GMM	6 621	4 364
SA Life and Invest: Group Life and Other | PAA	5 272	4 345
Total actual recurring benefit liability claims payments made in the period 01 July to 30 June	1 529	1 173

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.17 Significant accounting estimates and judgements in applying accounting policies

In preparing the Annual Financial Statements, estimates, assumptions, and judgements are made that could materially affect the reported amounts of assets and liabilities within the next financial year. Accounting estimates and judgements are regularly reviewed and are based on historical experience, current best estimates, and expectations of future outcomes as well as anticipated changes in the environment. The following represents the most material key assumptions applied by management in preparing these Annual Financial Statements.

I. INSURANCE CONTRACTS SCOPE AND GROUPING

DEFINITION AND CLASSIFICATION

a. Definition

IFRS 17 does not specify what significant insurance risk is. Discovery's policy defines significant insurance risk as follows: The possibility that the present value of losses arising on the insurance contract exceeds 10% of the present value of income and receipts collected when applying a worst-case scenario upon the inception of the insurance contract.

b. Classification

Eligibility for VFA

Within Discovery, the unit-linked products offered by Discovery Life are examples of insurance contracts with direct participation features. The VFA is used to measure insurance contracts with direct participating features.

Discovery exercises judgement in determining whether the VFA eligibility criteria are met at initial recognition. Judgement is applied for the following eligibility criteria to use VFA:

- Discovery expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items and
- Discovery expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

Within Discovery, a "substantial share" and "substantial proportion" is deemed to represent a proportion that exceeds 50% as a rebuttable presumption.

UNIT OF ACCOUNT, AGGREGATION AND RECOGNITION OF INSURANCE AND REINSURANCE CONTRACTS

Discovery uses judgement to determine at what level of granularity Discovery has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

Discovery performs stress testing on portfolios measured using GMM/VFA. The stresses are modelled at the policy inception date and may differ between portfolios but will correspond to the most significant non-financial stresses currently run as part of the risk appetite work. If any policy that was originally determined to be profitable becomes onerous under any of the three additional stresses calculated, that policy is classified as profitable-at-risk.

JUDGEMENTS TO DETERMINE THE CONTRACT BOUNDARIES OF POLICIES WITHIN THE PAC ARRANGEMENT

The PAC arrangement is designed for UK Life to assume full economic exposure, including returns and insurance risk, of the underlying insurance contracts. Accordingly, as UK Life has taken on this risk, it was granted full control over underwriting decisions for underlying new contracts written under the arrangement. Based on the legal rights and obligations, UK Life has exposure to monthly insurance contracts under this arrangement with PAC i.e. although new underlying life insurance contracts could be sold at any time, policy inception occurred only on a monthly basis, consistent with Discovery's other life insurance business lines. Exercising judgement under IFRS 17, the contract with PAC has been modelled using groups of contracts comprising annual groups of insurance contracts written.

II. CONTRACTS MEASURED UNDER THE GMM AND VFA

Discovery provides detailed qualitative information about the inputs, assumptions, and estimation techniques that are considered significant and material for measuring insurance and reinsurance contracts. Where applicable, Discovery also provides quantitative information. However, detailed disclosure of quantitative information is not provided when it is impracticable to do so. This impracticality may arise due to one or a combination of the following reasons:

- The assumptions are set at a highly granular level to support the unique dynamic underwriting approach used in the product design. The quantitative inputs are therefore extensive.
- The dynamic underwriting approach leads to assumptions which are interdependent therefore the quantitative inputs in one category may be misleading or misinterpreted if not considered together with other assumptions and inputs.
- The assumptions are partly derived from internal data which is commercially sensitive and impacts Discovery's competitive position.

III. EXPECTED FULFILMENT CASH FLOWS (EFCF)

In line with the requirements of IFRS 17, Discovery applies judgement to determine which cash flows within the boundary of insurance contracts relate directly to the fulfilment of the contracts, including the extent to which fixed and variable overheads are directly attributable to fulfilling insurance contracts.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.17 Significant accounting estimates and judgements in applying accounting policies *continued*

Discovery primarily uses deterministic projections to estimate the present value of future cash flows. The following assumptions were used when estimating future cash flows:

The assumptions used are best estimate assumptions, with the addition of a margin for risk in the assumption being allowed for in the risk adjustment.

A. MORTALITY AND MORBIDITY

Assumptions of future mortality and morbidity experience are derived from reinsurers and industry data and compared to actual past experience. Where appropriate, the assumptions are adjusted to reflect actual past experience or for expected changes in future experience.

The assumptions are modified for each policy based on actual data from underwriting performed on the policy and compared against standard industry tables for reasonability. The key mortality and morbidity assumptions are reviewed and benchmarked against the industry to ensure the reasonability of assumptions for Discovery Life. An adjustment to the standard mortality and morbidity assumptions is made to reflect the expected impact of engagement in the Vitality programme. It has been observed that higher rates of engagement result in lower mortality and morbidity claims.

For VitalityLife the mortality assumptions are set using mortality tables published by the Continuous Mortality Investigation (CMI), a subsidiary of the Institute and Faculty of Actuaries, and using the CMI projection model to allow for future mortality improvements. Where appropriate, the assumptions are adjusted to reflect actual past experience or for expected changes in future experience. Morbidity assumptions are derived from reinsurer and industry data where available and adjusted for actual past experience where appropriate. An adjustment to the standard mortality and morbidity assumptions is made to reflect the expected impact of engagement in the Vitality programme.

A possible increase in mortality rates increases estimates of future cash outflows and thus decreases the CSM. For a sensitivity analysis, refer to Section 2.4.1.

The sensitivity of the policyholder liabilities due to changes in mortality and morbidity assumptions are set out in section 2.4.3.1 and 2.4.3.2.

B. SURRENDER AND LAPSE RATES

Lapse rates are based on actual past experience where available. The lapse analysis is done by considering the in–force duration of policies. For durations longer than actual data, lapse rates are set based on expectations of future experience based on internal and external expert advice as well as available industry benchmarking. The lapse experience investigation covers at least the last two years of lapse experience to identify trends.

Lapse assumptions are varied between different types of policies where the lapse experience is expected to differ significantly. Allowance is made for the estimated impact of the economic environment. For Discovery Life and VitalityLife, an adjustment is made to the lapse assumptions to reflect the expected impact of engagement in the Vitality programme because it has been observed that higher rates of engagement result in lower lapses.

For Discovery Life, the surrender rates are also based on actual past experience where available.

Possible increases in lapse and surrender rates could increase or decrease estimates of future cash outflows and thus decrease or increase the CSM, depending on the product specifics.

The sensitivity of the policyholder assets and liabilities due to changes in lapse rate assumptions are set out in section 2.4.3.1 and 2.4.3.2.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.17 Significant accounting estimates and judgements in applying accounting policies *continued*

C. DISCOUNT RATES AND INVESTMENT RETURNS

Discount rate

The bottom-up approach was used to derive the discount rate for the cash flows of portfolios with no tangible asset backing. Under this approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics of the insurance contracts sold, where applicable.

The adjustment for the liquidity should reflect the contract's liquidity from the policyholder's perspective, i.e., it should consider both the explicit and implicit impediments for the policyholder to terminate the contract.

From Discovery's perspective, there is an immaterial liquidity risk on the whole of life insurance portfolio given that the products:

- do not charge a surrender penalty on lapse. There is no direct impediment for the policyholder to lapse their contract.
- most policyholders select age-based premium escalation patterns - this provides a broad match between the increase in premium and the escalating risk over time, leading to a significantly lower implicit impediment to lapse their contract as value does not accumulate to the extent it would in a level-premium contract for example.

For Discovery, the risk-free yield curve will be 'current' and reflect the risk-free yield curve derived on the last day of the reporting period. The nominal risk-free yield curve is used to discount nominal cash flows, while real cash flows are discounted using the real risk-free yield curve.

Risk-free rates are determined by reference to the market interest rates in the currency of the underlying cash flows for the groups of contracts.

The yield curves that were used to discount the estimates of future cash flows that do not vary based on the returns of the underlying items are as follows:

R million	< 1 year	1 to 2 years	3 to 5 years	6 to 10 years	10 to 20 years	>20 years
30 June 2024						
Insurance contract cash flows						
SA Life and Invest (Risk) | GMM	**8.5%**	**8.6%**	**9.5%**	**11.3%**	**13.4%**	**12.6%**
SA Life and Invest (Participating) |VFA	**8.5%**	**8.6%**	**9.5%**	**11.3%**	**13.4%**	**12.6%**
UK Life (Risk) | GMM	**4.9%**	**4.7%**	**4.2%**	**3.9%**	**4.0%**	**3.6%**
SA Life and Invest: Group Life | PAA	**8.5%**	**8.6%**	**9.5%**	**11.3%**	**13.4%**	**12.6%**
Reinsurance contract cash flows						
SA Life and Invest (Risk) | GMM	**8.5%**	**8.6%**	**9.5%**	**11.3%**	**13.4%**	**12.6%**
SA Life and Invest (Participating) |VFA	**8.5%**	**8.6%**	**9.5%**	**11.3%**	**13.4%**	**12.6%**
UK Life (Risk) | GMM	**4.9%**	**4.7%**	**4.2%**	**3.9%**	**4.0%**	**3.6%**
SA Life and Invest: Group Life | PAA	**8.5%**	**8.6%**	**9.5%**	**11.3%**	**13.4%**	**12.6%**
30 June 2023						
Insurance contract cash flows						
SA Life and Invest (Risk) | GMM	9.1%	9.2%	9.7%	11.7%	13.9%	13.4%
SA Life and Invest (Participating) |VFA	9.1%	9.2%	9.7%	11.7%	13.9%	13.4%
UK Life (Risk) | GMM	6.1%	6.0%	5.5%	4.6%	4.0%	3.3%
SA Life and Invest: Group Life | PAA	9.1%	9.2%	9.7%	11.7%	13.9%	13.4%
Reinsurance contract cash flows						
SA Life and Invest (Risk) | GMM	9.1%	9.2%	9.7%	11.7%	13.9%	13.4%
SA Life and Invest (Participating) |VFA	9.1%	9.2%	9.7%	11.7%	13.9%	13.4%
UK Life (Risk) | GMM	6.1%	6.0%	5.5%	4.6%	4.0%	3.3%
SA Life and Invest: Group Life | PAA	9.1%	9.2%	9.7%	11.7%	13.9%	13.4%

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.17 Significant accounting estimates and judgements in applying accounting policies *continued*

Discovery Life

To determine the risk-free rate in South Africa, the daily nominal and real yield curves produced and published daily by the Discovery Bank Treasury function. These curves are consistent with the current market value of South African Government Bond issuances, and consistent with observable current market prices.

Discovery Life considers for inclusion all bonds included in the GOVI index while applying exclusion criteria designed to only include homogeneous bonds within the curve construction. Negotiable Certificates of Deposit are also used making appropriate adjustments to allow for credit risk.

The South African Government does not issue bonds across all maturities which implicitly creates the need to interpolate between various securities and extrapolate beyond the last liquid bond used in the construction of the yield curve.

The sensitivity of the policyholder liabilities due to changes in real curve assumptions are set outset out in section 2.4.3.1 and 2.4.3.2.

Vitality Life

To determine the risk-free rate in South Africa, the daily nominal and real yield curves produced and published daily by the Discovery Bank Treasury function. These curves are consistent with the current market value of South African Government Bond issuances, and consistent with observable current market prices.

D. EXPENSE ASSUMPTIONS

IFRS 17 does not specify a methodology for attributing directly attributable fixed overhead expenses to the respective groups of insurance contracts and to individual policies. It requires that the methods used be systematic and rational. Discovery has applied judgement in developing its methodology and has consistently applied this methodology period-to-period, except as noted below.

Estimates of future expenses relating to fulfilment of contracts in the scope of IFRS 17 are based on the results of the latest expense and budget information. Expenses comprise expenses directly attributable to the groups of contracts including an allocation of fixed and variable overheads.

Expenses are considered non-recurring when they relate to the start-up of a new business area or when they are material and are specific to an event that is not expected to occur in the future.

The allocation of expenses between initial and renewal is based on the latest expense analysis, where expenses are directly allocated based on the function performed. Where an expense could relate to both initial and renewal functions, the expenses are allocated proportionately based on estimates of the functions performed.

Per Discovery's policy, expenses are projected to increase in line with consumer price inflation. Non-recurring expenses are excluded from the expense analysis used to derive the assumption.

From 1 July 2023, Discovery Life has further refined its methodology for allocating directly attributable renewal expenses by allowing for the effort required to maintain the policy as well as the size of the policy's premium relative to the rest of the in-force book . As the change in methodology is a change in estimate, this change has been applied prospectively and therefore differs from the estimate used prior to 1 July 2023 given practicality and availability of historical information. The new methodology better reflects the drivers of renewal expense costs.

Given the diversified product range in UK Life, from 1 July 2022, UK Life has further refined its methodology used for allocating the directly attributable fixed overhead expenses related to new business activities (i.e. directly attributable but fixed initial expenses). As the change in methodology is a change in estimate, this change has been applied prospectively and therefore differs from the estimate used in performing the fully retrospective approach used with the initial transition to IFRS 17 given practicality and availability of historical information. The new methodology better reflects the drivers of fixed initial expenses given the core strategy and mix of business written by UK Life as well as the related effort to underwrite and administer the various products. This change in estimate has been implemented from 1 July 2022.

The sensitivity of the policyholder liabilities due to changes in expense assumptions are set out in section 2.4.3.1 and 2.4.3.2.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.17 Significant accounting estimates and judgements in applying accounting policies *continued*

CONTRACTUAL SERVICE MARGIN

The CSM is a component of the asset or liability for the group of insurance contracts that represents the future unearned profit. The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year based on the number of coverage units provided in the year.

The determination of coverage units require significant judgements due to consideration of the quantity of the benefits provided, the expected coverage period and time value of money for each contract. The coverage units are reviewed and updated at each reporting date.

The quantity of services provided by insurance contracts may include insurance coverage, investment-return services and investment-related services, as applicable. Discovery determines the quantity of the benefits provided under each contract as follows:

Portfolio	Benefit type	Measurement model	Risk Management
Insurance contracts			
SA Life and Invest (Risk) and UK life (Risk)	Lump sum benefits paid on death, disability or disablement and survival	GMM	For contracts where coverage for an insured event is provided, the quantity of benefits is considered to be the maximum amount payable under each insurance contract at each point in time. For contracts where the company provides investment-return services on insurance contracts in Invest without direct participation features, it is assumed that the company provides an equal service to all policyholders in the generation of an investment return for each policyholder.
	Annuity-type payment on death of disability		The expected maximum amount at risk at each point in time.
SA Life and Invest (Participating)	Investment linked insurance contracts.	VFA	The coverage unit should allow for the coverage provided for the insured event as well as the management of the underlying items on behalf of the policyholder. On VFA contracts, the determination of the coverage unit is primarily dependent on the investment services provided under the contract given this constitutes the majority of the service provided to policyholders over the lifetime of the contract.
Reinsurance contracts			
SA Life and Invest (Risk) and UK life (Risk)	Quota share reinsurance	GMM	Same basis as underlying insurance contract
	Excess of loss and stop loss reinsurance		Expected amount of underlying claims to be covered in each period

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.3 INSURANCE AND REINSURANCE CONTRACT DISCLOSURES AND RECONCILIATIONS *continued*

2.3.17 Significant accounting estimates and judgements in applying accounting policies *continued*

For GMM contracts, Discovery has elected to allow for the real time value of money in the equal allocation of CSM to coverage units:

- For Discovery Life and VitalityLife's life insurance policies this is allowed for implicitly by assuming that the same coverage is provided in real terms over time. Practically this is achieved by projecting benefits with a 0% CPI rate solely for the determination of the coverage units.
- For Discovery Life's guaranteed endowment and annuity business modelled using the GMM approach, this is allowed for by explicitly discounting the coverage units at the real rate of return.

For VFA contracts, Discovery's chosen approach is to allow for the nominal time value of money in the equal allocation of CSM to coverage units.

RISK ADJUSTMENT

When applying a confidence level technique, the first step in the process is to calculate the best estimate reserve, where there is an equal chance that the actual amount needed to pay future claims will be higher or lower than the calculated best estimate. The risk adjustment is then calculated such that there is a specified percentage probability that the reserves will be sufficient to cover future claims. For Discovery, the determination of specified percentage is set out in 12.2. and 12.3.3.

III. CONTRACTS MEASURED UNDER THE PAA

INSURANCE ACQUISITION CASH FLOWS

Discovery uses judgement in determining the initial and renewal periods for which the insurance acquisition cash flows are attributed to groups. For VitalityHealth, the initial and subsequent renewal period is set at ten years.

In the current and prior year, Discovery did not identify any facts and circumstances indicating that the assets for insurance acquisition cash flows may be impaired.

RISK ADJUSTMENT

For contracts measured under the PAA, the explicit risk adjustment for non-financial risk is estimated to measure the LIC. The risk adjustment will be determined by applying a confidence level technique. For Discovery, the determination of specified percentage is set out in 12.2. and 12.4.1.

REINSURANCE

All prospective liabilities are valued gross of reinsurance and then adjusted for the expected effect of reinsurance. For liabilities arising from insurance contracts, a specific allowance is made for reinsurance recoveries.

The Global Linkage Benefit is fully reinsured. The cost of the future reinsurance is dependent on the cost at which the reinsurer can buy assets to match the liability under this benefit. Assumptions are made around the cost at which the reinsurer can purchase these benefits based on the current and historical costs of these assets.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.4 MANAGEMENT OF INSURANCE RISK

Discovery's accounting policy to recognise and measure insurance contracts can be viewed in Annexure B, Accounting policy 12.

Discovery issues both short-term and long-term contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. An insurance contract is a contract in which Discovery as the issuer and/or insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

The insurance risk includes mortality and morbidity risk for life insurance contracts, as well as non-life risk from events such as fire or accident arising under general insurance contracts. As such, Discovery is exposed to the uncertainty surrounding the timing and severity of such claims.

Discovery has aggregated groups of insurance and reinsurance contracts into portfolios, first based on geographical areas and subsequently based on measurement models and materiality. Based on the aggregation bases steps, Discovery will aggregate insurance and reinsurance contracts in the following manner:

Contracts measured under the GMM and VFA

- Individual life insurance: These contracts insure against a comprehensive spectrum of risks, including life cover, severe illness, disability and income continuation cover.
- Investment products with insurance risk: These contracts attract insurance risk arising from additional benefits offered which mostly insure against mortality or morbidity risks.

Contracts measured under PAA

- Health insurance: These contracts insure policyholders against healthcare-related claims.
- Short-term insurance: These monthly contracts insure policyholders against a comprehensive spectrum of short-term risks including, but not limited to, motor vehicle, household, business, property and liability cover.
- Group life insurance: These contracts insure against a comprehensive spectrum of protection benefits on a group basis. Life cover, severe illness, disability and income continuation benefits are offered.

Discovery issues insurance contracts, investment contracts and contracts that provide investors with interests in collective investment schemes managed by the Group. The nature and extent of the underwriting and financial risks arising from these contracts are determined by the contract design. The risks are evaluated for risk management purposes in conjunction with the risks mitigated by related reinsurance contracts and the risks arising from financial assets held to fund the settlement of the liabilities.

Risk management objectives and policies for mitigating insurance risk

The Group manages insurance risk through the following mechanisms:

- Reinsurance, which is used to limit Discovery's exposure to large single claims and catastrophes. When selecting a reinsurer, consideration is given to those companies that provide high security using rating information from both public and private sources.
- An agreed risk preference for all risk types, including those relating to insurance.
- The diversification of business over several classes of insurance and large numbers of uncorrelated individual risks, by which the Group seeks to reduce variability in loss experience.
- The maintenance and use of information management systems, which provide current data on the risks to which the business is exposed and the quantification of such risks.
- Actuarial models, which use the above information to calculate premiums and monitor decrements and claims patterns.

Past experience and statistical methods are used.

- Guidelines for concluding insurance contracts and assuming insurance risks. These include underwriting principles and product pricing procedures.

Discovery manages its insurance risk in terms of its risk management framework and holds regulatory and economic capital for protection against adverse experience.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.4 MANAGEMENT OF INSURANCE RISK *continued*

The following summarises the insurance risk associated with the various contracts offered by Discovery, and how Discovery manages these risks.

Type of risk	Nature of risk	Risk Management
Lapse and surrender risk	Policyholders have the option to discontinue or reduce contributions at any time. Accordingly, there is a risk of financial loss due to the withdrawal rate, lapses or premium reductions (with associated reduced cover) being higher than expected. ***Contracts not measured under the PAA model*** *SA Life and Invest (Risk) and UK Life (Risk)* Future earnings on individual life plans are dependent on the number of policies remaining in future years and thus future earnings are dependent on the lapse rate. *SA Life and Invest (Participating)* Future earnings arising from Invest plans are dependent on the value of assets under management and thus future earnings are dependent on the withdrawal and surrender rate. For investment products with insurance risk there is a risk that the surrender value may exceed the policy value, net of expenses, at early durations. ***Contracts measured under the PAA model*** For contracts measured under the PAA approach there is a risk of reduced profits arising from higher than expected withdrawals at early durations of policies, resulting in acquisition costs not being recovered.	***Product design*** Products are designed to be sustainable in the long term. New product offerings are made available to existing policyholders as far as possible to prevent lapse and re-entry risk. Integration between different product offerings across Discovery enhances the value proposition of the overall package of products from Discovery. ***Commission claw back*** Discovery predominantly distributes via independent brokers, intermediaries and tied agents. Commissions are clawed back from intermediaries where a policy lapses within a specified timeframe since inception. ***Experience monitoring*** Lapse experience is monitored on a monthly basis and data is analysed to establish possible trends for which management action can be taken. ***Proactive conservation*** Targeted conservation campaigns are run proactively. For example, financial advisors are notified of clients that do not have certain features on their policies that are correlated with good persistency. Financial advisors are thus encouraged to add such features.
Modelling and data risk	Actuarial liabilities are calculated using complex discounted cash flow models. There is a risk that the models do not accurately project the policy cash flows in the future. The models rely on data from the administration system, and there is thus a further risk that the data does not accurately reflect the policies being valued. Contracts that are short-term have simplified models, reducing modelling risk.	The risk is controlled using specialist actuarial software that is widely used and accepted in the life insurance industry throughout the world. This is tailored for Discovery. A detailed analysis of change is completed on key metrics and serves as a control on models, data and assumption changes. Any material unexplained variances are investigated and resolved where necessary. The original actuarial models were tested and verified using an independent but identical parallel model. Any changes made are externally and independently reviewed. The data for the model is extracted from modern administration systems and subjected to detailed checks together with high-level reasonability checks. Data is checked at each valuation date.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.4 MANAGEMENT OF INSURANCE RISK *continued*

Insurance risk	Description	How Discovery manages the risk
Capital adequacy Requirements and protection against adverse experiences	There is a risk that future premiums, investment returns and estimates used to calculate liabilities are insufficient to provide for variations in actual future experience. Insurance liabilities are calculated using best estimates plus the addition of various margins to avoid premature recognition of profits and to provide for a buffer against future adverse experiences. In addition, Discovery maintains shareholder capital to meet substantial deviations in experience beyond those provided for in the liability calculations.	For discussion on how Discovery manages its capital adequacy requirements, refer to note 2.3.4
Liquidity risk	Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with insurance liabilities due to insufficient cash being available to meet commitments as and when they become due. This is exacerbated by timing mismatches between assets and liabilities.	For discussion on how Discovery manages its liquidity risk related to insurance contracts, refer to note 2.3.1
Concentration risk	***Claims experience risk*** There is a risk that a concentration of risk can lead to worse than expected experience. The concentration risk is the highest in group business, since assured lives live in the same geographical location and generally work in the same industry or at the same location.	Discovery has a well-diversified book of business by source of new business and spread across brokers and agents. Furthermore, the claims experience risk is mitigated through catastrophe reinsurance.
	Withdrawal concentration risk There is a financial risk of the withdrawal of a block of policies written by a single independent intermediary.	
Policy wording/ legal risk	There is a risk that Discovery could be financially exposed to obligations that differ from expectations and are not adequately provided for. The risk could also arise from legal proceedings.	The risk is managed when new products are developed, and all policy wording is reviewed by legal advisors and external advice is obtained where necessary to ensure that terms and conditions are clearly defined and unambiguous.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.4 MANAGEMENT OF INSURANCE RISK *continued*

Insurance risk	Description	How Discovery manages the risk
Regulatory risk	The risk of not complying with laws, regulations, rules, related self-regulatory organisation standards and investment management mandates. This also includes regulatory change risk and the impact of implementing the required regulatory changes. Although Discovery endeavours to design insurance and financial solutions which meet the requirements of the current regulations in force, the risk does exist that changes in the regulations or the interpretation of the regulations, over time may result in the current products not fully complying with the regulations in force in future.	This risk is managed by constantly seeking legal advice on new product developments. Further, all insurance products issued by Discovery have to be approved, including approval from a market conduct perspective. Depending on the business line, these are approved either by the Head of the Actuarial Function or Actuarial Committee. Discovery is a member of industry-wide bodies that engage in discussions with policymakers and regulators. Discovery's compliance department enhances regulatory compliance through audits and by monitoring developments in the regulatory environment.
Tax risk	Tax risk is the risk that the actual future tax liability is different from what is currently expected, resulting in contracts being incorrectly priced. Tax risk also represents potential changes in the interpretation or application of prevailing tax legislation applicable to either policyholders or shareholders, resulting in higher taxes reducing profitability, or increasing shareholder tax burdens.	The group's internal tax resources monitor the impact of changes in tax legislation, participate in discussions with the tax legislator to comment on changes in legislation and are involved in the development of new products. External tax advice is obtained as required.
Expense risk	Expense risk is the risk of actual expenses and expense inflation being higher than expected. It covers the risk of loss or adverse change in insurance liabilities due to adverse variation in the expenses incurred in servicing insurance and reinsurance contracts.	Expenses are monitored monthly against budgeted expenses. Any deviation from the budget is investigated, reported and where necessary, remedial action is taken.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.4 MANAGEMENT OF INSURANCE RISK *continued*

Insurance risk	Description	How Discovery manages the risk
Reputational risk	Reputational risk is the risk of negative market reaction towards Discovery practices, associations and market conduct. Discovery Life offers policies that integrate with the product offerings within the Discovery Group. The reputational risk to Discovery Life is thus extended to the reputational risk of the entire Discovery Group.	Reputational risk is carefully monitored. Decisions to repudiate claims are reviewed by a review committee comprising of a senior underwriter and claims assessor, representatives of the legal department and the medical team, as well as a compliance officer. Marketing material and policy wording are reviewed and designed to be clear and unambiguous to avoid creating unreasonable policyholder expectations. All products are approved prior to launch, by either the Head of the Actuarial Function or Actuarial Committee, depending on the business line. Approval is obtained prior to launch from a market conduct perspective.
Mismatching and market risk	Mismatching is the risk that insurance related cash outflows (for example, benefit payments, administration expenses) do not match expected future cash inflows (predominately future premiums). Mismatching risk can also arise when movements in assets and liabilities are out of line given changes in market risk, meaning equity price risk, interest rate risk or currency risk.	For assets arising from insurance contracts, Discovery covers the insurance related outflows by expected future cash inflows (predominately future premiums). For liabilities arising from insurance contracts, the insurance related cash outflows are matched with a combination of a release of policyholder assets (net of retained fees), investment return on these assets and cash inflows. For further discussion on how Discovery manages this risk, to the following notes: ▪ For mismatching risk, refer note 3.2 and 3.3 ▪ For interest rate risk, refer note 2.3.4.1; and ▪ For currency risk, refer note 2.3.4.2

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.4 MANAGEMENT OF INSURANCE RISK *continued*

Insurance risk	Description	How Discovery manages the risk
Contracts measured not under the PAA approach		
Underwriting risk	The risk that the actual experience relating to mortality, longevity, disability and medical (morbidity) will deviate negatively from the expected experience used in the pricing of solutions and valuation of policy liabilities	Financial underwriting is applied to ensure that the policyholder can justify the amount of cover applied for. Premium loadings and exclusions are applied where high risks are identified. Monthly internal quality assurance audits are performed on underwriting to minimise the risk of incorrect underwriting decisions.
Underwriting risk – mortality and morbidity risk	***Mortality and Morbidity risk*** There is a risk that actual mortality and morbidity experience is higher than expected. This could arise as a result of the number of claims or the value of claims being higher than expected. Mortality risk refers to the death of policyholder earlier than expected and morbidity risk is the risk of a critical illness diagnosis earlier than expected.	***Experience monitoring*** Experience investigations are conducted and corrective action is taken where adverse experience is noted. Experience monitoring is done on at least a quarterly basis, and in some business lines monthly. ***Reinsurance*** Reinsurance protects against volatility in claims experience and against an accumulation of risk. Reinsurance is further utilised on a facultative basis if uncertainty exists over the terms that should be offered to a particular risk. In addition, reinsurers provide specialist advice when designing new products.
Underwriting risk – selection risk	Selection risk is the risk that worse risks than expected are attracted, and these risks are then charged inadequate premiums. Selection risk could also lead to higher-than-expected mortality and morbidity experience on individual life plans or lower mortality on guaranteed annuity policies.	***Product design and pricing*** Products are carefully designed to minimise adverse selection. Rating factors are applied to standard premium rates to differentiate between different levels of risk. Product integration between the different product offerings in Discovery helps to attract healthier lives than average in the market, leading to positive selection. The product integration incentivises engagement in the Vitality programme, which has a positive impact on risk experience. Discovery and VitalityLife is unique due to its Vitality programme as policyholders are provided access to several services and benefits that encourage healthy lifestyle choices and are awarded Vitality points, which ultimately determine their Vitality status. The claims, lapse and premium assumptions within the valuation of insurance contract assets and liabilities are specifically impacted by the Vitality status of the policyholder. However, because of the shared value design the business is hedged to a large extent against extreme adverse financial impacts resulting from policyholder behaviour change.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.4 MANAGEMENT OF INSURANCE RISK *continued*

Insurance risk	Description	How Discovery manages the risk
Underwriting – Insurance risk	The principal risk is that the frequency and/or severity of claims are greater than expected. Insurance events are, by their nature, random and the actual number and size of events during any one year may vary from those estimated and experienced in prior periods.	***Experience monitoring*** Across both premiums and claims, recent actual experience is compared against financial forecasts, with any deviations investigated. The results provide a feedback loop into the overall pricing approach, enabling Discovery to react quickly to any changes in behaviour. ***Product design and pricing*** Group Life business is reviewed on a contract-by-contract basis, with the review period never exceeding two years. Discovery Life predominantly operates in the high end of the South African insurance market where the risk of HIV/AIDS is lower than for the South African market as a whole. The impact of HIV/AIDS is considered and allowed for during the product development and pricing. The HIV risk is implicitly allowed for based on rates which are set guided by overall claims experience and reinsurer input (including HIV but also other claim causes). For VitalityHealth new business is written in accordance with approved pricing assumptions. Underwriting criteria is defined and aligned to the approved pricing assumptions. Existing business is managed through the annual repricing of policies at renewal on a risk-related basis. Discovery Insure aims to manage risk through diversifying the pool of insured risks by establishing a balanced portfolio of insurance risks over a wide geographical area. Short-term insurance risks are priced on an individual basis; therefore, a minimal cross-subsidy exists between risks. Discovery Insure uses telematic devices to manage risks related to motor vehicle cover.
Underwriting – Exposure relating to catastrophe events	Natural and non-natural disasters could result in increased claims experience which could result in underwriting losses.	The Group sets out the total aggregate exposure that it is prepared to accept in certain territories to a range of events, such as natural catastrophes. The aggregate position is reviewed annually. The Group uses a number of modelling tools to monitor aggregation and to simulate catastrophe losses in order to measure the effectiveness of the reinsurance programmes and the net exposure of the Group.
Underwriting – Reinsurance risk	Reinsurance risk is the risk that the reinsurance cover placed is inadequate and/or inefficient relative to the Group's risk management strategy and objectives.	Discovery Insure mitigates its insurance risk through its reinsurance programme, which is structured to protect the company against material losses to either a single insured risk or a group of insured risks in the case of a catastrophe where there would tend to be a concentration of insured risks.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.4 MANAGEMENT OF INSURANCE RISK *continued*

2.4.1 Liquidity Risk

2.4.1.1 CONTRACTS WITH LONG-TERM EXPOSURES

Currently, Discovery Life's and VitalityLife's expected outflows are mostly long-term, and the main liquidity requirement is to fund acquisition expenses on new business and unexpected fluctuations in benefit payments. As discussed in note 3.4.3, Discovery invests primarily in liquid financial assets.

For Discovery Life, large sums assured above a defined retention level are reinsured, providing stability in claims experienced and further reducing liquidity risk.

There is a need to meet liquidity requirements arising from Discovery Invest's Guaranteed Plan book. Liquidity requirements are managed to ensure a liquidity buffer is maintained to meet potential outflows if exit rates are higher than expected. The liquidity risk on the existing portfolio is thus relatively small. VitalityLife also receives partial financing for new business strain from financing reinsurance treaties with reinsurers.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.4 MANAGEMENT OF INSURANCE RISK *continued*

2.4.1 Liquidity Risk *continued*

2.4.1.1 CONTRACTS NOT MEASURED UNDER THE PAA MODEL

2.4.1.1.1 MATURITY ANALYSIS

The following table shows a maturity analysis of undiscounted cash flows for participating insurance contracts and risk insurance and reinsurance contracts, which reflects the dates on which the cash flows are expected to occur. This analysis does not include the liability for remaining coverage for contracts measured under the PAA. The maturity analysis for investment contracts reflects the contractual maturity dates. The majority of investment contracts are open ended and have no fixed maturity date. These contracts are included in the one year or less category.

R million (Assets)/Liabilities	Total	< 1 year	Years 1 to 2	Years 2 to 3	Years 3 to 4	Years 4 to 5	Years 6 to 10	Years 10 to 20	>20 years
30 June 2024									
Insurance contract cash flows									
Assets arising from insurance contracts	**(69 767)**	**(748)**	**(5 609)**	**(5 210)**	**(4 794)**	**(4 174)**	**(17 926)**	**(19 408)**	**(11 898)**
– SA Life and Invest (Risk)	**(54 498)**	**864**	**(3 113)**	**(3 115)**	**(2 987)**	**(2 554)**	**(12 174)**	**(16 297)**	**(15 122)**
– UK Life (Risk)	**(15 269)**	**(1 612)**	**(2 496)**	**(2 095)**	**(1 807)**	**(1 620)**	**(5 752)**	**(3 111)**	**3 224**
Liabilities arising from insurance contracts	**96 107**	**13 723**	**10 732**	**8 561**	**8 543**	**8 852**	**15 465**	**21 551**	**8 680**
– SA Life and Invest (Risk)	**23 488**	**7 482**	**4 475**	**2 939**	**2 835**	**3 097**	**1 096**	**1 178**	**386**
– SA Life and Invest (Participating)	**66 687**	**4 316**	**5 514**	**5 016**	**5 206**	**5 341**	**13 166**	**19 864**	**8 264**
– SA Life Group Risk and Other (PAA)	**5 932**	**1 925**	**743**	**606**	**502**	**414**	**1 203**	**509**	**30**
Reinsurance contract cash flows									
Assets arising from reinsurance contracts	**(830)**	**(315)**	**(108)**	**(85)**	**(68)**	**(54)**	**(147)**	**(51)**	**(2)**
– SA Life Group Risk and Other (PAA)	**(830)**	**(315)**	**(108)**	**(85)**	**(68)**	**(54)**	**(147)**	**(51)**	**(2)**
Liabilities arising from reinsurance contracts	**11 168**	**1 359**	**2 634**	**1 646**	**1 384**	**1 172**	**2 671**	**679**	**(377)**
– SA Life and Invest (Risk)	**5 898**	**(366)**	**522**	**495**	**491**	**465**	**1 803**	**1 518**	**970**
– UK Life (Risk)	**5 270**	**1 725**	**2 112**	**1 151**	**893**	**707**	**868**	**(839)**	**(1 347)**
30 June 2023									
Insurance contract cash flows									
Assets arising from insurance contracts	(81 279)	(3 524)	(5 881)	(5 530)	(5 081)	(4 684)	(19 179)	(22 312)	(15 088)
– SA Life and Invest (Risk)	(52 455)	380	(2 625)	(2 861)	(2 809)	(2 662)	(11 400)	(15 489)	(14 989)
– UK Life (Risk)	(28 824)	(3 904)	(3 256)	(2 669)	(2 272)	(2 022)	(7 779)	(6 823)	(99)
Liabilities arising from insurance contracts	40 055	8 434	8 068	5 213	3 689	3 413	4 872	5 251	1 115
– SA Life and Invest (Risk)	21 520	5 518	6 248	3 613	2 232	2 109	751	809	240
– SA Life and Invest (Participating)	13 368	1 199	1 195	1 083	1 026	948	3 082	3 986	849
– SA Life Group Risk and Other (PAA)	5 167	1 717	625	517	431	356	1 039	456	26
Reinsurance contract cash flows									
Assets arising from insurance contracts	(911)	(451)	(95)	(76)	(61)	(48)	(131)	(47)	(2)
– SA Life Group Risk and Other (PAA)	(911)	(451)	(95)	(76)	(61)	(48)	(131)	(47)	(2)
Liabilities arising from insurance contracts	16 311	2 337	2 833	2 292	1 315	1 133	3 326	2 250	825
– SA Life and Invest (Risk)	6 096	(315)	646	553	496	485	1 978	1 438	815
– UK Life (Risk)	10 215	2 652	2 187	1 739	819	648	1 348	812	10

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.4 MANAGEMENT OF INSURANCE RISK *continued*

2.4.1 Liquidity Risk *continued*

2.4.1.1 CONTRACTS NOT MEASURED UNDER THE PAA MODEL *continued*

2.4.1.1.1 MATURITY ANALYSIS *continued*

The amounts from insurance contract liabilities noted in the maturity table above include amounts payable on demand. The amounts that are payable on demand are set out below.

For the unit-linked and similar investment-linked insurance contracts where the policyholder has the option to terminate or transfer their contracts at any time and the policyholder receives money back, the money payable to the policyholder is referred to as the amounts payable on demand. The termination or transfer of the insurance contract will be at the discretion of the policyholder.

Amounts payable on demand excludes the amounts payable on a valid claim event. The SA Life and Invest (Risk) and UK Life (Risk) insurance contracts have no amounts payable on demand.

R million	2024 Amount payable on demand	2023 Amount payable on demand
SA Life and Invest (Participating)	**78 071**	71 119

2.4.1.2 CONTRACTS MEASURED UNDER THE PAA MODEL

SA INSURE AND OTHER

Discovery Insure holds the majority of working and solvency capital in cash or near cash instruments to minimise liquidity risk. Large sums assured above a defined retention level are reinsured, providing stability in claims experience and further reducing the liquidity risk. Catastrophe reinsurance further reduces this risk.

UK HEALTH

VitalityHealth maintains sufficient liquid assets to meet short-term liabilities and to allow for the initial cash flow strain when writing new business. Currently, VitalityHealth's expected liabilities are mostly short-term, and the main liquidity requirement is to fund acquisition expenses on new business, with the existing book mature enough to generate sufficient liquidity to cover cash flow strain of writing consistent levels of new business.

2.4.2 Concentration of insurance risk

Discovery manages concentration risk through various mechanisms and monitors the opportunities for mitigating actions. Such mechanisms include:

- underwriting principles and product pricing procedures.
- reinsurance.
- the diversification of business over several classes of insurance and large numbers of uncorrelated individual risks.

SA LIFE AND INVEST (RISK AND GROUP LIFE)

Discovery Life maintains a well-diversified portfolio of policies. Reinsurance is further used to protect against the concentration of risk. Catastrophe reinsurance protects against the accumulation of claims from a single event, within a period of time and area of a limited radius, for example, an airplane crash. The catastrophe reinsurance for Discovery Life covers single event disasters for up to R1 030 million, where the net of reinsurance impact is greater than R55 million. For its biggest four group schemes, a further layer of catastrophe reinsurance cover of R3 960 million in excess of R1 085 million is in place.

UK LIFE (RISK) (GMM)

VitalityLife maintains a well-diversified portfolio of policies. Reinsurance removes the exposure to large individual claims.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.4 MANAGEMENT OF INSURANCE RISK *continued*

2.4.2 Concentration of insurance risk *continued*

UK HEALTH (PAA)

VitalityHealth has the risk of single large medical expense claims arising abroad or multiple small travel claims due to a single event, which could cause losses. To manage these risks, VitalityHealth holds a reinsurance policy specifically on travel benefits, which can help cover the concentration risks from these events. The threshold for a potential claim on the reinsurance for either of these reasons is GBP250 000.

SA INSURE AND OTHER (PAA)

There is a risk that a concentration of risk can lead to a worse-than-expected claims experience. To manage this concentration of insurance risk, Discovery has entered a catastrophe excess of loss reinsurance treaty that would limit the loss of the Group to pre-determined levels following the occurrence of a localised catastrophe in that area.

Discovery Insure has a concentration of policyholders in the main metropolitan areas such as Johannesburg, Pretoria, Cape Town and Durban. A catastrophic flood, hail, fire or earthquake would result in disproportionate losses in these areas, given the accumulation of risk. Catastrophe reinsurance is used to limit the size of such losses and their impact on the underwriting result.

2.4.3 Underwriting risk-sensitivity analysis

The financial impact of the key risks that Discovery is exposed to can be demonstrated by considering the sensitivity of the financial results to a hypothetical change in the underlying assumptions or prevailing market conditions.

Although the sensitivities demonstrate the impact of a change in assumption, the results generally cannot be extrapolated to demonstrate the impact on future earnings and earnings forecasts.

For each sensitivity illustrated, all other assumptions have been left unchanged. No allowance has been made for any management action, for example, premium increases, to react to the worse-than-expected experience.

The sensitivities shown below consider a change in the long-term assumption used in the projection model. The following sensitivities are provided under insurance risk:

- **Lapses:** The lapse, surrender and withdrawal rates are increased or decreased across all policies and investment plans;
- **Long-term investment return and inflation:** A parallel shift is assumed in the yield curve. The investment return, inflation, renewal expense inflation, and inflation-linked premium increases are adjusted consistently;
- **Renewal expenses:** Renewal expense per policy is increased or decreased across all policies and investment plans;
- **Mortality and morbidity:** The mortality rate, disability rate and severe illness rates are increased and decreased across all policies and investment plans; and
- **Real rate returns:** The assumed real rate curve is increased or decreased across all policies and investment plans.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.4 MANAGEMENT OF INSURANCE RISK *continued*

2.4.3 Underwriting risk-sensitivity analysis *continued*

2.4.3.1 SENSITIVITY ANALYSIS – ASSETS ARISING FROM INSURANCE CONTRACTS

The sensitivity analysis below considers how the CSM, profit or loss and equity would have increased (decreased) given illustrative changes to key assumptions. This analysis presents the sensitivities both before and after risk mitigation by reinsurance and assumes that all other variables remain constant. The results do not include the impact of any management actions which may be taken under these scenarios.

For portfolios where Discovery has elected to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income (OCI), the movement in equity under each scenario is not necessarily equivalent to the change in profit or loss, with the difference between the two being reflected in a change in the OCI balance. Consideration also needs to be given to items of asymmetry. Positive and negative assumption changes may have non-linear impacts on profit and loss due to the impact on items such as the loss component on onerous contracts.

	SA Life and Invest (Risk)				SA Life and Invest (Risk)		UK Life (Risk)					
	CSM		Profit or loss		Equity		CSM		Profit or loss		Equity	
R million (Decrease)/Increase	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Base: June 2024 assumptions												
Lapses +10% (e.g. from x% to 1.1x%)[1]	**(6 203)**	**(5 945)**	**(1 613)**	**(1 576)**	**482**	**467**	**(1 169)**	**(944)**	**407**	**306**	**65**	**(29)**
Lapses -10% (e.g. from x% to 0.9x%)	**8 718**	**8 431**	**722**	**693**	**(1 501)**	**(1 484)**	**1 362**	**1 137**	**(536)**	**(462)**	**(166)**	**(85)**
Investment return and inflation -1% (e.g. from 5% to 4%)	**1**	**2**	**(3)**	**(4)**	**1 346**	**1 190**	**–**	**–**	**–**	**–**	**(610)**	**(810)**
Investment return and inflation +1% (from 5% to 6%)	**(1)**	**(1)**	**10**	**10**	**(1 193)**	**(1 063)**	**–**	**–**	**–**	**–**	**248**	**443**
Expense assumption +10%	**(415)**	**(417)**	**(105)**	**(103)**	**(39)**	**(37)**	**(350)**	**(366)**	**(260)**	**(248)**	**(152)**	**(139)**
Expense assumption -10%	**520**	**521**	**101**	**99**	**34**	**32**	**355**	**370**	**249**	**237**	**148**	**135**
Mortality and morbidity +10%	**(6 837)**	**(5 133)**	**(3 072)**	**(2 414)**	**(1 194)**	**(849)**	**(3 618)**	**(1 261)**	**(1 749)**	**(668)**	**(800)**	**(482)**
Mortality and morbidity -10%	**9 825**	**7 641**	**947**	**768**	**(642)**	**(495)**	**3 797**	**1 332**	**1 718**	**677**	**696**	**441**
Real curve -1% and inflation +1%	**2**	**3**	**23**	**22**	**3 644**	**3 369**	**1**	**1**	**–**	**–**	**468**	**405**
Real curve +1% and inflation –1%	**(1)**	**(2)**	**(4)**	**(3)**	**(2 845)**	**(2 625)**	**(1)**	**(1)**	**–**	**–**	**(542)**	**(486)**
Base: June 2023 assumptions												
Lapses +10% (e.g. from x% to 1.1x%)[1]	(6 242)	(6 038)	(1 317)	(1 270)	769	775	(1 141)	(907)	404	294	158	56
Lapses -10% (e.g. from x% to 0.9x%)	8 220	7 993	714	675	(1 542)	(1 546)	1 316	1 122	(499)	(401)	(222)	(137)
Investment return and inflation -1% (e.g. from 5% to 4%)	2	–	(2)	–	1 455	1 311	(1)	(1)	1	1	(757)	(869)
Investment return and inflation +1% (from 5% to 6%)	1	–	1	1	(1 355)	(1 234)	1	1	(1)	(1)	375	509
Expense assumption +10%	(467)	(472)	(132)	(128)	(59)	(56)	(279)	(288)	(161)	(154)	(114)	(103)
Expense assumption -10%	350	356	117	112	135	129	279	288	161	154	114	103
Mortality and morbidity +10%	(6 407)	(4 503)	(2 503)	(1 806)	(816)	(527)	(3 546)	(1 284)	(1 614)	(638)	(531)	(364)
Mortality and morbidity -10%	8 494	6 186	1 020	795	(553)	(334)	3 665	1 362	1 614	655	508	369
Real curve -1% and inflation +1%	1	1	(1)	–	3 479	3 220	1	1	(1)	(1)	538	496
Real curve +1% and inflation –1%	1	(1)	(1)	–	(2 772)	(2 564)	(1)	(1)	1	1	(584)	(531)

1 *SA Life and Invest (Risk): an increase in lapse rates on risk policies erodes value (as demonstrated by the CSM impact). Due to differences in the discount rates used to measure the impact of changes in fulfilment cashflows (at current rates) and the CSM (at initial recognition rates), the impacts between the two are not consistent and may lead to instances where the net equity position is a gain, although the overall balance sheet position has deteriorated.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.4 MANAGEMENT OF INSURANCE RISK *continued*

2.4.3 Underwriting risk-sensitivity analysis *continued*

2.4.3.2 SENSITIVITY ANALYSIS – LIABILITIES ARISING FROM INSURANCE CONTRACTS

The table below analyses how the CSM, profit or loss and equity would have increased (decreased) if changes in underwriting risk variables that were reasonably possible at the reporting date had occurred. This analysis presents the sensitivities both before and after risk mitigation by reinsurance and assumes that all other variables remain constant.

	SA life and Invest (Risk)						SA Life and Invest (Participating)			SA Life Group Risk and Other			
	CSM		Profit or loss		Equity		CSM	Profit or loss	Equity	Profit or loss		Equity	
R million (Decrease)/Increase	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Gross of reinsurance	Gross of reinsurance	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Base: June 2024 assumptions													
Lapses +10% (e.g. from x% to 1.1x%)	**(1)**	**(1)**	**3**	**3**	**3**	**3**	**(338)**	**(34)**	**(34)**	**–**	**–**	**(39)**	**(33)**
Lapses -10% (e.g. from x% to 0.9x%)	**1**	**1**	**(3)**	**(3)**	**(3)**	**(3)**	**371**	**31**	**31**	**–**	**–**	**51**	**44**
Investment return and inflation -1% (e.g. from 5% to 4%)	**–**	**–**	**(504)**	**(504)**	**(504)**	**(504)**	**10**	**(9)**	**(9)**	**(10)**	**(10)**	**(10)**	**(10)**
Investment return and inflation +1% (from 5% to 6%)	**–**	**–**	**464**	**464**	**464**	**464**	**(8)**	**7**	**7**	**10**	**10**	**10**	**10**
Expense assumption +10%	**(2)**	**(2)**	**(3)**	**(3)**	**(3)**	**(3)**	**(52)**	**(11)**	**(11)**	**145**	**121**	**142**	**119**
Expense assumption -10%	**2**	**2**	**3**	**3**	**3**	**3**	**53**	**10**	**10**	**(158)**	**(132)**	**(156)**	**(130)**
Mortality and morbidity +10%	**18**	**18**	**22**	**22**	**22**	**22**	**(57)**	**(8)**	**(8)**	**–**	**–**	**(88)**	**(80)**
Mortality and morbidity -10%	**(18)**	**(18)**	**(23)**	**(23)**	**(23)**	**(23)**	**59**	**8**	**8**	**–**	**–**	**99**	**89**
Real curve -1% and inflation +1%	**–**	**–**	**(44)**	**(44)**	**(44)**	**(44)**	**116**	**12**	**12**	**–**	**–**	**–**	**–**
Real curve +1% and inflation –1%	**–**	**–**	**37**	**37**	**37**	**37**	**(106)**	**(11)**	**(11)**	**–**	**–**	**–**	**–**
Base: June 2023 assumptions													
Lapses +10% (e.g. from x% to 1.1x%)	–	–	2	2	2	2	(378)	(28)	(28)	–	–	(41)	(35)
Lapses -10% (e.g. from x% to 0.9x%)	–	–	(2)	(2)	(2)	(2)	392	27	27	–	–	57	48
Investment return and inflation -1% (e.g. from 5% to 4%)	–	–	(398)	(398)	(398)	(398)	(2)	(4)	(4)	(5)	(5)	(4)	(4)
Investment return and inflation +1% (from 5% to 6%)	–	–	371	371	371	371	2	3	3	5	5	4	4
Expense assumption +10%	(2)	(2)	(3)	(3)	(3)	(3)	(103)	(16)	(16)	127	107	124	105
Expense assumption -10%	2	2	2	2	2	2	103	16	16	(140)	(117)	(136)	(115)
Mortality and morbidity +10%	15	15	12	12	12	12	(58)	(6)	(6)	–	–	(67)	(61)
Mortality and morbidity -10%	(14)	(14)	(14)	(14)	(14)	(14)	60	6	6	–	–	82	73
Real curve -1% and inflation +1%	–	–	(38)	(38)	(38)	(38)	106	10	10	–	–	–	–
Real curve +1% and inflation –1%	–	–	31	31	31	31	(97)	(9)	(9)	–	–	–	–

Changes in underwriting variables mainly affect the CSM, profit or loss and equity as follows.

CSM – Changes in fulfilment cash flows not relating to any loss components, other than those recognised as insurance finance income or expenses.

Profit or loss – Changes in fulfilment cash flows relating to loss components.
– Changes in fulfilment cash flows that are recognised as insurance finance income or expenses in profit or loss.

Equity (includes OCI) – Changes in fulfilment cash flows that are recognised as insurance finance income or expenses in OCI.
– The effect on profit or loss as noted.

The effects on profit or loss and equity are presented net of the related income tax.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.4 MANAGEMENT OF INSURANCE RISK *continued*

2.4.3 Underwriting risk-sensitivity analysis *continued*

2.4.3.3 INSURANCE CONTRACTS MEASURED UNDER THE PAA APPROACH

Discovery estimates the ultimate cost of settling claims incurred but unpaid at the reporting date and the value of salvage and other expected recoveries by reviewing individual claims reported and making allowances for claims incurred but not yet reported. The ultimate cost of settling claims is estimated using a range of loss-reserving techniques. These techniques assume that the Group's own claims experience is indicative of future claims development patterns and, therefore, the ultimate claims cost.

The sensitivity shown below considers a change in the assumption used in the reserving model for portfolios measured under the PAA approach. The following sensitivity is provided under insurance risk:

- **Ultimate claims:** The ultimate cost of settling claims is estimated separately for each geographic area and line of business, except for large claims, which are assessed separately from other claims.

	SA Life Group Risk and Other				SA Insure and Other				UK Health			
	Profit or loss		Equity		Profit or loss		Equity		Profit or loss		Equity	
R million (Decrease)/Increase	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
Base: June 2024 assumptions												
Ultimate claims cost +5%	**(50)**	**(48)**	**(50)**	**(48)**	**(27)**	**(23)**	**(21)**	**(18)**	**(40)**	**(40)**	**(40)**	**(40)**
Ultimate claims cost -5%	**50**	**48**	**50**	**48**	**27**	**23**	**21**	**18**	**40**	**40**	**40**	**40**
Base: June 2023 assumptions												
Ultimate claims cost +5%	(44)	(42)	(44)	(42)	(27)	(22)	(27)	(22)	(51)	(50)	(51)	(50)
Ultimate claims cost -5%	44	42	44	42	27	22	27	22	51	50	51	50

The effects on profit or loss and equity are present net of the related income tax.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.4 MANAGEMENT OF INSURANCE RISK *continued*

2.4.4 Market risk – Interest rate risk

SA LIFE AND INVEST (RISK) (GMM)

For Discovery Life, increased nominal or real interest rates would result in an adverse impact on the present value of future profits. Cash flows on a material segment of the book are linked to inflation. While segment retains cash flows in real terms, this segment is exposed to real interest rate movements. The balance of the book is exposed to changes in the nominal rates.

The outstanding claims and incurred but not reported claims are mostly short-term in nature and have consequently been matched with cash. Reserves backing income contribution benefits in payment are backed by a combination of cash, money market, gilts, and negative Rand reserves of appropriate duration.

The risk arising from the global linkage benefit is fully reinsured, and Discovery does not face any net direct market risk.

For Discovery Invest, guaranteed return plan liabilities are backed by a combination of negative Rand reserves and bonds of appropriate duration. As maturity approaches, cash flows from negative reserves are invested in bonds, and therefore a reinvestment risk exists. Furthermore, investment policy fee income is dependent on the underlying value of policyholders' investments, which may be interest rate-sensitive.

UK LIFE (RISK) (GMM)

As a long-term insurance provider in the UK, VitalityLife has significant exposure to long-term interest rate risk, given the impact on reserves of lower investment rate assumptions related to fixed future premium receipts to meet policy obligations. Accordingly, lower long-term interest rates and yield assumptions may negatively impact on the valuation of future policy obligations and result in a valuation loss.

2.4.4.1 SENSITIVITY ANALYSIS

An analysis of the sensitivity of the Group's profit and loss and equity to a 1% increase or decrease in interest rates at the reporting date, assuming that all other variables remain constant, is presented below.

R million (Decrease)/Increase	Profit or loss		Equity	
	Increase	Decrease	Increase	Decrease
30 June 2024				
Insurance contracts issued (net of reinsurance contracts)				
– SA Life and Invest (Risk) (GMM)	**461**	**(501)**	**(3 191)**	**4 105**
– SA Life and Invest (Participating) (VFA)	**7**	**(9)**	**7**	**(9)**
– UK Life (Risk) (GMM)	**–**	**–**	**23**	**(337)**
– SA Life Group Risk and Other (PAA)	**–**	**–**	**118**	**(128)**
30 June 2023				
Insurance contracts issued (net of reinsurance contracts)				
– SA Life and Invest (Risk) (GMM)	744	(798)	(2 971)	3 850
– SA Life and Invest (Participating) (VFA)	3	(4)	3	(4)
– UK Life (Risk) (GMM)	–	–	13	(338)
– SA Life Group Risk and Other (PAA)	–	–	105	(114)

Changes in underwriting variables mainly affect the profit or loss and equity as follows.

Profit or loss	– Insurance finance income or expenses recognised in profit or loss for SA Life and Invest (Risk), UK Life (Risk) and SA Life and Invest (Participating) as a result of discounting future cash flows at a revised current rate.
Equity (includes OCI)	– Insurance finance income and expenses recognised in OCI for life risk and life discretionary contracts as a result of discounting future cash flows at a revised current rate

The effects on profit or loss and equity are presented net of the related income tax.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.4 MANAGEMENT OF INSURANCE RISK *continued*

2.4.5 Market risk – Currency Risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the UK pound. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

All the UK Life (Risk) portfolio's insurance benefits and premiums are Pound Sterling, denominated as all business is sold in the UK market, thereby exposing Discovery to currency risk. A significant part of operational expenses are Rand denominated as systems and administration are based in South Africa. This creates a potential mismatch risk.

The Dollar Life Plan included in the SA Life and Invest (Risk) portfolio, provides a sum insured in US dollars. Premiums are paid in Rands but linked to the Rand/USD exchange rate. Certain versions of the Dollar Life Plan provide guarantees on the Rand/USD exchange rate for a specified period, thereby exposing Discovery Life to currency risk.

Other insurance business lines do not have significant currency risk.

The following table segregates the currency exposure by major currency:

R million Assets/(Liabilities)	Total	USD
30 June 2024		
Assets arising from insurance contracts issued		
– SA Life and Invest (Risk) (GMM)	**728**	**728**
Total insurance and reinsurance assets	**728**	**728**
Liabilities arising from reinsurance contracts held		
– SA Life and Invest (Risk) (GMM)	**(21)**	**(21)**
Total insurance and reinsurance liabilities	**(21)**	**(21)**
30 June 2023		
Assets arising from insurance contracts issued		
– SA Life and Invest (Risk) (GMM)	483	483
Total insurance and reinsurance assets	483	483
Liabilities arising from reinsurance contracts held		
– SA Life and Invest (Risk) (GMM)	(25)	(25)
Total insurance and reinsurance liabilities	(25)	(25)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.4 MANAGEMENT OF INSURANCE RISK *continued*

2.4.5 Market risk – Currency Risk

2.4.5.1 SENSITIVITY ANALYSIS

The Group determined that a 10% change is a reasonable expected strengthening or weakening of the US dollar and the UK pound against the other functional currencies, most notably South African Rand, US Dollar and Pound Sterling.

The effect of translation differences which are recognised separately in other comprehensive income has also been excluded. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases. The impact on profit or loss and equity at 30 June is shown below. This analysis assumes that all other variables remain constant.

R million Increase/(Decrease)	Profit or loss		Equity	
	Strengthening	Weakening	Strengthening	Weakening
30 June 2024				
USD	**–**	**(2)**	**79**	**(66)**
GBP	**–**	**–**	**69**	**(69)**
30 June 2023				
USD	19	(20)	33	(17)
GBP	–	–	54	(54)

The effects on profit or loss and equity are presented net of the related income tax.

Changes in foreign exchange rates mainly affect the profit or loss and equity as follows.

Profit or loss	– Foreign currency gains and losses on insurance and reinsurance contracts that are recognised in profit or loss, including those arising from the translation of the carrying amount of the CSM
Equity (includes OCI)	– Changes in fulfilment cash flows that are recognised as insurance finance income or expenses in OCI. – The effect on profit or loss as noted above.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.4 MANAGEMENT OF INSURANCE RISK *continued*

2.4.6 Regulatory adequacy requirements and protection against adverse experience

REGULATORY CAPITAL REQUIREMENTS

Discovery endeavours to manage its capital so that its regulated entities meet local regulatory capital requirements, in each country in which Discovery operates, the local regulator specifies the minimum amount and type of capital that each of the regulated entities must hold in addition to their liabilities. In addition to the minimum capital required to comply with the solvency requirements, Discovery aims to hold an adequate buffer under local solvency requirements to ensure regulated subsidiaries can absorb a level of volatility and meet local capital requirements.

2.4.6.1 REGULATORY REQUIREMENTS IN THE SOUTH AFRICAN MARKET

The South African entities are required to demonstrate solvency to the PA in accordance with Insurance Act 18 of 2017 (Insurance Act) requirements in respect of governance, risk management and internal controls for insurers and align with international standards. The Insurance Act seeks to improve policyholder protection and contribute to financial stability by aligning insurers' regulatory capital requirements with underlying risks. It also strengthens the regulatory requirements in respect of governance, risk management and internal controls for insurers and aligns with international standards.

In accordance with the Prudential Standards, each insurance company must maintain sufficient shareholder assets (own funds), over and above the assets required to meet policyholder liabilities (best-estimate liabilities plus a prescribed risk margin), to support a multiple of the Solvency Capital Requirement (SCR). In practice, companies will hold a buffer above this minimum requirement.

The SA insurance entities, Discovery Life and Discovery Insure, undertake an internal assessment of their risks and capital needs, in addition to meeting the minimum capital requirements set by the PA. The SCR is calculated in accordance with the Prudential Standards as issued by the PA. The SCR calculation is intended to approximate a risk-based capital measure and covers the major areas of insurance risk.

Discovery Life and Discovery Insure regularly review the capital position and consider various new business scenarios. Typically, a five-year new business projection horizon is allowed for, and the capital position is assessed at each valuation date during the projection to ensure an acceptable capital cover is maintained.

Discovery Life has calculated its solvency position in accordance with the Insurance Act and related Prudential Standards since 30 June 2013. A consistent level of solvency cover, comfortably more than the statutory minimum, was observed at all valuation dates. Discovery Insure has observed the solvency cover at all valuation dates.

2.4.6.2 REGULATORY REQUIREMENTS IN THE UNITED KINGDOM

In the UK market, the Prudential Regulation Authority (PRA) is a part of the Bank of England and responsible for the prudential regulation and supervision of insurers. It sets standards and supervises financial institutions. The Prudential Sourcebook for Insurers (INSPRU) contains standards for capital management.

SOLVENCY I

Under Solvency I, the capital requirements are calculated based on the concept of two pillars:

- Pillar 1, which covers public solvency information that appears within the regulatory returns on the basis of prescriptive rules. This includes the statutory valuation of liabilities together with a prescribed measure of additional capital, the Long-term Insurance Capital Requirement (LTICR); and
- Pillar 2, the Individual Capital Assessment (ICA), which covers a confidential company-specific assessment of solvency. This assessment is done on a realistic basis with the aim of protecting against risks up to the 99.5 percentile over a one-year period.

The amount of capital that ultimately needs to be held by a life insurance company in the UK is the larger of the Pillar 1 and Pillar 2 result. VitalityLife is required to provide capital to the PAC equal to one times the Pillar 1 capital requirement, increasing to one and a half times from the Pillar 1 capital requirements from March 2024 onwards. The cover requirements were observed at all valuation dates.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Insurance and reinsurance contracts and management of insurance risk *continued*

2.4 MANAGEMENT OF INSURANCE RISK *continued*

2.4.6 Regulatory adequacy requirements and protection against adverse experience *continued*

2.4.6.2 REGULATORY REQUIREMENTS IN THE UNITED KINGDOM *continued*

SOLVENCY II

Capital requirements under Solvency II are calculated using the regulations and guidance originally published by the European Insurance and Occupational Pensions Authority (EIOPA) and enforced by the PRA in the UK. A Solvency Cover ratio is calculated. It has several components. The key ones are discussed below:

- Best estimate liabilities (BEL): policyholder liabilities are calculated on a best estimate basis (excluding any margins) and discounted at the latest swap curve published by Bank of England.
- SCR: 1-in-200-year stresses to the key assumptions are applied to the BEL and the impacts aggregated using specified correlation matrices.
- Risk Margin (RM): 4% Cost of capital on a proportion of the SCR.
- Technical Provisions (TP): the sum of the BEL and the RM.
- Eligible Own Funds: the net assets of the company available to cover the SCR; negative TP can be included in the eligible Own Funds; and
- Solvency cover ratio: Eligible Own funds divided by SCR.

The Vitality Life business comprises business underwritten directly by VitalityLife (from 1 January 2016), and business underwritten on behalf of VitalityLife on PAC's life insurance licence (up to 31 December 2015).

Through a number of contractual and loan arrangements, Discovery retains 100% of the insurance risk associated with the VitalityLife policies underwritten on the PAC life insurance licence. All policies are administered by VitalityLife, and they are managed as a single portfolio. The arrangement with the PAC is accounted for under IFRS 17 as an in-substance reinsurance contract which UK Group issued to the PAC.

Accordingly, all information for VitalityLife is presented on a combined basis, comprising both the business underwritten by VitalityLife and underwritten on behalf of VitalityLife on the PAC life insurance licence.

The contractual cash flows between subsidiaries of the UK group and PAC for business that was underwritten on PAC life insurance licence will, as per contractual agreement with PAC, still be measured under the Solvency I or old capital requirement rules described below until such time it is transferred to the Vitality Life Limited (VLL) licence. If this business is transferred to VLL then it would be recognised in VLL's Solvency II reporting, and any such transfer would be subject to legal and regulatory approval in the UK. During the financial period ended 30 June 2022, Discovery and PAC finalised a contractual agreement to a long-term deferral of the transfer to the VLL licence (the Part VII transfer). The agreement is such that the Part VII transfer is now deferred for the long term with options to extend further, and for all intents and purposes, should be viewed as an indefinite deferral.

For business written on its own balance sheet, VLL is required to hold sufficient capital (measured in accordance with the PRA Rulebook) to meet the PRA capital requirements. The capital requirements were met at all valuation dates.

Through the contractual mechanism with PAC, VitalityLife is required to provide capital to the PAC equal to one and a half times the Pillar 1 capital requirement. The cover requirements were observed at all valuation dates.

VITALITYHEALTH

VitalityHealth is required to hold sufficient capital to meet the PRA capital requirements. The capital requirements were met at all valuation dates.

VitalityHealth follows a standard formula with a premium risk undertaking-specific parameter (USP) derived from VitalityHealth experience. The use of this parameter was approved by the PRA in the UK on 8 April 2024. Annually, the business publicly discloses a Solvency and Financial Condition Report (SFCR) alongside private disclosures to the regulators on its Own Risk and Solvency Assessment (ORSA). The standard formula approach is reviewed annually to determine its appropriateness for the business. The use of this approach (now also incorporating the use of the USP from 8 April 2024) continues to be considered appropriate for VitalityHealth.

The actual and projected capital position of VitalityHealth is monitored on a regular basis through a number of forums and governance committees, including the Board of Directors as well as through VitalityHealth's ORSA. In the event that sufficient capital is not projected to be available, actions would be taken to obtain additional capital or to reduce the amount of risk accepted and therefore reduce the capital requirement through, for example, reinsurance or an investment strategy.

SECTION 03

FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISK

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk

3.1 INTRODUCTION AND OVERVIEW

This section provides information on financial instruments including the disclosure and reconciliation of all financial assets and liabilities, cash and cash equivalents and interest expenses. This section also details how the financial risk is managed.

3.2 PRIMARY FINANCIAL STATEMENT AND INFORMATION ANALYSED IN THIS SECTION

R million	Notes	Group 2024	Restated Group 2023[1]
Statement of financial position			
ASSETS			
Financial assets			
– Loans and advances to customers at amortised cost	3.3.1	**6 028**	4 702
– Investments at amortised cost	3.3	**11 100**	9 910
– Investments at fair value through profit or loss	3.3	**165 671**	152 515
– Derivative financial instruments at fair value through profit or loss	3.4	**43**	119
Cash and cash equivalents	3.6	**18 971**	19 171
		201 813	186 417
LIABILITIES			
Third-party interest in consolidated funds		**31 456**	28 346
Financial liabilities			
– Borrowings at amortised cost	3.7	**21 662**	20 586
– Other financial payables at amortised cost	3.9	**8 007**	8 568
– Deposits from customers	3.10	**18 467**	14 333
– Investment contracts at fair value through profit or loss	3.8	**25 710**	28 903
– Derivative financial instruments at fair value through profit or loss	3.4	**31**	20
		105 333	101 299
Income statement			
– Net fair value gains/(losses) on financial assets at fair value through profit or loss	3.11	**16 245**	17 232
– Interest expenses on borrowings and lease liabilities	3.12	**2 036**	1 919
Additional information			
Expected credit loss: Unsecured loans	3.3.1.2.2		
Expected credit loss reconciliation	3.5		
Management of financial risk	3.13		

1 The comparative information has been for the initial adoption of IFRS 17 and restatements due to correction of prior period errors. Refer to note 7.3 for more detail. Where affected, the respective note has also been restated for the change.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk

3.3 FINANCIAL ASSETS

For the accounting policies relevant to the recognition and measurement of financial assets, refer to Annexure B policies 8.1, 8.3, and 8.4.

R million	Notes	Group 2024	Group 2023
The Group's investment in financial assets are summarised by measurement category in the table below:			
Financial assets at fair value through profit or loss – mandatorily		**165 671**	152 515
– Equity portfolios		**60 250**	56 525
– Debt portfolios		**47 099**	42 573
– Money market portfolios		**15 786**	19 745
– Multi-asset portfolios		**42 536**	33 672
Financial assets at amortised cost[1]		**17 128**	14 612
Investments at amortised cost		**11 100**	9 910
– Treasury Bills and Government Bonds		**8 194**	6 856
– Deposits		**2 906**	3 054
Loans and advances to customers at amortised cost		**6 028**	4 702
– Unsecured	3.3.1.2	**6 011**	4 702
– Secured	3.3.1.1	**17**	–
Total investments		**182 799**	167 127
– Listed		**143 833**	134 993
– Unlisted		**38 966**	32 134
Shareholder Investments:		**21 784**	21 570
– Investment at amortised cost		**17 128**	14 612
– Investments at fair value through profit or loss – mandatorily		**4 656**	6 958
Policyholder Investments:		**161 015**	145 557
– Investments at fair value through profit or loss – mandatorily		**161 015**	145 557
Total Investments		**182 799**	167 127

1 The fair value of instruments at amortised cost approximates the carrying amount due to the relatively short term nature of the instrument.

3.3.1 Loans and advances to customers at amortised cost

R million	Notes	Group 2024	Group 2023
Total net secured loans and advances	3.3.1.1	**17**	–
Total net unsecured loans and advances	3.3.1.2	**6 011**	4 702
Total net loans and advances to customers at amortised cost		**6 028**	4 702

3.3.1.1 SECURED LOANS AND ADVANCES AT AMORTISED COST

R million	Notes	Group 2024
Secured/Home loans		
Gross loans and advances		**17**
Total Gross advances		**17**
Less: IFRS 9 Expected credit losses (ECL)	3.3.1.1.2	*
Total net secured loans and advances		**17**

** Amount less than R500 000.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.3 FINANCIAL ASSETS *continued*

3.3.1 Loans and advances to customers at amortised cost *continued*

3.3.1.1 SECURED LOANS AND ADVANCES AT AMORTISED COST *continued*

3.3.1.1.1

R million	DRG 1 – 4	DRG 5 – 7	DRG 8 – 10	Not rated	Total
As at 30 June 2024					
Stage 1	1	16	–	–	17
Secured loans	**1**	**16**	**–**	**–**	**17**

1 Significant increase in credit risk

Discovery risk grade (DRG), is an internal client rate allocated on the basis of their risk profile. An adjusted DRG is allocated for the purposes of calculating the expected credit losses.

3.3.1.1.2 COLLATERAL HELD AS SECURITY ON LOANS AND ADVANCES

R million	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held[1]
30 June 2024				
Home Loans	17	*	17	34
	17	–	17	34

1 Fair value of collateral is determined by referencing the realisable value of security held before adjusting for expected recoveries.
** Amount less than R500 000.*

3.3.1.2 UNSECURED LOANS AND ADVANCES AT AMORTISED COST

R million	Notes	Group 2024	Group 2023
Unsecured			
Gross loans and advances		6 503	5 113
Accrued interest		76	58
Total Gross advances		6 579	5 171
Less: IFRS 9 Expected credit losses (ECL)	3.3.1.2.2	(568)	(469)
Total net unsecured loans and advances		**6 011**	**4 702**

3.3.1.2.1 UNSECURED LOANS AND ADVANCES PER CREDIT RISK RATING

R million	DRG 1 – 4	DRG 5 – 7	DRG 8 – 10	Not rated	Total
As at 30 June 2024					
Stage 1	3 229	1 928	448	–	5 605
Stage 2: SICR[1]	26	34	434	–	494
Stage 2: Arrears	–	3	48	–	51
Stage 3	2	13	336	2	353
Gross loans and advances	**3 257**	**1 978**	**1 266**	**2**	**6 503**
As at 30 June 2023					
Stage 1	2 617	1 468	352	–	4 437
Stage 2: SICR[1]	3	12	323	–	338
Stage 2: Arrears	2	11	69	–	82
Stage 3	1	8	247	–	256
Gross loans and advances	2 623	1 499	991	–	5 113

1 Significant increase in credit risk.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.3 FINANCIAL ASSETS *continued*

3.3.1 Loans and advances to customers at amortised cost *continued*

3.3.1.2 UNSECURED LOANS AND ADVANCES AT AMORTISED COST

3.3.1.2.2 RECONCILIATION OF THE EXPECTED CREDIT LOSS (ECL)

R million	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL, but no missed payments)	Stage 2 (Lifetime ECL, and missed payments)	Stage 3 (Lifetime ECL, and credit impaired, default)	Total
30 June 2024					
Balance at beginning of the year	**156**	**54**	**46**	**213**	**469**
Total changes in ECL due to changes in balances of advances	**12**	**8**	**(13)**	**(100)**	**(93)**
New loans originated and acquired	5	2	–	–	7
Repayments and other movements	9	7	(13)	41	44
Change in ECL due to derecognition other than write-off	(2)	(1)	–	(5)	(8)
Change in ECL due to write-off	–	–	–	(136)	(136)
Transfers between stages	**(11)**	**26**	**(3)**	**180**	**192**
Transfer (to)/from stage 1	–	29	15	108	152
Transfer (to)/from stage 2: SICR	1	–	1	25	27
Transfer (to)/from stage 2: Arrears	–	1	–	47	48
Transfer (to)/from stage 3	(12)	(4)	(19)	–	(35)
Balance at end of the year	**157**	**88**	**30**	**293**	**568**
30 June 2023					
Balance at beginning of the year	167	37	35	164	403
Total changes in ECL due to changes in balances of advances	(8)	7	5	(90)	(86)
New loans originated and acquired[1]	4	–	–	–	4
Repayments and other movements	(10)	7	5	21	23
Change in ECL due to derecognition other than write-off	(2)	–	–	(3)	(5)
Change in ECL due to write-off[3]	–	–	–	(108)	(108)
	159	44	40	74	317
Transfers between stages[1]	(3)	10	6	139	152
Transfer (to)/from stage 1	–	12	18	85	115
Transfer (to)/from stage 2: SICR	1	–	1	22	24
Transfer (to)/from stage 2: Arrears	(1)	–	–	32	31
Transfer (to)/from stage 3	(3)	(2)	(13)	–	(18)
Balance at end of the year	156	54	46	213	469

1 Discovery Bank's policy is to transfer accounts between stages based on the ECL stage at the end of the reporting period. Therefore, exposures can be transferred directly from stage 3 to stage 1 as the curing requirements would have been satisfied during the reporting period. The expected credit loss recognised on new exposures originated during the reporting period (which are not included in opening balances) are recognised in new loans originated and acquired based on the exposures' ECL stage as at the end of the month the account comes on book. Any change in status will be reflected in the transfers between stages as described above.

2 For the year ended 30 June 2024, the forecasted inflation and interest rates in the near term remains higher than the long run average and the Bank therefore quantified a forward looking ECL adjustment of R27 million labelled as a macroeconomic overlay.

3 The contractual amount outstanding on financial assets that were written off during the year ended 30 June 2024 and that are still subject to enforcement activity is R144 million (2023: R113 million).

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.4 DERIVATIVE FINANCIAL INSTRUMENTS

For the accounting policies relevant to the recognition and measurement of derivatives, refer to Annexure B policy 9.

R million	Group 2024 Assets	Group 2024 Liabilities	Group 2023 Assets	Group 2023 Liabilities
Derivatives used as cash flow hedges:				
Interest rate swaps[1]	**14**	**(24)**	59	(1)
Derivatives not designated as hedging instruments:				
Equity price risk derivatives	**4**	**(3)**	26	(16)
Interest rate swaps	**25**	**(4)**	31	–
Currency derivative contracts	**–**	**–**	3	(3)
Total derivative financial instruments	**43**	**(31)**	119	(20)
Current	**18**	**(7)**	31	(19)
Non-current	**25**	**(24)**	88	(1)
Total derivative financial instruments	**43**	**(31)**	119	(20)

1 *The interest rate derivative portfolio consists of both interest rate swaps and interest rate caps.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.4 DERIVATIVE FINANCIAL INSTRUMENTS *continued*

Group R million Interest rate risk	Year ended 30 June 2024 Notional amount of the hedging instrument	Carrying amount of the hedging instrument Assets	 Liabilities	Line item in the Statement of financial position where the hedging instrument is presented	Changes in fair value of hedging instrument used for calculating hedge ineffectiveness	Ineffectiveness recognised in profit or loss	Line item in which hedge ineffectiveness is presented in profit or loss
Interest rate risk	**5 018**	**14**	**(24)**		**65**	**–**	
Interest rate swaps	**5 018**	**14**	**(24)**	**Financial Asset-Derivative/ Financial Liability-Derivative**	**65**	**–**	**Net fair value gains on financial assets at fair value through profit or loss**

Refer to note 3.13.4 for a detailed description of the derivative financial instruments listed above.

Group R million Interest rate risk	Year ended 30 June 2024 Changes in the value of the hedging instrument recognised in other comprehensive income	Amount reclassified from the cash flow hedge reserve to profit or loss	Line item in which the reclassified amount is presented in profit or loss	Carrying amount of the hedged item Assets	 Liabilities	Changes in fair value of hedging instrument used for calculating hedge ineffectiveness	Cash flow hedge reserve
Interest rate risk	**(65)**	**4**		**–**	**5 062**	**(45)**	**(20)**
Interest rate swaps	**(65)**	**4**	**Cash flow hedges-gains reclassified to profit or loss**	**–**	**5 062**	**(45)**	**(20)**

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.4 DERIVATIVE FINANCIAL INSTRUMENTS *continued*

Year ended 30 June 2023							
		Carrying amount of the hedging instrument					
Group R million Interest rate risk	Notional amount of the hedging instrument	Assets	Liabilities	Line item in the Statement of financial position where the hedging instrument is presented	Changes in fair value of hedging instrument used for calculating hedge ineffectiveness	Ineffectiveness recognised in profit or loss	Line item in which hedge ineffectiveness is presented in profit or loss
Interest rate risk	4 518	59	(1)		(76)	–	
Interest rate swaps	4 518	59	(1)	Financial Asset-Derivative/ Financial Liability-Derivative	(76)	–	Net fair value gains on financial assets at fair value through profit or loss

Refer to note 3.13.4 for a detailed description of the derivative financial instruments listed above.

Year ended 30 June 2023							
				Carrying amount of the hedged item			
Group R million Interest rate risk	Changes in the value of the hedging instrument recognised in other comprehensive income	Amount reclassified from the cash flow hedge reserve to profit or loss	Line item in which the reclassified amount is presented in profit or loss	Assets	Liabilities	Changes in fair value of hedged item used for calculating hedge ineffectiveness	Cash flow hedge reserve
Interest rate risk[1]	76	4		–	(4 569)	63	41
Interest rate swaps	76	4	Cash flow hedges-gains reclassified to profit or loss	–	(4 569)	63	41

1 *The interest rate risk derivatives have been reclassified to the 'Cash flow hedges – gains reclassified to profit or loss' line item in the Statement of other comprehensive income (SOCI).*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.5 EXPECTED CREDIT LOSS RECONCILIATION

For the accounting policies relevant to the recognition and measurement of expected credit losses refer to Annexure B policy 8.1.2

		General Model			Simplified model		
R million	Notes	**Stage 1 (12-month ECL)**	**Stage 2 (Lifetime ECL)**	**Stage 3 (Lifetime ECL/credit impaired)**	**Not Credit impaired**	**90 days past due/ credit impaired**	**Total**
Year ended 30 June 2024							
Balance at beginning of the year		**49**	**3**	**257**	**81**	**39**	**429**
Acquisition/(disposal) of business		**–**	**25**	**25**	**–**	**(50)**	**–**
Increase in ECL		**2**	**2**	**69**	**3**	**67**	**143**
Amounts utilised during the year		**(44)**	**–**	**–**	**(78)**	**(26)**	**(148)**
Balance end of the year	5.8	**7**	**30**	**351**	**6**	**30**	**424**
Year ended 30 June 2023 Restated[1]							
Balance at beginning of the year		50	10	228	80	43	411
Increase in ECL		(1)	(7)	29	–	5	26
Amounts utilised during the year		–	–	–	–	(10)	(10)
Translation difference		–	–	–	1	1	2
Balance end of the year	5.8	49	3	257	81	39	429

1 *The comparative information has been for the initial adoption of IFRS 17 and restatements due to correction of prior period errors. Refer to note 7.3 for more detail.*

3.6 CASH AND CASH EQUIVALENTS

For the accounting policies relevant to the recognition and measurement of Cash and cash equivalents, refer to Annexure B policies 8.1.2 and 10.

R million	**Group 2024**	Restated[2] Group 2023
Cash at bank and in hand	**13 609**	14 663
Short-term deposits	**2 264**	1 247
Money market investments	**2 667**	2 922
Cash and cash equivalents excluding mandatory reserve deposits with central banks	**18 540**	18 832
Mandatory reserve deposits with central bank[1]	**431**	339
Total cash and cash balances with central banks	**18 971**	19 171

1 *Banks are required to deposit a minimum average balance, calculated monthly, with the central bank, which is available for use by the group subject to certain restrictions and limitations determined by the central bank in South Africa. These deposits bear no interest.*
2 *The comparative information has been for the initial adoption of IFRS 17 and restatements due to correction of prior period errors. Refer to note 7.3 for more detail.*

The fair value of cash and cash equivalents approximates the carrying amount due to the relatively short-term nature of the instrument.

To meet the requirements for cash equivalents, as outlined in Annexure B, Policy 10 Cash and Cash Equivalents, Discovery conducts assessments of its money market investments. These investments will only be classified as cash equivalents if they meet the following criteria:
(1) The purpose of the investment is to fulfil short-term cash commitments
(2) The instrument demonstrates high credit quality within the relevant jurisdiction, as indicated by its credit rating
(3) The primary objective of the investment is to protect capital and provide liquidity
(4) The investment can be readily converted into known amounts of cash, similar to bank balances
(5) The fund is invested solely in interest-bearing instruments, similar to deposits, with institutions of high credit quality.

Additionally, the investment must not introduce speculative grade or equity-type risks and exposures. This can be demonstrated by the yield returns relative to other deposit-type investments within the same jurisdiction.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.7 BORROWINGS AT AMORTISED COST

For the accounting policies relevant to the recognition and measurement of Borrowings, refer to Annexure B policies 14 and 21.1.

R million	Notes	Group 2024	Group 2023
Borrowings from banks	3.7.1	**17 511**	16 328
Lease liabilities	3.7.2	**4 145**	4 225
Bank overdraft		**6**	33
Balance at end of the year		**21 662**	20 586
Current		**2 988**	2 490
Non-current		**18 674**	18 096
Balance at end of the year		**21 662**	20 586

For variable rate loans the carrying amount approximates the fair value because the variable rate is set on market related terms. For fixed rate loans, the fair value is R6 080 million (2023: R4 806 million) relative to the carrying value of R6 189 million (2023: R4 827 million).

3.7.1 Borrowings from Banks

MOVEMENT ANALYSIS OF BORROWINGS

R million	Group 2024	Group 2023
Balance at beginning of the year	**16 328**	16 308
Loans raised[1]	**3 400**	7 450
Loans repaid[1]	**(2 110)**	(8 038)
Interest accrued	**1 574**	1 335
Interest paid	**(1 545)**	(1 335)
Raising fees capitalised	**5**	(8)
Translation differences	**(141)**	616
Balance at end of the year	**17 511**	16 328

1 *During the current financial year, the R1 400 million loan facility held in Discovery Central Services was restructured. In terms of IFRS 9 Financial Instruments, the restructure was assessed as a substantial modification and therefore the original loan was extinguished and a new loan was recognised. Accordingly, loans raised and loans repaid include R1 400 million without any impact on cash flows.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.7 BORROWINGS AT AMORTISED COST *continued*

3.7.1 Borrowings from Banks *continued*

3.7.1.1 SA BORROWING FACILITIES

DISCOVERY LIMITED

Facility amount R million	Variable rate	Interest per annum	Capital repayment and maturity date	Carrying value R million Group 2024	Carrying value R million Group 2023
Listed DMTN[4]					
500	3-month Jibar + 205bps	4.25%[1,3]	At maturity – 21 August 2023	**–**	505
200	–	10.46%[2]	At maturity – 21 November 2024	**202**	202
800	3-month Jibar + 191bps	8.40%[1,3]	At maturity – 21 November 2024	**809**	808
1 200	3-month Jibar + 191bps	7.30%[1,3]	At maturity – 21 November 2024	**1 215**	1 218
700	3-month Jibar + 180bps	8.49%[1,3]	At maturity – 21 August 2026	**707**	707
300	3-month Jibar + 180bps	7.60%[1,3]	At maturity – 21 August 2026	**304**	304
792	3-month Jibar + 173bps	7.98%[1,3]	At maturity – 21 May 2027	**800**	799
226	3-month Jibar + 180bps	7.98%[1,3]	At maturity – 21 May 2029	**228**	228
576	3-month Jibar + 140bps	–[3]	At maturity – 21 November 2027	**582**	–
924	3-month Jibar + 159bps	–[3]	At maturity – 21 November 2029	**935**	–
Unlisted DMTN[5]					
2 500	–	9.62%[3]	At maturity – 22 February 2025	**2 525**	2 522
1 650	–	9.55%[3]	At maturity – 10 March 2026	**1 659**	1 658
Other					
1 000	3-month Jibar + 190bps	8.38%[1,3]	At maturity – 2 March 2028	**999**	997
500	3-month Jibar + 190bps	–[3]	At maturity – 2 March 2028	**499**	–
Total Discovery Limited Borrowings				**11 464**	9 948

1 *The interest rate has been fixed through interest rate swaps.*
2 *Interest is payable semi-annually in arrears.*
3 *Interest payable quarterly in arrears.*
4 *DMTN refers to the R10 billion Discovery Domestic Medium Term Note (DMTN) program registered in 2017.*
5 *During the financial year ended 30 June 2020, Discovery Limited refinanced R3.6 billion bank syndicated loans through the issue of unlisted DMTN notes. The notes, although underwritten by a bank until maturity, are structured to enable short-term issuances into the commercial paper market on an ongoing basis.*

DISCOVERY CENTRAL SERVICES

Facility amount R million	Interest rate per annum	Capital repayment and maturity date	Carrying value R million Group 2024	Carrying value R million Group 2023
1 400	9.97%[1,2]	At maturity – 20 December 2028	**1 407**	1 408
650	11.56%[3]	At maturity – 29 October 2027	**396**	445
691	3-month Jibar + 190bps[1]	At maturity – 30 June 2027	**695**	694
1 500	3-month Jibar + 145bps[1]	At maturity – 8 June 2024	**–**	151
750	Prime rate less 145bps[4]	At maturity – 364-day notice	**–**	–
Total Discovery Central Services Borrowings			**2 498**	2 698

1 *Interest payable quarterly in arrears.*
2 *The interest rate on the facility has changed from a floating interest rate of 3-month Jibar + 205bps to a fixed interest rate of 9.97% due to refinancing of the loan during the current financial year.*
3 *Instalments of interest and capital is monthly.*
4 *The revolving credit facility is a committed 364-day notice facility granted in November 2023. A commitment fee of 0.60% per annum is paid monthly in arrears on the undrawn portion. This facility was not drawn down during the financial year. Subsequent to year-end, the facility was reduced to R500 million.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.7 BORROWINGS AT AMORTISED COST *continued*

3.7.1 Borrowings from Banks *continued*

3.7.1.2 UK BORROWING FACILITIES

UK BORROWINGS

Facility amount GBP million	Variable rate	Capital repayment and maturity date	Carrying value million Group 2024 GBP	R	Group 2023 GBP	R
25	SONIA + 275bps[1]	At maturity – 23 December 2025	**25**	**589**	25	597
75	SONIA + 300bps[1]	At maturity – 21 December 2025	**74**	**1 714**	75	1 793
55	SONIA + 285bps[1]	At maturity – 12 December 2025	**54**	**1 246**	54	1 292
			153	**3 549**	154	3 682

1 Interest payable quarterly in arrears.

3.7.2 Leases

MOVEMENT ANALYSIS OF LEASES

R million	Group 2024	Group 2023
Balance at beginning of the year	**4 225**	4 120
New leases entered into	**183**	260
Lease incentive payment received	**–**	58
Interest accrued	**433**	432
Repayments	**(675)**	(627)
Modifications	**(1)**	(81)
Translation differences	**(20)**	63
Balance at end of the year	**4 145**	4 225

Total payments for leases for the year is R797 million (2023: R924 million).

During the 2018 financial year Discovery took occupation of a new head office building under a lease. A lease liability and related asset (refer to note 5.5) of R3 155 million was raised. At year end, R3 246 million (2023: R3 326 million) remained outstanding. Finance charges of R356 million (2023: R361 million) have been recognised in profit or loss and repayments of R436 million (2023: R408 million) have been made.

3.8 INVESTMENT CONTRACTS AT FAIR VALUE THROUGH PROFIT OR LOSS

R million	Group 2024	Restated[2] Group 2023
The movements during the year were as follows:		
Balance at beginning of the year	**28 903**	28 955
Deposits received	**6 888**	6 311
Account balances paid on withdrawal and other terminations in the year	**(12 054)**	(11 489)
Fair value adjustment	**2 142**	3 099
Translation difference	**(169)**	**2 027**
Balance at end of the year	**25 710**	28 903
Current[1]	**25 710**	28 903

1 There is no maturity profile for these liabilities as this will depend on policyholder behaviour. Contractually, policyholders may disinvest on demand.
2 The comparative information has been restated. Refer to note 7.3.

The benefits offered under the Group's unit-linked investment contracts are based on the return of selected equities, debt securities and money market securities. The Group communicates the actual performance of these contracts to its contract holders.

Investment contracts at fair value through profit or loss are exactly matched with related assets and managed collectively as a pool. Discovery's credit risk is not reflected in the measurement of the assets or consequently the liability, which is measured with reference to the underlying assets. Own credit risk has been assessed and determined to be immaterial.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.9 OTHER FINANCIAL PAYABLES AT AMORTISED COST

R million	Group 2024	Restated Group 2023[1]
Commissions payable	**476**	322
Consolidated unit trust payables	**693**	482
Expired hedge payables	**3**	3
Intermediary payables	**38**	88
Payables and accrued liabilities	**3 188**	3 866
Payroll creditors	**1 068**	1 097
Policyholder unallocated funds	**1 214**	1 532
Security deposits on derivatives	**–**	39
Unsettled trades	**125**	190
Other financial payables	**1 202**	949
Balance at end of the year	**8 007**	8 568
Current	**7 880**	8 196
Non-current	**127**	372
Total other payables	**8 007**	8 568

1 The comparative information has been restated for the initial adoption of IFRS 17 and restatements due to correction of prior period errors. Refer to note 7.3 for more detail.

3.10 DEPOSITS FROM CUSTOMERS

For the accounting policies relevant to the recognition and measurement of Deposits from customers, refer to Annexure B policy 14.

R million	Group 2024	Group 2023
Term deposits from customers – fixed rates	**3 219**	3 434
Term deposits from customers – variable rates	**4 608**	3 232
On demand deposits from customers – non-rate sensitive	**601**	394
On demand deposits from customers – variable rate	**10 039**	7 273
Total customer deposits	**18 467**	14 333

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.11 NET FAIR VALUE GAINS/(LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

R million	Group 2024	Restated Group 2023[1]
Investment income	**4 430**	3 845
– interest	**3 780**	3 117
– dividends	**650**	728
Net fair value gains	**9 678**	11 263
Mutual fund distributions	**2 137**	2 124
Total	**16 245**	17 232

1 The comparative information has been restated for the initial adoption of IFRS 17 Refer to note 7.3 for more detail.

3.12 INTEREST EXPENSE ON BORROWINGS AND LEASE LIABILITIES

For the accounting policies relevant to the recognition and measurement of Borrowings, refer to Annexure B policies 14 and 23.

R million	Group 2024	Restated Group 2023[1]
Finance costs		
Reclassified from other comprehensive income	**–**	4
Cash flow hedge recycled to other comprehensive income	**4**	–
Interest expense on:		
– Borrowings measured at amortised cost using the effective interest method	**1 573**	1 415
– Lease liability (IFRS 16)	**433**	432
– Interest on other payables using the effective interest rate method	**4**	49
– Other	**22**	19
Total	**2 036**	1 919

1 The comparative information has been restated for the initial adoption of IFRS 17 and restatements due to correction of prior period errors. Refer to note 7.3 for more detail.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.13 MANAGEMENT OF FINANCIAL RISK

Discovery's activities expose it to a variety of financial risks. Financial risks include market risk, credit risk and liquidity risk.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and investment return. Market risk that could impact future cash flows and hence the value of a financial instrument arises from:

- *Equity price risk:* The impact of changes in equity prices and dividend income.
- *Interest rate risk:* The impact of changes in market interest rates.
- *Currency risk*: The impact of changes in foreign exchange rates.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Liquidity risk is the risk that Discovery will encounter difficulty in meeting obligations associated with financial liabilities due to insufficient cash or other financial assets being available to meet commitments as and when they become due.

Financial risks are managed by Discovery as follows:

- Reputable external asset managers have been appointed to manage its investments.
- The Actuarial Committee reviews the overall matching of shareholder and policyholder assets to their respective liabilities.
- The Capital, Currency, and Investment Committee (CCIC) is a sub-committee of the Group Executive Committee and meets quarterly to focus on shareholder assets and the performance of asset managers responsible for managing these assets. The CCIC also sets exposure limits for exposures to individual counterparties.
- External consultants are periodically engaged to review past investment decisions.
- The Investment Committee is a sub-committee of the CCIC and meets monthly to make operational decisions regarding Discovery's liquidity and foreign currency exposure.

Discovery's approach in monitoring credit risk

Discovery's credit risk rating systems and processes differentiate and quantify credit risk across counterparties and asset classes. Discovery uses different credit rating approaches to monitor credit risk dependent on the financial assets. For financial assets with externally rated ratings, for example, Moody's, the external rating is always used. For non-Moody's-rated instruments, the following approaches will apply:

RATING SCALES FOR FUNDS

A credit rating, which is a ranking of creditworthiness, is allocated to the obligor. Where external ratings are unavailable, internal rating assessments are conducted through analysis of the latest financial and other relevant information, in a consistent and systematic manner. Where external ratings are available, the standard rating classifications used by the external rating agencies have been applied and mapped to the internal categories per the Group's internal rating scale. The internal rating scale is based on internal definitions and influenced by definitions published by the external ratings agency, Moody's. Where applicable, internal ratings are mapped to equivalent external Moody's rating scales.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.13 MANAGEMENT OF FINANCIAL RISK *continued*

Discovery's approach in monitoring credit risk *continued*

The Group's Internal Rating Scale categories for disclosure purposes are defined below:

Group internal grading for disclosures	Moody's Investors Service equivalent of internal rating	S&P Global Ratings equivalent of internal rating	Discovery internal risk weighting (RW) grading for internal credit risk assessment[1]
Investment grade			
Grade Aaa	Aaa	AAA	RW1
Grades Aa1, Aa2, Aa3	Aa1, Aa2, Aa3	AA+, AA, AA-	RW2-RW4
Grades A1, A2, A3	A1, A2, A3	A+,A,A-	RW5-RW7
Grades Baa1, Baa2, Baa3	Baa, Baa1, Baa2, Baa3	BBB+,BBB,BBB-	RW8-RW10
Sub-investment grade			
Grades Ba1, Ba2, Ba3	Ba1, Ba2, Ba3	BB+, BB, BB-	RW11-RW14
Grades B1, B2, B3	B1, B2, B3	B+, B, B-	RW15-RW19
Grades Caa1, Caa2, Caa3	Caa1, Caa2, Caa3	CCC+, CCC, CCC-	RW20-RW23
Grades Ca1, Ca2, Ca3	Ca1, Ca2, Ca3	CC	RW24
Default			
Grade C	C	RD	RW25

1 Discovery utilises an internal risk weighting (RW) scale, calibrated to external rating agencies to develop internal credit ratings for financial guarantee contracts and its internal borrowings amongst Discovery Group entities. It is a 25-point rating scale. The ratings are mapped to their probability of default, which is then calibrated to a similar range of S&P Global Ratings and Moody's Investors Service ratings.

Where a short-term rating is unavailable, for example, short-term cash deposits, Discovery includes, for the purpose of credit risk disclosures the financial instrument as per the respective entity's long-term credit rating. Discovery's internal grading for disclosures aligns with Moody's Investors Service definitions of their respective ratings as follows:

Investment grade	Aaa	Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.
	Aa	Obligations rated Aa are judged to be of the highest quality, subject to the lowest level of credit risk.
	A	Obligations rated A are judged to be upper-medium grade and are subject to low credit risk.
	Baa	Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.
Sub-investment grade	Ba	Obligations rated Ba are judged to be speculative and are subject to substantial credit risk.
	B	Obligations rated B are considered speculative, and are subject to high credit risk.
	Caa	Obligations rated Caa are judged to be speculative of poor standing and are subject to very high credit risk.
	Ca	Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
Default	C	Obligations rated C are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.

A numerical modifier may be added to each generic rating classification. Each modifier indicates the following:

- The modifier 1 indicates that the obligation ranks at the higher end of its generic rating category
- The modifier 2 indicates a mid-range ranking; and
- The modifier 3 indicates a ranking in the lower end of that generic rating category.

POOLED FUNDS

The Group invests in funds through which it is also exposed to the credit risk of the underlying assets in which the funds are invested. The Group's exposure to risk is classified at fund level and not at the underlying asset level. Although funds are not rated, fund managers are required to invest in credit assets within the defined parameters stipulated in the fund's mandate. These rules limit the extent to which fund managers can invest in unlisted and/or unrated credit assets and generally restrict funds to the acquisition of local currency investment-grade assets.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.13 MANAGEMENT OF FINANCIAL RISK *continued*

Discovery's approach in monitoring credit risk *continued*

DISCOVERY BANK

Loans and advances to customers are categorised according to Discovery Bank's own internally developed credit models. The Discovery Bank model uses a 10-point Discovery Risk Grade classification, with each point being in two decrements to further distinguish risk. The following table summarises how Discovery Bank classifies its loans:

Discovery Risk Category	Discovery Risk Grades	Risk of default assessment
Exceptionally low risk	DRG1 – DRG2	Less than 0.4%
Low risk	DRG3 – DRG5	Less than 1.5%
Medium risk	DRG5 – DRG8	Less than 6%
High risk	DRG8 – DRG9	Less than 24%
Very high risk	DRG10	More than 24%

Categorisation of business in the analysis of financial risk

To assist in the analysis of the financial risks that Discovery and its policyholders are exposed to, the Statement of financial position has been divided into five categories based on the nature of the products provided by Discovery and the nature of the financial assets held to back the policyholder liabilities.

- **Unit-linked investment contracts:** this category relates to contracts issued by Discovery where there is a direct relationship between the returns earned on the underlying portfolio and the returns credited to the contract. Discovery holds the assets on which the unit prices are based, and as a result, there is no mismatch. The market risk (including equity price, interest rate and currency risk) as well as the credit risk for these contracts are therefore borne by the policyholder and not the Discovery shareholders.
- **Unit-linked insurance contracts:** this category relates to insurance contracts issued by Discovery that have a component that is linked to the units of an underlying portfolio. For this component, Discovery holds the assets on which the unit prices are based. However, the gross unit liabilities are reduced by the present value of future charges less the present value of future expenses and risk claims. Under IFRS, the unit-linked component is not accounted for separately from the host insurance contract. These contracts expose both Discovery shareholders and policyholders to financial risks.
- **Insurance contracts:** this category relates to insurance contracts issued by Discovery which Discovery funds with a portfolio of matching assets, exposing the Discovery shareholders to financial risk. The financial assets in this category include those financial assets held within specific portfolios matched to specific liabilities, for example claims reserves and liabilities for incurred claims.
- **Shareholder financial assets and liabilities:** this category includes the financial assets and financial liabilities that expose Discovery shareholders to financial risks, including financial assets and cash backing insurance reserves and statutory capital. This category includes those financial assets that are not held in specific portfolios matched to insurance-related liabilities.
- **Shareholder non-financial assets and liabilities:** No financial risk disclosures are required for these items.

The financial assets at fair value in each of these categories are sub-categorised into a second tier of classification, namely:

- Equity portfolios
- Debt portfolios
- Money market portfolios
- Multi-asset portfolios

In applying the definitions below, reliance is placed on the classifications made by asset managers.

Directors' responsibility statement | Group Chief Executive and Group Chief Financial Officer's internal financial control responsibility statement | Certificate by the Company Secretary | Report of the Discovery Limited Audit Committee | Independent auditors' report | Directors' report | Group statement of financial position | Group income statement | Group statement of other comprehensive income | Group statement of cash flows | Group statement of changes in equity | Notes to the Group annual financial statements | Company Annual Financial Statements | Annexures | Glossary

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.13 MANAGEMENT OF FINANCIAL RISK *continued*

Equity portfolios

The following have been defined as equity portfolios:

- Portfolios that invest a minimum of circa 75% of the market value of the portfolio in equities and generally seek maximum capital appreciation as their primary goal. These portfolios invest in selected shares across the range of large, mid, and smaller-cap shares. While the managers of these portfolios may subscribe to different investment styles or approaches, their intent is to produce a risk/return profile that is comparable with the risk/return profile of the overall equities market. The portfolios in this category offer medium to long-term capital growth as their primary investment objective.
- Investments or portfolios of equity-linked notes.

Debt (interest-bearing) portfolios

Interest-bearing portfolios are portfolios that invest exclusively in bonds, money market investments and other interest earning securities. These portfolios may not include equity securities, real estate securities or cumulative preference shares.

In addition to the above, inflation-linked bonds have been defined as debt portfolios. Inflation-linked bonds are essentially loans where the principal and interest payments are contractually linked to an inflation measure.

Money market portfolios

Money market portfolios are portfolios that seek to maximise interest income, preserve the portfolio's capital, and provide immediate liquidity. This is achieved by investing in money market instruments with a maturity of less than 13 months, while the average duration of the underlying assets may not exceed 90 days and a weighted average legal maturity of 120 days. The portfolios are typically characterised as short term, highly liquid vehicles.

Multi-asset portfolios

Multi-asset portfolios are portfolios that invest in a wide spread of investments in the equity, bond, money, and property markets to maximise total returns, comprising capital and income growth over the long term. These portfolios do not fall within the thresholds that have been determined for the equity portfolios or the debt portfolios.

The following tables reconcile the Group statement of financial position to the classes of risks and the categories listed on the previous pages.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.13 MANAGEMENT OF FINANCIAL RISK *continued*

The comparative information has been for the initial adoption of IFRS 17 and restatements due to correction of prior period errors. Refer to note 7.3 for more detail. In particular the following key changes should be noted:

- The adoption of IFRS 17 resulted in some contracts no longer meeting the requirements to be classified as Insurance contracts. Instead, these contracts are now classified as investment contracts.
- The change of specified investments now classified as cash and cash equivalents.
- Presenting third-party interest in consolidated funds separately.

Group R million	Total	Unit-linked investment contracts	Unit-linked insurance contracts	Insurance contracts	Shareholder Financial assets and liabilities	Shareholder Other assets and liabilities
30 June 2024						
Assets arising from insurance contracts issued	41 816	–	–	41 816	–	–
Assets arising from reinsurance contracts held	837	–	–	837	–	–
Loans and advances to customers at amortised cost	6 028	–	–	–	6 028	–
Investments at amortised cost:						
Unlisted:						
– Debt	8 194	–	–	–	8 194	–
– Fixed deposits	2 906	–	–	–	2 906	–
Financial instruments mandatorily at fair value through profit or loss:						
Listed:						
– Equity portfolios	52 145	23 815	27 896	149	285	–
– Debt portfolios	46 543	13 059	14 412	17 833	1 239	–
– Money market portfolios	2 609	698	695	511	705	–
– Multi-asset portfolios	42 536	16 813	25 373	121	229	–
Unlisted:						
– Equity portfolios	8 105	405	7 628	–	72	–
– Debt portfolios	556	–	–	22	534	–
– Money market portfolios	13 177	1 025	1 650	8 910	1 592	–
Derivative financial instruments at fair value:						
– used as cash flow hedges	14	–	–	–	14	–
– not designated as hedging instruments	29	–	1	1	27	–
Receivables:						
– Contract receivables	1 350	–	–	–	1 350	–
– Other receivables	5 379	516	663	12	2 510	1 678
Cash and cash equivalents	18 971	1 616	2 381	820	14 154	–
Other non-financial assets	32 916	–	–	–	–	32 916
Total assets	**284 111**	**57 947**	**80 699**	**71 032**	**39 839**	**34 594**
Liabilities arising from insurance contracts issued	105 070	–	73 719	31 351	–	–
Liabilities arising from reinsurance contracts held	5 396	–	–	5 396	–	–
Borrowings at amortised cost	21 662	2	4	–	21 656	–
Deposits from customers	18 467	–	–	–	18 467	–
Other payables	8 007	777	787	476	5 967	–
Investment contracts at fair value through profit or loss	25 710	25 710	–	–	–	–
Third-party interest in consolidated funds	31 456	31 456	–	–	–	–
Derivative financial instruments at fair value:						
– used as cash flow hedges	24	–	–	–	24	–
– not designated as hedging instruments	7	2	2	–	3	–
Other non-financial liabilities	10 593	–	–	–	–	10 593
Total liabilities	**226 392**	**57 947**	**74 512**	**37 223**	**46 117**	**10 593**

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.13 MANAGEMENT OF FINANCIAL RISK *continued*

Group R million	Total	Unit-linked investment contracts	Unit-linked insurance contracts	Insurance contracts	Shareholder Financial assets and liabilities	Shareholder Other assets and liabilities
30 June 2023						
Assets arising from insurance contracts issued	33 624	–	–	33 624	–	–
Assets arising from reinsurance contracts held	604	–	–	604	–	–
Loans and advances to customers at amortised cost	4 702	–	–	–	4 702	–
Investments at amortised cost:						
Unlisted:						
– Debt	6 856	–	–	–	6 856	–
– Fixed deposits	3 054	–	–	–	3 054	–
Financial instruments mandatorily at fair value through profit or loss:						
Listed:						
– Equity portfolios	50 204	26 520	23 149	335	200	–
– Debt portfolios	42 172	10 506	16 768	13 510	1 388	–
– Money market portfolios	9 082	1 690	2 879	3 677	836	–
– Multi-asset portfolios	33 535	13 515	19 679	245	96	–
Unlisted:						
– Equity portfolios	6 321	859	5 412	–	50	–
– Debt portfolios	401	263	–	–	138	–
– Money market portfolios	10 663	1 068	1 874	6 382	1 339	–
– Multi-asset portfolios	137	137	–	–	–	–
Derivative financial instruments at fair value:						
– used as cash flow hedges	59	–	–	–	59	–
– not designated as hedging instruments	60	–	–	–	60	–
Receivables:						
– Contract receivables	1 268	–	–	–	1 268	–
– Other receivables	4 416	695	428	40	1 842	1 411
Cash and cash equivalents	19 171	2 561	2 799	639	13 172	–
Other non-financial assets	32 410	–	–	–	–	32 410
Total assets	258 739	57 814	72 988	59 056	35 060	33 821
Liabilities arising from insurance contracts	94 660	–	66 308	28 352	–	–
Liabilities arising from reinsurance contracts	4 819	–	–	4 819	–	–
Deposits from customers	14 333	–	–	–	14 333	–
Borrowings at amortised cost	20 586	11	21	1	20 553	–
Other financial payables at amortised cost	8 568	545	1 110	651	6 262	–
Investment contracts at fair value through profit or loss	28 903	28 903	–	–	–	–
Third-party interest in consolidated funds	28 346	28 346	–	–	–	–
Derivative financial instruments at fair value:						
– used as cash flow hedges	1	–	–	–	1	–
– not designated as hedging instruments	19	1	2	–	16	–
Other non-financial liabilities	8 780	–	–	–	–	8 780
Total liabilities	209 015	57 806	67 441	33 823	41 165	8 780

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.13 MANAGEMENT OF FINANCIAL RISK *continued*

The financial risks associated with each category are discussed below.

3.13.1 Unit-linked investment contracts

Unit-linked investment contracts relate to contracts where there is a direct relationship between the returns earned on the underlying portfolio and the returns credited to the contract.

R million	Investments held at risk of policyholders Group 2024	Investments held at risk of policyholders Group 2023
Financial instruments mandatorily at fair value through profit or loss:		
Listed:		
– Equity portfolios	**23 815**	26 520
– Debt portfolios	**13 059**	10 506
– Money market portfolios	**698**	1 690
– Multi-asset portfolios	**16 813**	13 515
Unlisted:		
– Equity portfolios	**405**	859
– Debt portfolios	**–**	263
– Money market portfolios	**1 025**	1 068
– Multi-asset portfolios	**–**	137
Receivables:		
– Other receivables at amortised cost	**516**	695
Cash and cash equivalents	**1 616**	2 561
Total assets	**57 947**	57 814
Borrowings at amortised cost	**2**	11
Other payables	**777**	545
Investment contracts at fair value through profit or loss	**25 710**	28 903
Third-party interest in consolidated funds	**31 456**	28 346
Derivative financial instruments at fair value:		
– not designated as hedging instruments	**2**	1
Total liabilities	**57 947**	57 806

3.13.1.1 MARKET RISK

EQUITY AND INTEREST RATE RISK

Discovery's primary exposure to market risk from these contracts is the volatility in asset management fees earned by Discovery, due to the impact of interest rate, equity price and currency movements on the fair value of the assets held in the linked funds, on which the investment management fees are based. An increase of 10% in the value of the assets would increase the asset management fees by R77 million per annum (2023: R78 million). A decrease of 10% in the value of the assets would reduce the asset management fees by R77 million per annum (2023: R78 million).

In respect of IFRS-defined investment management contracts, there may be an associated asset for the costs of obtaining contracts. There is a risk that in the event of adverse market movements, future expected management fees may reduce, and consequently, this asset may not be realised and therefore necessitate impairment. There were no impairments necessary in the current or previous financial year.

CURRENCY RISK

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the UK pound. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. The currency risk is borne by the policyholder.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.13 MANAGEMENT OF FINANCIAL RISK *continued*

The financial risks associated with each category are discussed below.

3.13.1 Unit-linked investment contracts *continued*

3.13.1.2 CREDIT RISK

Credit risk is borne by the policyholder. For the majority of the unit-linked investments, Discovery has invested in mutual funds in order to provide for obligations under unit-linked investment contract liabilities. Each mutual fund has its own legal constitution and operates within a mandate that is delegated to the appointed fund manager. Credit risks assumed within the assets held are controlled by various protection mechanisms within the mandate and in law. Each fund's trustees or board appoints administrators who are responsible for ensuring that the fund's mandate and any internal and legislated control procedures are adhered to. In the event of a breach, they are obligated to bring it immediately to the attention of the fund's trustees or board and the management of the administrators for remedial action.

3.13.1.3 LIQUIDITY RISK

Certain contracts can be surrendered before maturity for a cash surrender value specified in the contractual terms and conditions. This surrender value is equal to or less than the carrying amount of the contract liabilities. If all the contracts with this option were surrendered at the financial year-end, a loss of R1 135 million (2023: R1 034 million) would have been recorded in profit or loss. This loss would result from an impairment to the asset raised for costs of obtaining contracts, but the impact is reduced by the surrender penalties receivable. A maturity analysis based on the earliest contractual repayment date would present 100% (2023: 100%) of the policyholder liabilities due within one year. The assets held to match these policyholder liabilities are realisable in the short term.

3.13.2 Unit-linked insurance contracts

A unit-linked insurance contract is an IFRS-defined insurance contract with a component that is linked to the units of an underlying portfolio.

R million	Investments held at risk of policyholders Group 2024	Group 2023
Financial instruments mandatorily at fair value through profit or loss:		
Listed:		
– Equity portfolios	**27 896**	23 149
– Debt portfolios	**14 412**	16 768
– Money market portfolios	**695**	2 879
– Multi-asset portfolios	**25 373**	19 679
Unlisted:		
– Equity portfolios	**7 628**	5 412
– Money market portfolios	**1 650**	1 874
Derivative financial instruments at fair value:		
– not designated as hedging instruments	**1**	-
Receivables:		
– Other receivables	**663**	428
Cash and cash equivalents	**2 381**	2 799
Total assets	**80 699**	72 988
Liabilities arising from insurance contracts issued	**73 719**	66 308
Borrowings at amortised cost	**4**	21
Other payables	**787**	1 110
Derivative financial instruments at fair value:		
– not designated as hedging instruments	**2**	2
Total liabilities	**74 512**	67 441

3.13.2.1 CREDIT RISK

The credit risk for the unit-linked insurance contracts is similar to the credit risk for the unit-linked investment contracts. Refer to section 3.13.1.2 for details on the exposure to the credit risk.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.13 MANAGEMENT OF FINANCIAL RISK *continued*

3.13.2 Unit-linked insurance contracts *continued*

3.13.2.2 LIQUIDITY RISK

All contracts can be surrendered before maturity for a cash surrender value specified in the contractual terms and conditions. This surrender value is equal to or less than the carrying amount of the contract liabilities. If all the contracts with this option were surrendered at the financial year-end, a loss of R4 305 million (2023: R6 234 million) would have been recorded in profit or loss. This loss results from the impairment of assets arising from insurance contracts relating to these contracts, but the impact is reduced by the surrender penalties receivable.

The assets held to match these policyholder liabilities are highly liquid and are realisable in the short term. A maturity analysis based on the earliest contractual repayment date is as follows:

Group R million	Total	<1 Year	1 – 2 Years	3 – 5 Years
30 June 2024				
Unit-linked insurance contracts	**79 952**	**78 792**	**409**	**751**
30 June 2023				
Unit-linked insurance contracts	74 492	74 085	177	230

3.13.3 Insurance contracts

For insurance contracts, Discovery funds the insurance liabilities with a portfolio of matching assets.

R million	Group 2024	Group 2023
Assets arising from insurance contracts issued	**41 816**	33 624
Assets arising from reinsurance contracts held	**837**	604
Financial instruments mandatorily at fair value through profit or loss:		
Listed:		
– Equity portfolios	**149**	335
– Debt portfolios	**17 833**	13 510
– Money market portfolios	**511**	3 677
– Multi-asset portfolios	**121**	245
Unlisted:		
– Debt portfolios	**22**	–
– Money market portfolios	**8 910**	6 382
Derivative financial instruments at fair value:		
– not designated as hedging instruments	**1**	–
Receivables:		
– Other receivables	**12**	40
Cash and cash equivalents	**820**	639
Total assets	**71 032**	59 056
Liabilities arising from insurance contracts	**31 351**	28 352
Liabilities arising from reinsurance contracts	**5 396**	4 819
Borrowings at amortised cost	**–**	1
Other payables	**476**	651
Total liabilities	**37 223**	33 823

3.13.3.1 MARKET RISK

When calculating the liabilities arising from insurance contracts, an increase or decrease in the investments would result in an increase or decrease in the liability but it may not be an equal rand value movement, resulting in the difference being accrued to the shareholders. Discovery aims to closely match liabilities with appropriate assets and maintains sufficient assets to protect against residual mismatches between assets and liabilities at a 99.5% confidence interval over a one-year time horizon.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.13 MANAGEMENT OF FINANCIAL RISK *continued*

3.13.3 Insurance contracts *continued*

3.13.3.2 CREDIT RISK

Discovery is exposed to credit risk through financial investments comprising money market portfolios and debt portfolios entered into to match policyholders' insurance contract liabilities. Discovery is exposed to the issuer's credit standing on these instruments, which is monitored by the CCIC by setting a minimum credit rating. Discovery has appointed reputable asset managers to manage these instruments.

Group R million	**Total**	**Aaa1 Aaa2 Aaa3**	**Aa1 Aa2 Aa3**	**A1 A2 A3**	**Ba1 Ba2 Ba3**	**Baa1 Baa2 Baa3**	**Govt[1]**	**Not rated**
30 June 2024								
Assets arising from reinsurance contracts held	**837**	**–**	**964**	**34**	**–**	**–**	**–**	**(161)**
Financial instruments mandatorily at fair value through profit or loss:								
Listed:								
– Debt portfolios	**17 833**	**6**	**115**	**2**	**585**	**491**	**16 634**	**–**
– Money market portfolios	**511**	**–**	**41**	**21**	**444**	**5**	**–**	**–**
Unlisted:								
– Debt portfolios	**22**	**–**	**2**	**–**	**18**	**–**	**2**	**–**
– Money market portfolios	**8 910**	**–**	**3 633**	**130**	**3 715**	**1 238**	**194**	**–**
Cash and cash equivalents	**820**	**–**	**3**	**1**	**496**	**320**	**–**	**–**
Total	**28 933**	**6**	**4 758**	**188**	**5 258**	**2 054**	**16 830**	**(161)**
30 June 2023								
Assets arising from reinsurance contracts held	604	–	1 001	–	–	–	–	(397)
Financial instruments mandatorily at fair value through profit or loss:								
Listed:								
– Debt portfolios	13 510	–	28	2	753	–	12 727	–
– Money market portfolios	3 677	–	–	–	3 677	–	–	–
Unlisted:								
– Money market portfolios	6 382	–	372	199	5 811	–	–	–
Cash and cash equivalents	639	–	6	10	623	–	–	–
Total	24 812	–	1 407	211	10 864	–	12 727	(397)

1 These instruments are issued by the South African government.

3.13.3.3 LIQUIDITY RISK

The liquidity risk for assets and liabilities arising from insurance contracts is discussed in the insurance risks in Section 2.4.1 Management of Insurance Risk. The financial investments held at fair value through profit or loss are realisable in the short term.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.13 MANAGEMENT OF FINANCIAL RISK *continued*

3.13.4 Shareholder financial assets and liabilities

The shareholders are exposed to financial risk through the following financial assets and liabilities:

	Investments held at risk of shareholders	
R million	**Group 2024**	Group 2023
Loans and advances to customers at amortised cost	**6 028**	4 702
Investments at amortised cost:		
Unlisted:		
– Debt	**8 194**	6 856
– Fixed deposits	**2 906**	3 054
Financial instruments mandatorily at fair value through profit or loss:		
Listed:		
– Equity portfolios	**285**	200
– Debt portfolios	**1 239**	1 388
– Money market portfolios	**705**	836
– Multi-asset portfolios	**229**	96
Unlisted:		
– Equity portfolios	**72**	50
– Debt portfolios	**534**	138
– Money market portfolios	**1 592**	1 339
Derivative financial instruments at fair value:		
– used as cash flow hedges	**14**	59
– not designated as hedging instruments	**27**	60
Receivables:		
– Contract receivables	**1 350**	1 268
– Other receivables at amortised cost	**2 510**	1 842
Cash and cash equivalents	**14 154**	13 172
Total assets	**39 839**	35 060
Borrowings at amortised cost	**21 656**	20 553
Deposits from customers	**18 467**	14 333
Other payables	**5 967**	6 262
Derivative financial instruments at fair value:		
– used as cash flow hedges	**24**	1
– not designated as hedging instruments	**3**	16
Total liabilities	**46 117**	41 165

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.13 MANAGEMENT OF FINANCIAL RISK *continued*

3.13.4 Shareholder financial assets and liabilities *continued*

3.13.4.1 MARKET RISK

EQUITY PRICE RISK

Investments

Discovery is exposed to equity price risk through its equity investments held that have been classified as investments at fair value through profit or loss (FVTPL) on the Statement of Financial Position. To manage its equity risk arising from investments in Equity portfolios of R357 million (2023: R250 million), the Group diversifies its portfolio and uses experienced asset managers.

For shareholder investments, a reasonable increase of 10% in the equity markets would result in a profit of R42 million before tax (2023: R20 million). A reasonable decrease in the equity markets would result in a loss of R42 million before tax (2023: R20 million). This impact would be recognised in profit or loss and equity. The sensitivity assumes that the equity markets had increased or decreased by 10% with all other variables held constant.

Discovery is also exposed to equity price risk through its cash-settled share incentive schemes, namely the Phantom share scheme and the Acquisition share scheme, the details of which are described in section 4.5. This liability has been included in 'Other payables at amortised cost' in the Statement of financial position. To manage this risk, Discovery has purchased total return equity swaps (TRS) from Baa3 and Ba2 (2023: Ba2 and Ba3) South African banks to hedge a portion of its exposure to changes in the Discovery share price.

With effect from 1 July 2022 the hedges became ineffective. Accordingly, Discovery discontinued hedge accounting under IFRS on these TRSs. Previously accumulated balances in the hedge reserve had been reclassified to profit or loss in the prior financial year.

INTEREST RATE RISK

Sensitivity to changes in interest rates is relevant to financial assets and financial liabilities bearing floating interest rates due to the risk that future cash flows will fluctuate. However, sensitivity will also be relevant to fixed-rated financial assets and financial liabilities that are re-measured to fair value. The table below details the specific interest rate risk that the Group is exposed to:

Group R million	Carrying amount	Fixed	Floating	Non-interest bearing
30 June 2024				
Loans and advances to customers at amortised cost	6 028	–	6028	–
Investments at amortised cost:				
Unlisted:				
– Debt	8 194	7 212	982	–
– Fixed deposits	2 906	2 906	–	–
Financial instruments mandatorily at fair value through profit or loss:				
Listed:				
– Debt portfolios	1 239	1 211	28	–
– Money market portfolios	705	6	699	–
– Multi-asset portfolios	229	–	–	229
Unlisted:				
– Debt portfolios	534	534	*	–
– Money market portfolios	1 592	1 580	12	–
Derivative financial instruments at fair value:				
– used as cash flow hedges	14	14	–	–
– not designated as hedging instruments	27	–	–	27
Receivables:				
– Contract receivables	1 350	–	–	1 350
– Other receivables at amortised cost	2 510	17	500	1 993
Cash and cash equivalents	14 154	535	13 511	108
Total financial assets	**39 482**	**14 015**	**21 760**	**3 707**
Borrowings at amortised cost	21 656	10 334	11 322	–
Deposits from customers	18 467	3 219	14 647	601
Other payables at amortised cost	5 967	–	52	5 915
Derivative financial instruments at fair value:				
– used as cash flow hedges	24	24	–	–
– not designated as hedging instruments	3	–	–	3
Total financial liabilities	**46 117**	**13 577**	**26 021**	**6 519**

* *Amounts less than R500 000.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.13 MANAGEMENT OF FINANCIAL RISK *continued*

3.13.4 Shareholder financial assets and liabilities *continued*

3.13.4.1 MARKET RISK *continued*

Group R million	Carrying amount	Fixed	Floating	Non-interest bearing
30 June 2023				
Loans and advances to customers at amortised cost	4 702	–	4 702	–
Investments at amortised cost:				–
Unlisted:				
– Debt	6 856	6 856	–	–
– Fixed deposits	3 054	2 783	271	–
Financial instruments mandatorily at fair value through profit or loss:				
Listed:				
– Debt portfolios	1 388	1 012	376	–
– Money market portfolios	836	62	774	–
– Multi-asset portfolios	96	–	–	96
Unlisted:				
– Debt portfolios	138	116	22	–
– Money market portfolios	1 339	703	636	–
Derivative financial instruments at fair value:				
– used as cash flow hedges	59	59	–	–
– not designated as hedging instruments	60	–	31	29
Receivables				
– Contract receivables	1 268	–	–	1 268
– Other receivables at amortised cost	1 842	130	385	1 327
Cash and cash equivalents	13 172	2 659	9 753	760
Total financial assets	**34 810**	**14 380**	**16 950**	**3 480**
Borrowings at amortised cost	20 553	9 052	11 501	–
Deposits from customers	14 333	3 434	10 505	394
Other payables at amortised cost	6 262	8	3	6 251
Derivative financial instruments at fair value:				
– used as cash flow hedges	1	1	–	–
– not designated as hedging instruments	16	–	–	16
Total financial liabilities	**41 165**	**12 495**	**22 009**	**6 661**

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.13 MANAGEMENT OF FINANCIAL RISK *continued*

3.13.4 Shareholder financial assets and liabilities *continued*

3.13.4.1 MARKET RISK *continued*

Investments

For shareholder investments with a floating rate at amortised cost, a 1% increase or decrease in the local interest rate would result in an impact on profit or loss (investment income) and equity before tax of R7 million (2023: R2 million). The sensitivity assumes that the interest rate had increased or decreased by 1% with all other variables held constant.

Borrowings at amortised cost and related hedges

For the floating interest rate borrowings at amortised cost, a 1% increase in the local interest rate would result in an impact on profit or loss (finance costs) and equity before tax of R49 million (2023: R67 million). The sensitivity assumes that the interest rate had increased or decreased by 1% with all other variables held constant.

Discovery is exposed to interest rate risk through long-term borrowings held with various financial institutions. Refer to note 3.7 Borrowings at amortised costs, for a breakdown of the borrowings, including details of fixed-rate and floating rate-facilities.

Group R million	Ref	2024 Carrying value	2024 Facility value	2023 Carrying value	2023 Facility value
Interest rate risk from borrowings from banks					
SA borrowings					
Fixed interest rate loan facilities		**6 189**	**6 400**	4 827	4 999
Floating interest rate facilities with floating-to-fixed interest rate swap	i	**5 062**	**5 018**	4 569	4 518
Floating interest rate facilities		**2 711**	**2 691**	3 250	5 341
UK borrowings					
Floating interest rate facilities		**3 549**	**3 576**	3 682	3 080
Total bank borrowings (refer to note 3.7)		**17 511**	**17 685**	16 328	17 938

i. During prior years and in the current financial year, Discovery entered into long-term borrowing facilities at floating interest rates, which expose Discovery to cash flow interest rate risk. This risk has been managed by using floating-to-fixed interest rate swaps. These interest rate swaps have the economic effect of converting the borrowings from floating to fixed rates. Interest is payable quarterly in arrears, with capital repayable on maturity. The hedge ratio is 1:1.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities, and notional amount. As all critical terms matched during the year, there is an economic relationship.

Under the Group's policy, the critical terms of the hedging instrument, such as the settlement dates, maturity dates and notional amount, are matched with the interest rate risk of the hedged item.

Hedge ineffectiveness for interest rate swaps can arise from:

- Day one fair value of the swap;
- Events leading to mismatch in terms; and
- The credit value/debit value adjustment on the interest rate swaps which is not matched by the loan.

The fair value movement of the notional cash flow interest rate hedge accumulated in equity is as follows:

Group R million	2024	2023
Balance at beginning of the year	**(41)**	35
Unrealised gains accumulated in equity	**65**	(76)
Tax on unrealised gains	**–**	–
Recycled to profit or loss during the current year[1]	**(4)**	1
Tax on recycled losses	**–**	(1)
Balance at end of the year	**20**	(41)
The cash flow hedge will be recycled to profit or loss as follows:		
Recycled to profit or loss within one year	**(1)**	(9)
Recycled to profit or loss within two to five years	**21**	(32)
Recycled to profit or loss within six to ten years	**–**	–
	20	(41)

1 Disclosed as finance costs in profit or loss.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.13 MANAGEMENT OF FINANCIAL RISK *continued*

3.13.4 Shareholder financial assets and liabilities *continued*

3.13.4.1 MARKET RISK *continued*

The interest rate swaps held by the Group at 30 June were:

Group R million	2024 Nominal value	2024 Fair value (liability)/ asset	2023 Nominal value	2023 Fair value asset/ (liability)
Maturity date:				
21 August 2023	**–**	**–**	500	5
21 November 2024	**800**	**(1)**	800	1
21 November 2024	**1 200**	**6**	1 200	21
21 August 2026	**300**	**2**	300	7
21 May 2027	**509**	**(1)**	700	(1)
21 May 2027	**509**	**6**	509	9
31 August 2026	**700**	**(9)**	509	16
2 March 2028	**1 000**	**(13)**	–	–
	5 018	**(10)**	4 518	58

Deposits from customers

For the floating interest rate deposits measured at amortised cost a 1% increase or decrease in the local interest rate would result in an impact on profit or loss (finance cost) and equity before tax of R14.6 million (2023: R14.3 million). The sensitivity assumes that the interest rate had increased or decreased by 1% with all other variables held constant.

Group R million	2024 Carrying value	2023 Carrying value
Term deposits from customers – fixed rate	**3 219**	3 434
Term deposits from customers – variable rates	**4 608**	3 232
On demand deposits from customers – non-rate sensitive	**601**	394
On demand deposits from customers – variable rate	**10 039**	7 273
Total customer deposits Discovery Bank	**18 467**	14 333

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.13 MANAGEMENT OF FINANCIAL RISK *continued*

3.13.4 Shareholder financial assets and liabilities *continued*

3.13.4.1 MARKET RISK *continued*

Non-hedge derivative financial instruments

Interest rate swap

VitalityLife has significant exposure to long-term interest rate risk, given the impact of rates on the long-term assumptions applicable to the valuation of insurance contracts.

VitalityLife has previously implemented an interest rate risk mitigation strategy to protect itself against volatility in interest rates by entering into derivative contracts. The introduction of IFRS 17 enabled VitalityLife to use the OCI election to remove the volatility of reported financial performance arising from changes in economic assumptions and present a more reflective performance of the business over the long term. Given this change, several of the VitalityLife swaps were exited shortly before the end of the year ended 30 June 2023. In addition, the swaption purchased in June 2022 was sold in June 2023 as the business is now able to manage any remaining risk within its risk appetite without incurring the ongoing costs of purchasing swaptions. For the year ended 30 June 2023, the net fair value gain on the swaption was £22.1 million (R473 million) and the net fair value gains on the swaps were £2 million (R43 million) gross of tax.

VitalityLife has an exposure to the FTSE Actuaries UK Conventional Gilts over 15 Year Index ("the index") because of products underwritten by The Prudential Assurance Company (PAC) on behalf of VitalityLife. To economically hedge the Vitality UK group's exposure to the index, a number of over-the-counter total return interest rate swap derivatives have been entered into, to provide VitalityLife with the capital depreciation or appreciation and coupon payments on a basket of Gilts designed to closely match that of the index in return for a payment of fixed interest to the counterparty. VitalityLife continues to hold certain interest rate swaps and total returns swaps ("TRS") to manage the interest rate risk on the legacy PAC book of business. These instruments are contracted on the balance sheet of the PAC and, therefore, deemed integral to the underlying insurance contracts entered into under IFRS17, and the valuation movements are treated accordingly.

Refer to note 2.4.4 for sensitivity on the interest rate exposures.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.13 MANAGEMENT OF FINANCIAL RISK *continued*

3.13.4 Shareholder financial assets and liabilities *continued*

3.13.4.1 MARKET RISK *continued*

Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the UK pound. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. The following table segregates the currency exposure by major currency:

Group R million	**Total**	**Rand**	**GBP in UK subsidiary**	**GBP other**	**USD in US subsidiary**	**USD other**	**Other currencies**
30 June 2024							
Loans and advances to customers at amortised cost	6 028	6 028	–	–	–	–	–
Investments at amortised cost:							
Unlisted:							
– Debt	8 194	8 194	–	–	–	–	–
– Fixed deposits	2 906	1 607	1 202	–	–	97	–
Financial instruments mandatorily at fair value through profit or loss:							
Listed:							
– Debt portfolios	1 239	148	1 069	–	–	22	–
– Equity portfolios	285	259	–	1	–	24	1
– Money market portfolios	705	704	–	–	–	1	–
– Multi-asset portfolios	229	68	–	–	–	161	–
Unlisted:							
– Debt portfolios	534	534	–	–	–	–	–
– Equity portfolios	72	72	–	–	–	–	–
– Money market portfolios	1 592	1 592	–	–	–	–	–
Derivative financial instruments at fair value:							
– used as cash flow hedges	14	14	–	–	–	–	–
– not designated as hedging instruments	27	27	–	–	–	–	–
Receivables:							
– Contract receivables	1 350	966	–	–	372	–	12
– Other Receivables	2 510	1 869	371	4	159	88	19
Cash and cash equivalents	14 154	9 038	2 513	618	427	1 342	216
Total financial assets	**39 839**	**31 120**	**5 155**	**623**	**958**	**1 735**	**248**
Borrowings at amortised cost	21 656	17 545	3 914	–	197	–	–
Deposits from customers	18 467	17 865	–	98	–	344	160
Other payables	5 967	3 567	2 054	5	221	83	37
Derivative financial instruments at fair value:							
– used as cash flow hedges	24	24	–	–	–	–	–
– not designated as hedging instrument	3	3	–	–	–	–	–
Total financial liabilities	**46 117**	**39 004**	**5 968**	**103**	**418**	**427**	**197**

** Amounts less than R500 000.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*
3.13 MANAGEMENT OF FINANCIAL RISK *continued*
3.13.4 Shareholder financial assets and liabilities *continued*
3.13.4.1 MARKET RISK *continued*
Currency risk *continued*

Group R million	Total	Rand	GBP in UK subsidiary	GBP other	USD in US subsidiary	USD other	Other currencies
30 June 2023							
Loans and advances to customers at amortised cost	4 702	4 702	–	–	–	–	–
Investments at amortised cost:							
Unlisted:							
– Debt	6 856	6 856	–	–	–	–	–
– Fixed deposits	3 054	1 744	1 205	–	–	105	–
Financial instruments mandatorily at fair value through profit or loss:							
Listed:							
– Equity portfolios	200	118	8	1	–	63	10
– Debt portfolios	1 388	786	583	–	–	16	3
– Money market portfolios	836	830	–	–	–	6	–
– Multi-asset portfolios	96	23	–	–	–	73	–
Unlisted:							
– Equity portfolios	50	50	–	–	–	–	–
– Debt portfolios	138	138	–	–	–	–	–
– Money market portfolios	1 339	1 339	–	–	–	–	–
Derivative financial instruments at fair value:							
– used as cash flow hedges	59	59	–	–	–	–	–
– not designated as hedging instruments	60	57	–	–	–	3	–
Receivables							
– Contract receivables	1 268	913	–	–	348	–	7
– Other Receivables	1 842	1 198	332	3	217	90	2
Cash and cash equivalents	13 172	6 213	4 607	438	380	1 371	163
Total financial assets	35 060	25 026	6 735	442	945	1 727	185
Borrowings at amortised cost	20 553	16 383	3 958	–	212	–	–
Deposits from customers	14 333	13 939	–	88	–	203	103
Other payables	6 262	3 813	2 097	7	161	141	43
Derivative financial instruments at fair value:							
– used as cash flow hedges	1	1	–	–	–	–	–
– not designated as hedging instrument	16	16	–	–	–	–	–
Total financial liabilities	41 165	34 152	6 055	95	373	344	146

Financial assets and financial liabilities in respect of the Group's US and UK subsidiaries are accounted for in their functional currency. Foreign currency movements will be recognised in the foreign currency translation reserve.

The exchange rates at year-end are detailed in the table below (quoted as rand per foreign currency):

	USD	GBP
30 June 2024	**18.26**	**23.07**
30 June 2023	18.87	23.99

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*
3.13 MANAGEMENT OF FINANCIAL RISK *continued*
3.13.4 Shareholder financial assets and liabilities *continued*
3.13.4.1 MARKET RISK *continued*
Currency risk *continued*

SENSITIVITY ANALYSIS

The Group determined that a 10% change is a reasonable expected strengthening or weakening of the US dollar and the UK pound against all other currencies. The impact on profit or loss and equity as at 30 June is shown below. For the purpose of the analysis, the foreign exchange impact of intergroup balances which eliminate on consolidation has been excluded. The effect of translation differences that are recognised separately in other comprehensive income has also been excluded. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Profit or loss		Equity	
R million	Strengthening	Weakening	Strengthening	Weakening
30 June 2024				
USD	**(166)**	**166**	**166**	**(166)**
GBP	**(44)**	**44**	**(44)**	**44**
30 June 2023				
USD	194	(194)	194	(194)
GBP	28	(28)	28	(28)

INVESTMENTS

Discovery has offshore assets in its investment portfolios. These offshore investments are made for the purpose of seeking international diversification. There is a risk to future earnings that the value of these assets reduces due to a strengthening in the rand. Performance of foreign currency assets is benchmarked against the MSCI World Index, an international index that represents large and mid-capitalisation companies across 23 developed market countries. Refer to www.msci.com for further details.

CURRENCY DERIVATIVE CONTRACTS

Discovery manages its foreign exchange risk arising from current and future commercial transactions from its Customer Foreign Currency (CFC) accounts. The funds in this account are received from offshore entities for services rendered in South Africa.

In prior financial years, Discovery entered into various currency derivative contracts with third-party banks to manage its foreign exchange risk. The fair value of these contracts had been included in financial assets and liabilities. (Refer to note 3.4 in section 3).

Discovery entered into these contracts as an economic hedge against foreign currency risk for expenses to be paid in the future. These transactions were not designated as hedges and as a result gains and losses were recognised in profit or loss. The amount recognised in profit or loss for the prior year was a gain of R11 million, with a corresponding derivative asset of R3 million. The notional value of these contracts was USD 2 million.

Currency risk for foreign exchange contracts (FECs) is determined with reference to the designated pricing (settlement) currency of each respective contract. The pricing currency is usually the functional currency of the entity taking out the contract. For the purposes of currency risk, Discovery disclosed FEC contracts using the pricing currency.

BORROWINGS

Discovery has long-term borrowings in the UK, which exposes the Group to currency risk. This risk is managed by aligning the currency exposure to the underlying operational assets for which these borrowings have been raised. The currency risk is mitigated as the cash flows emerging from the underlying assets are in the same currency (GBP) as the interest and capital payments.

DEPOSITS FROM CUSTOMERS

Discovery Bank offers its customers the option to hold deposits in foreign currency of GBP, USD and EUR. These risks are managed by aligning the currency exposure to the underlying assets. Discovery Bank does so by holding deposits in foreign currency of GBP, USD and EUR. The currency risk is therefore matched in a 1:1 ratio to not transfer foreign currency risk to the Group.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.13 MANAGEMENT OF FINANCIAL RISK *continued*

3.13.4 Shareholder financial assets and liabilities *continued*

3.13.4.2 CREDIT RISK

Key areas where Discovery is exposed to credit risk are:

- **Financial investments comprising money market and debt instruments entered into to invest surplus shareholder funds:** Discovery is exposed to the issuer's credit standing on these instruments, which is monitored by the CCIC by setting a minimum credit rating and maximum exposure per issuer. Discovery has appointed reputable asset managers to manage these instruments. Information regarding the aggregated credit risk exposure for debt and money market instruments categorised by credit ratings is provided below.
- **Cash and cash equivalents:** This risk is managed by monitoring exposure to external financial institutions against approved limits per institution. Credit ratings are provided below.
- **Certain accounts within the Statement of Financial Position category of contract receivables and other non-financial receivables.**
- **Reinsurance assets comprising receivables raised for expected recoveries on projected claims (Discovery's liability as primary insurer is not discharged) and amounts due from reinsurers in respect of claims already paid:** This risk is limited as risk premiums are paid monthly to reinsurers and claims can be offset against risk premiums. Further, it is expected that there will be little build-up of actuarial liability on the reinsurers' side. The risk thus mainly arises following a period of higher-than-expected claims. Credit ratings of reinsurers are considered in reinsurance placement decisions. Credit exposure to reinsurers is also limited using several reinsurers. Reinsurance is placed with reputable international companies directly or through their national offices. The reinsurance companies used by Discovery are rated A or higher by A.M. Best, a rating agency with an exclusive insurance industry focus. Refer to www.ambest.com for further detail.
- **Loans and advances to customers at amortised cost**, which arises from credit extended to Discovery Bank customers.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.13 MANAGEMENT OF FINANCIAL RISK *continued*

3.13.4 Shareholder financial assets and liabilities *continued*

3.13.4.2 CREDIT RISK *continued*

The following table details the aggregated credit risk exposure that the Group is exposed to, categorised by the rating scale noted in note 3.13 in section 3 Discovery's approach to monitoring credit risk.

Group R million	Total	Aaa	Aa1 Aa2 Aa3	A1 A2 A3	Baa1 Baa2 Baa3	Ba1 Ba2 Ba3	Govt[1]	Inter- nally rated	Pooled funds
30 June 2024									
Loans and advances to customers at amortised cost	**6 028**	**–**	**–**	**–**	**–**	**–**	**–**	**6 028**	**–**
Investments at amortised cost:									
Unlisted:									
– Debt	**8 194**	**–**	**–**	**–**	**–**	**–**	**8 194**	**–**	**–**
– Fixed deposits	**2 906**	**–**	**79**	**1 299**	**156**	**1 372**	**–**	**–**	**–**
Financial instruments mandatorily at fair value through profit or loss:									
Listed:									
– Debt portfolios	**1 239**	**61**	**198**	**525**	**310**	**38**	**85**	**–**	**22**
– Money market portfolios	**705**	**–**	**7**	**–**	*****	**1**	**–**	**–**	**697**
Unlisted:									
– Debt portfolios	**534**	*****	*****	**–**	**–**	**–**	**533**	**–**	**1**
– Money market portfolios	**1 592**	**–**	**106**	*****	**7**	**1 262**	**217**	**–**	**–**
Derivative financial instruments at fair value:									
– used as cash flow hedges	**14**	**–**	**–**	**–**	**–**	**14**	**–**	**–**	**–**
– not designated as hedging instruments	**26**	**–**	**–**	**–**	**3**	**23**	**–**	**–**	**–**
Cash and cash equivalents	**14 154**	**788**	**1 630**	**2 256**	**2 239**	**3 231**	**4 011**	**–**	**–**
	35 392	**849**	**2 020**	**4 080**	**2 715**	**5 941**	**13 040**	**6 028**	**720**
30 June 2023									
Loans and advances to customers at amortised cost	4 702	–	–	–	–	–	–	4 702	–
Investments at amortised cost:									
Unlisted:									
– Debt	6 856	–	–	–	–	–	6 856	–	–
– Fixed deposits	3 054	–	–	1 300	–	1 744	–	–	10
Financial instruments mandatorily at fair value through profit or loss:									
Listed:									
– Debt portfolios	1 388	–	30	313	243	517	239	–	46
– Money market portfolios	836	–	11	94	–	459	70	–	202
Unlisted:									
– Debt portfolios	138	–	–	–	–	138	–	–	–
– Money market portfolios	1 339	–		–		1 322	17	–	–
Derivative financial instruments at fair value:									
– used as cash flow hedges	59	–	–	–	–	59	–	–	–
– not designated as hedging instruments	60	–	–	–	–	60	–	–	–
Cash and cash equivalents	13 172	725	1 123	1 984	2 404	3 856	3 078	2	–
	31 604	725	1 164	3 691	2 647	8 155	10 260	4 704	258

1 These instruments are issued by the South African government.
** Amounts less than R500 000.*

Financial instruments included in cash and cash equivalents, fixed deposits and treasury bills have high credit quality based on the rating of counterparties and/or have relatively short-term maturities. Impairment based on the expected credit loss approach was assessed and considered immaterial. There are no amounts within these balances which are credit impaired or where there has been a significant increase in credit risk since initial recognition.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.13 MANAGEMENT OF FINANCIAL RISK *continued*

3.13.4 Shareholder financial assets and liabilities *continued*

3.13.4.2 CREDIT RISK *continued*

CREDIT RISK RELATING TO RECEIVABLES

The table below summarises Discovery's shareholder contract receivables and other receivables as at 30 June 2024. This table only relates to shareholder's credit exposure and will therefore not agree to note 5.8.

R million	Notes	Group 2024	Group 2023
Contract receivables:			
– Closed scheme debtors		**130**	120
– Discovery Health Medical Scheme	(i)	**818**	775
– Other contract receivables		**405**	377
– Less allowance for expected credit losses	3.5	**(3)**	(4)
Other loans and receivables:			
– Agents and brokers	(ii)	**683**	492
– Cash-in-transit debtors		**69**	8
– Consolidated unit trust debtors		**6**	2
– Loans to BEE initiatives		**385**	309
– Security deposit on derivatives[1]		**10**	27
– Vitality partner debtors		**212**	171
– Other financial receivables		**1 566**	1 258
– Less allowance for expected credit losses	3.5	**(421)**	(425)
		3 860	3 110

1 *Refer to note 3.13.7 for an explanation of the nature of the security deposit (cash collateral).*

Credit risk relating to receivables is managed as follows:

i. The Discovery Health Medical Scheme (DHMS) has been rated AAA(za) by Global Credit Ratings. The closed schemes have not been rated. Payments by DHMS and the other closed schemes are managed by Discovery and are paid by the seventh of the following month.

ii. Agents and brokers are subject to a comprehensive relationship management programme, including credit assessment. Agents and brokers are not rated by Discovery, as exposure to any single intermediary is insignificant. The widespread nature of the individual amounts combined, with this close management relationship, reduces credit risk. Most commission claw backs are offset against future payments and hence the risk of outstanding commission clawbacks is reduced.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.13 MANAGEMENT OF FINANCIAL RISK *continued*

3.13.4 Shareholder financial assets and liabilities *continued*

3.13.4.2 CREDIT RISK *continued*

Discovery ages and pursues unpaid accounts on a monthly basis. The ageing of the components of receivables as at 30 June was:

Group R million	Gross 2024	Impairment 2024	Gross 2023	Impairment 2023
Not past due (current)	**3 243**	**(74)**	2 819	(88)
30 days	**209**	**(2)**	68	(5)
60 days	**55**	**(3)**	44	(4)
90 days	**17**	**(8)**	24	(2)
120 days	**21**	**(3)**	55	(14)
150 days	**45**	**(5)**	77	(9)
>150 days	**694**	**(329)**	452	(307)
	4 284	**(424)**	3 539	(429)

Discovery establishes an allowance for expected credit losses that represents its estimate of expected losses with respect to receivables that are financial assets. The allowance comprises of a specific loss component that relates to individually significant exposures, and a collective loss component, established for groups of similar assets. The loss allowance is determined based on historical data of payment statistics for similar financial assets, and where available without undue cost or effort, incorporates forward-looking information.

For an analysis of the movement in the allowance for expected credit losses as well as provision for impairment, refer to note 3.5 Financial assets in section 3.

3.13.4.3 LIQUIDITY RISK

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to always meet operational needs so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities (refer to note 3.7). Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and, if applicable, external regulatory or legal requirements – such as capital requirements.

Cash held by the operating entities is managed by Group treasury. Group treasury invests it in interest-bearing accounts, time deposits and money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. For information on the liquidity risk management of contracts with insurance risk, refer to note 2.4.1 Liquidity risk.

Discovery Bank manages its liquidity risk by comparing the credit utilisation and expected future utilisation of committed facilities on its loans and advances against the deposits it holds. Discovery Bank performs normal stresses as well as additional stresses to ensure that it can meet its obligations continuously.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.13 MANAGEMENT OF FINANCIAL RISK *continued*

3.13.4 Shareholder financial assets and liabilities *continued*

3.13.4.3 LIQUIDITY RISK *continued*

The table below examines the Group's financial assets and liabilities and net-settled interest rate swap derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts are the undiscounted contractual payments and will therefore not agree to the Statement of Financial Position.

Group R million	Total	<1 year	1 – 2 years	3 – 5 years	6 – 10 years	>10 years
30 June 2024						
Loans and advances to customers at amortised cost	8 785	3 663	1 974	3 131	17	–
Investments at amortised cost	13 171	7 644	1 132	2 274	2 121	–
Investments at fair value through profit or loss	4 318	3 299	195	598	129	97
Derivative financial instruments at fair value:						
– not designated as hedging instruments	27	11	16	–	–	–
Receivables	3 860	3 680	42	31	59	48
Cash and cash equivalents	14 154	14 063	5	21	29	36
Total financial assets	**44 315**	**32 360**	**3 364**	**6 055**	**2 355**	**181**
Deposits from customers	18 984	17 365	473	1 146	–	–
Borrowings net of interest rate swap						
– Borrowings	20 761	6 055	6 163	7 573	970	–
– Interest rate swap	10	(5)	–	15	–	–
Finance leases	6 127	659	676	1 990	2 738	64
Other payables at amortised cost	5 967	5 833	78	55	1	–
Derivative financial instruments at fair value:						
– not designated as hedging instruments	3	3	*	*	–	–
Total financial liabilities	**51 852**	**29 910**	**7 390**	**10 779**	**3 709**	**64**
30 June 2023						
Loans and advances to customers at amortised cost	6 794	4 076	2 718	–	–	–
Investments at amortised cost	10 168	6 497	679	1 916	1 076	–
Investments at fair value through profit or loss	4 046	2 941	614	343	4	144
Derivative financial instruments at fair value:						
– not designated as hedging instruments	60	26	24	10	–	–
Receivables	13 431	8 876	930	2 612	971	42
Cash and cash equivalents	13 172	13 172	–	–	–	–
Total financial assets	47 671	35 588	4 965	4 881	2 051	186
Deposits from customers	14 718	13 233	605	880	–	–
Borrowings net of interest rate swap						
– Borrowings	16 723	3 403	5 752	7 320	248	–
– Interest rate swap	(58)	(5)	(22)	(31)	–	–
Finance leases	6 761	666	662	1 990	3 351	92
Other payables at amortised cost	6 262	5 878	77	295	12	–
Derivative financial instruments at fair value:						
– not designated as hedging instruments	16	16	–	–	–	–
Total financial liabilities	44 422	23 191	7 074	10 454	3 611	92

* *Amount less than R500 000.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.13 MANAGEMENT OF FINANCIAL RISK *continued*

3.13.5 Capital management

The Group's capital is defined as capital and reserves attributable to equity holders of the company as presented on the consolidated Statement of Financial Position. The Group's objectives when managing capital are:

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

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

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

FINANCIAL LEVERAGE RATIO

As part of the capital management process, the Group monitors its capital structure utilising various measures, one of which is the Financial Leverage Ratio (FLR). This ratio is calculated as total debt[1] divided by total debt plus total equity. The Group's strategy is to maintain a prudent FLR of 28.0% per the Group Risk Appetite statement. However, the 28.0% measure is merely a risk appetite indicator and does not necessarily indicate any form of a breach in terms of regulatory or covenant restrictions.

The table below summarises the FLR position as at the end of the reporting period. With the adoption of IFRS 17, a significant amount has been reallocated to contractual service margin (CSM) and risk adjustment. In line with developing market practice this CSM balance, representing the present value of margins to be released in future, is taken into account in the calculation of the FLR. While some insurers recognise more than 50%, it appears that most ratings agencies apply the inclusion of at least 50% of the CSM into the equity denominator. The current limit of 28% remains conservative.

As a risk mitigation measure and to avail itself of favourable debt markets, Discovery raised R1.5 billion domestic medium term notes in May 2024 as an early refinance mechanism in anticipation of the DMTN maturing in November 2024. The proceeds are currently held in cash and will be applied to maturing debt in November 2024. This caused a temporary increase in the FLR of 1.1%.

R million	**Group 2024**	Restated Group 2023
– Borrowings at amortised cost (refer to note 3.7)[1]	**17 517**	16 631
– Guaranteed deposit facilities	**–**	–
Total debt and guarantees[1]	**17 517**	16 631
Total equity	**57 719**	49 724
Total Contractual Service Margin (CSM)[2]	**25 070**	28 117
Financial leverage ratio % (50% CSM factored in)[2]	**20.0%**	20.4%

1 *Excluding all IFRS 16 lease liabilities of R4 145 million (2023: R4 225 million).*
2 *FLR restated for prior periods due to recognition of 50% CSM net of reinsurance and net of tax into the equity denominator.*

The FLR at 30 June 2024 is in line with Discovery's risk appetite.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*
3.13 MANAGEMENT OF FINANCIAL RISK *continued*
3.13.5 Capital management *continued*

REGULATORY CAPITAL

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

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

DEBT COVENANTS

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

Debt covenant and explanation	Minimum requirement	Group 2024	Group 2023
Group Debt[1] to EBITDA[2] Ratio:	Less than 2.5 times	**1.4 times**	1.4 times
Group financial indebtedness to embedded value – Group financial indebtedness is as per Group Debt in the calculation.	Less than 30% of Group Embedded value	**16.7%**	17.6%
Discovery Life Statutory Capital Requirement (SCR) Cover	SCR cover must be more than 1.1	**1.8 times**	1.9 times
Group embedded value	Greater than R30 billion	**R110 354 million**	R98 176 million
New business embedded value must not be negative	Positive value of new business for 3 consecutive 6-month periods	**June 2024: R1 148 million** **December 2023: R684 million** **June 2023: R500 million**	June 2023: R500 million December 2022: R940 million) June 2022: R1 124 million

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*
3.13 MANAGEMENT OF FINANCIAL RISK *continued*
3.13.6 Fair value hierarchy

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

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

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

a. Quoted prices for similar instruments or identical instruments in markets 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 the instruments' valuation) cannot be based on observable market data.

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

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

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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.13 MANAGEMENT OF FINANCIAL RISK *continued*

3.13.6 Fair value hierarchy *continued*

R million	Level 1	Level 2	Level 3	Total
30 June 2023 Restated				
Financial assets				
Financial instruments mandatorily at fair value through profit or loss:				
– Equity portfolios	50 204	6 321	–	56 525
– Debt portfolios	40 852	1 721	–	42 573
– Money market portfolios	–	19 745	–	19 745
– Multi-asset portfolios	–	33 672	–	33 672
Derivative financial instruments at fair value:				
– used as cash flow hedges	–	59	–	59
– not designated as hedging instruments	–	60	–	60
Total financial assets	91 056	61 578	–	152 634
Financial liabilities				
Third-party interest in consolidated funds	–	28 346	–	28 346
Investment contracts at fair value through profit or loss	–	28 903	–	28 903
Derivative financial instruments at fair value:				
– used as cash flow hedges	–	1	–	1
– not designated as hedging instruments	–	19	–	19
Total financial liabilities	–	57 269	–	57 269

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.13 MANAGEMENT OF FINANCIAL RISK *continued*

3.13.6 Fair value hierarchy *continued*

SPECIFIC VALUATION TECHNIQUES USED TO VALUE FINANCIAL INSTRUMENTS IN LEVEL 2

If a quoted market price is not available on a recognised stock exchange or from a broker for non-exchange traded financial instruments, the fair value of the instrument is estimated by the asset managers, using valuation techniques including the use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or other valuation techniques that provide a reliable estimate of prices obtained in actual market transactions.

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

Instruments	Valuation technique	Main inputs and assumptions for level 2 fair value hierarchy
Within equity portfolios, Equity-linked notes	The calculation of the daily value of the equity linked investments is made by the provider of the note. Discovery has procedures in place to ensure that these prices are correct. Aside from the daily reasonableness checks versus similar funds and movement since the prior day's price, the fund values are calculated with reference to a specific formula or index, disclosed to the policyholders, which is recalculated by Discovery to check if the price provided by the provider is correct.	– discount rate – spot prices of the underlying
Debt portfolios and Money market instruments	Discounted cash flow techniques are most commonly used for the valuation of debt securities (included in the debt portfolios) and money market instruments. The future cash flows are discounted using a risk-adjusted rate.	– discount rate, credit spread
Multi-assets	The fair values of third-party financial liabilities arising on the consolidation of mutual funds are determined using the quoted put (exit) price provided by the fund manager and discounted for the applicable notice period. The fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.	– discount rate
Third-party interest in consolidated funds and Investment contracts at fair value through profit or loss	Unit-linked policies: assets which are linked to the investment contract liabilities are owned by the Group. The investment contract obliges the Group to use these assets to settle these liabilities. Therefore, the fair value of third-party interest in consolidated funds and investment contract liabilities is determined with reference to the fair value of the underlying assets (meaning, amount payable on surrender of the policies). Annuity certain: discounted cash flow models are used to determine the fair value of the stream of future payments.	– discount rate – spot price of underlying
Derivatives	Standard derivative contracts are valued using market accepted models and quoted parameter inputs. More complex derivative contracts are modelled using more sophisticated modelling techniques applicable to the instrument. Techniques include: – Discounted cash flow model – Black-Scholes model – Combination technique models	– discount rate – spot prices of the underlying – correlation factors – volatilities – earnings yield – valuation multiples

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for the year ended 30 June 2024

Section 3: Financial instruments and management of financial risk *continued*

3.13 MANAGEMENT OF FINANCIAL RISK *continued*

3.13.7 Offsetting financial assets and financial liabilities

FINANCIAL ASSETS

The following financial assets are subject to offsetting:

Group R million	Gross financial assets	Gross offsetting financial liabilities	Net amount presented
30 June 2024			
Cash and cash equivalents	**19 152**	**(181)**	**18 971**
30 June 2023 Restated			
Cash and cash equivalents	19 628	(457)	19 171

Offsetting of cash and cash equivalents takes place as a result of sweeping arrangements that Discovery has in force with various financial institutions. No other amounts presented on the financial statements are subject to netting arrangements.

CASH COLLATERAL

To reduce the credit risk exposure from derivative instruments purchased (refer to note 3.4), Discovery has entered into collateral agreements with the relevant financial institutions to post cash collateral periodically, equal to the fair value of the derivatives. A total of R10 million (2023: R27 million) cash collateral was being held by the various financial institutions and Rnil (2023: R39 million) was held by Discovery as at 30 June 2024.

SECTION 04

EQUITY, SHARE-BASED PAYMENTS AND RELATED PARTIES

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Section 4: Equity, share-based payments and related parties

4.1 INTRODUCTION AND OVERVIEW

This section provides information on the authorised and outstanding ordinary and preference share capital and share premium of the Group, as well as changes thereof. The section further provides information on the share-based payment arrangements of the Group as well as transactions and balances with related parties and major customers.

4.2 PRIMARY FINANCIAL STATEMENT AND INFORMATION ANALYSED IN THIS SECTION

R million		Notes	Group 2024	Group 2023
Statement of financial position	**Capital and reserves**			
	Ordinary share capital and share premium	4.3	**10 667**	10 351
	Perpetual preference share capital	4.4	**779**	779
			11 446	11 130
Additional information	Information on share-based payments arrangements and long-term incentives	4.5		
	Information on related parties, major customers	4.6		

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 4: Equity, share-based payments and related parties *continued*

4.3 ORDINARY SHARE CAPITAL AND SHARE PREMIUM

For the accounting policies relevant to the recognition and measurement of Share capital and share premium, refer to Annexure B Accounting policy 11.

	Issued		Treasury shares			
Group R million	Share capital	Share premium	Discovery Health	BEE trust	Long-term incentive plan (LTIP)	Total outstanding
At 1 July 2022	1	11 588	(14)	(47)	(1 350)	10 178
Share movements:						
– new issue	–	514	–	–	–	514
– treasury shares delivered	–	–	–	3	170	173
– treasury shares purchased	–	–	–	–	(514)	(514)
At 30 June 2023	**1**	**12 102**	**(14)**	**(44)**	**(1 694)**	**10 351**
Share movements:						
– new issue	–	**432**	–	–	–	**432**
– treasury shares delivered	–	–	–	**2**	**445**	**447**
– treasury shares purchased	–	–	–	**(18)**	**(545)**	**(563)**
At 30 June 2024	**1**	**12 534**	**(14)**	**(60)**	**(1 794)**	**10 667**

		Treasury shares			
Number of shares	Company	Discovery Health	BEE Share trust	LTIP	Total outstanding
At 1 July 2022	668 963 471	(680 268)	(653 857)	(10 672 735)	656 956 611
Share movements:					
– new issue	4 182 946	–	–	–	4 182 946
– treasury shares delivered	–	–	64 714	1 402 275	1 466 989
– treasury shares purchased	–	–	–	(4 182 946)	(4 182 946)
At 30 June 2023	**673 146 417**	**(680 268)**	**(589 143)**	**(13 453 406)**	**658 423 600**
Share movements:					
– new issue	**3 227 675**	–	–	–	**3 227 675**
– treasury shares delivered	–	–	**46 991**	**3 660 857**	**3 707 848**
– treasury shares purchased	–	–	**(150 000)**	**(4 187 976)**	**(4 337 976)**
At 30 June 2024	**676 374 092**	**(680 268)**	**(692 152)**	**(13 980 525)**	**661 021 147**

The total authorised number of ordinary shares is 1 billion (2023: 1 billion), with a par value of 0.1 cent per share.

Share movements during the 2024 financial reporting period

Discovery issued 3 227 675 shares for a cash consideration of R432 million. This was a specific issuance, to the LTIP.

Discovery delivered 3 707 848 shares that vested through the Discovery Long-Term Incentive Plan and BEE Trust for a cash consideration of R447 million. In addition, the LTIP purchased 960 301 shares in the market, valued at R113 million and the BEE trust purchased 150 000 shares in the market, valued at R18 million.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 4: Equity, share-based payments and related parties *continued*

4.4 PERPETUAL PREFERENCE SHARE CAPITAL

For the accounting policies relevant to the recognition and measurement of Share capital and share premium, refer to Annexure B Accounting policy 11.

R million	Group 2024	Group 2023
Authorised		
40 000 000 A no par value preference shares	**–**	–
20 000 000 B preference shares of R100 each	**2 000**	2 000
20 000 000 C no par value preference shares	**–**	–
	2 000	2 000
Issued		
8 000 000 B preference shares of R100 each	**800**	800
Share issue costs	**(21)**	(21)
At 30 June	**779**	779

The B preference shares are non-compulsory, non-cumulative, non-participating, non-convertible, voluntarily redeemable (at option of Discovery) preference shares and were issued at a coupon rate of 85% of prime rate. With the introduction of dividend withholding tax on 1 April 2012, the coupon rate on the preference shares was increased to 100% of the prime rate.

4.5 SHARE-BASED PAYMENTS AND LONG-TERM INCENTIVES

For the accounting policies relevant to the recognition and measurement of Share-based payments refer to Annexure B Accounting policy 16.3

Incentive schemes

Discovery operates various share-based payment and long-term incentive arrangements. The details of these arrangements are described below:

Share based-payment arrangements

1. BEE STAFF SHARE TRUST (EQUITY-SETTLED)

In 2005, 5 290 000 Discovery Limited shares were issued to the BEE staff share trust for current and future employees. These shares had all been allocated during prior years. Additional shares have been purchased, for future allocation to employees. The trusts consist of two components; the allocation scheme and the option scheme as described below.

ALLOCATION SCHEME

Shares have been allocated to senior black employees based on level of seniority and length of past service. The shares vest to employees two, three, four and five years after allocation at a rate of 25% per annum. On each vesting date, the trustees distribute to the employees the allocated shares to which the employees may be entitled.

OPTION SCHEME

Options granted to black employees may be exercised two, three, four and five years after the option is granted at a rate of 25% per annum. Any options not exercised by the end of the fifth year from the grant date shall lapse. On exercise of the option, the employee pays cash to the trust for the full purchase price of the option.

2. DISCOVERY'S PHANTOM SCHEME (CASH-SETTLED)

Participants earn a cash bonus based on allocation of bonus scheme units which in turn are linked the Discovery Limited share price. The bonus is earned if the participant is employed on each vesting date, with the vesting dates ranging between one and five years after allocation of the bonus units. The bonus may not be carried forward.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 4: Equity, share-based payments and related parties *continued*

4.5 SHARE-BASED PAYMENTS AND LONG-TERM INCENTIVES *continued*

3. DISCOVERY'S LONG-TERM INCENTIVE PLANS (EQUITY SETTLED)

DISCOVERY LONG-TERM INCENTIVE PLAN (LTIP)

The LTIP was introduced in the financial year ended 30 June 2020 and replaced (with limited exceptions) the cash-settled Discovery Phantom scheme (see point 2 above) with an equity-settled scheme.

Participants will receive Discovery Limited shares subject to performance criteria and if the participant is employed on each vesting date. For LTIP awards granted prior to the introduction of the Single Incentive Plan (SIP), the performance conditions are aligned to the organic growth methodology of the Group and will vest from between the third and fifth anniversary of these awards.

SINGLE INCENTIVE PLAN

During the financial year ended 30 June 2022, Discovery replaced its management short-term incentive scheme and long-term incentive schemes with a single incentive scheme (SIP), consisting of a cash incentive (short-term incentive) and deferred share awards (long-term incentive). The SIP is based on the annual award of a single total incentive relating to the performance of the Group, business unit and the individual, and is assessed against financial and non-financial measures as outlined by the Group scorecard as well as business unit and individual scorecards.

These performance measures are used to determine the value of the award granted The vesting of the deferred share awards is conditional on the participant still being employed on each vesting date, and not subject to any performance conditions.

The first deferred share awards were granted in November 2022. These shares will vest between one and three years after allocation of the shares for senior management and between three and five years for executive directors and prescribed officers.

4. ACQUISITION SCHEMES (CASH AND EQUITY-SETTLED)

There are various schemes offered to franchise directors, agents and employees. Prior to the financial year ended 30 June 2024, participants were allocated share units which replicate the economics of a Discovery Limited share. The share units are settled as a cash bonus on vesting.

Awards granted during the financial year ended 30 June 2024, are equity-settled awards.

The vesting periods on the schemes vary from two to five years. The participants will earn the cash bonus (for cash-settled awards) or receive Discovery Limited shares (for equity-settled awards) if the participant is employed by Discovery or Discovery's contracted affiliates on the vesting date.

5. DISCOVERY BANK SCHEME (EQUITY-SETTLED)

Participants will receive Discovery Limited shares subject to the 'Value Created', which references the growth in the value of Discovery Bank business after capital invested and interest. These awards vest from between the third and seventh anniversary of the market launch date of Discovery Bank, and each vesting is settled in three equal instalments over three years, if the participant is employed on each vesting date.

Other long-term incentive schemes

The following schemes are long-term staff incentives where the value is determined with reference to something other than the Discovery Limited share price. These schemes are accounted for in terms of IAS 19: *Employee benefits*.

6. THE VITALITYHEALTH AND VITALITYLIFE PHANTOM SHARE SCHEME

Participants earn a cash bonus based on allocation of bonus scheme units which in turn are linked to the performance of VitalityLife and VitalityHealth, and more specifically the value of in-force (ViF) of VitalityLife and the Embedded Value (EV) of VitalityHealth. The bonus is earned if the participant is employed on each vesting date. For units issued, the vesting of the units is two, three and four years after allocation of the bonus units. The bonus may not be carried forward.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 4: Equity, share-based payments and related parties *continued*

4.5 SHARE-BASED PAYMENTS AND LONG-TERM INCENTIVES *continued*

7. OTHER DEVELOPMENT SEGMENT SCHEMES

Various other long-term incentive schemes exist in the Discovery Group in the development segments. These schemes are individually and in aggregate immaterial and as a result no further information is disclosed.

The schemes mentioned in bullets 2 and 4 have been classified as cash-settled schemes and a liability is raised in terms of IFRS 2 *Share-based Payment*. The other long-term incentive schemes, have been accounted for in terms of IAS 19 *Employee Benefits*.

Summary of units granted

The following is a summary of the terms and conditions of the units granted:

Date granted	Share/ Option price	Final vesting date	Shares under option at beginning of year	Share/ Options granted during year	Share/ Options vested during year	Share/ Options cancelled or adjusted during year	**Shares under option at end of year**
1. BEE staff share trust							
01/07/2016 – 30/06/2017	R122.5	30/09/2021	1 722	–	–	(1 722)	**–**
01/07/2016 – 30/06/2017	R0.00	30/09/2021	287	–	–	(287)	**–**
01/07/2018 – 30/06/2019	R0.00	31/03/2024	2 011	–	(2 011)	–	**–**
01/07/2019 – 30/06/2020	R0.00	30/09/2025	22 810	–	(17 464)	(1 902)	**3 444**
01/07/2020 – 30/06/2021	R0.00	31/03/2026	15 083	–	(5 054)	(1 425)	**8 604**
01/07/2021 – 30/06/2022	R0.00	30/09/2027	70 208	–	(19 980)	(6 045)	**44 183**
01/07/2022 – 30/06/2023	R0.00	30/04/2028	14 604	–	1 786	–	**16 390**
01/07/2023 – 30/06/2024	R0.00	30/04/2029	–	54 342	(639)	–	**53 703**
2. The Discovery Limited phantom scheme							
01/07/2017 – 30/06/2018	R0.00	31/03/2023	1 339	–	(782)	–	**557**
01/07/2018 – 30/06/2019	R0.00	31/03/2024	414 176	–	(398 880)	(14 347)	**949**
01/07/2022 – 30/06/2023	R0.00	30/09/2027	327 290	–	(99 933)	(37 858)	**189 499**
01/07/2023 – 30/06/2024	R0.00	30/09/2026	–	125 411	–	–	**125 411**
3. Discovery LTIP and SIP							
01/07/2019 – 30/06/2020	R0.00	30/09/2024	1 509 555	–	(735 171)	(60 228)	**714 156**
01/07/2020 – 30/06/2021	R0.00	30/09/2025	3 548 609	–	(1 435 143)	(135 235)	**1 978 231**
01/07/2021 – 30/06/2022	R0.00	30/09/2026	3 233 445	–	(8 203)	(202 957)	**3 022 285**
01/07/2022 – 30/06/2023	R0.00	30/09/2027	4 956 751	–	(1 444 156)	(340 018)	**3 172 577**
01/07/2023 – 30/06/2024	R0.00	30/04/2028	–	4 162 089	–	(176 312)	**3 985 777**
4. Acquisition schemes							
01/07/2018 – 30/06/2019	R0.00	30/06/2024	27 008	–	(25 075)	(1 933)	**–**
01/07/2019 – 30/06/2020	R0.00	30/06/2025	88 400	–	(36 400)	(16 964)	**35 036**
01/07/2020 – 30/06/2021	R0.00	30/06/2026	706 849	–	(595 478)	(20 806)	**90 565**
01/07/2021 – 30/06/2022	R0.00	30/04/2027	703 365		(38 610)	(25 055)	**639 700**
01/07/2023 – 30/06/2024	R0.00	30/06/2028	–	904 707	–	(47 690)	**857 017**

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 4: Equity, share-based payments and related parties *continued*

4.5 SHARE-BASED PAYMENTS AND LONG-TERM INCENTIVES *continued*

Valuation of share-based payment and long-term incentives

The VitalityHealth and VitalityLife phantom share scheme is cash-settled and thus repriced at each reporting date. The value of the shares and options allocated are dependent on the performance of VitalityLife and VitalityHealth, more specifically the ViF of VitalityLife and the EV of VitalityHealth.

The Discovery Limited phantom scheme and certain Acquisition scheme awards are cash-settled and a liability is raised in terms of IFRS2 *Share-based Payment* (IFRS 2). The liability is repriced at each reporting date. The closing share price at 30 June 2024 was R134.69.

Discovery determines the grant date fair value of its equity-settled schemes at the date of allocating the grant to the employee using the following inputs. The grant date fair value is then recognised over the vesting period and a share-based payment reserve is recognised in terms of IFRS 2.

	Spot price	Risk free interest rate	Vesting period	Dividend yield
Discovery LTIP and SIP				
01/07/2019 – 30/06/2020	R113.81	6.83% – 7.01%	3 – 5 years	2.21% – 2.52%
01/07/2020 – 30/06/2021	R125.52 – R153.54	3.90% – 5.02%	3 – 5 years	2.26% – 2.57%
01/07/2021 – 30/06/2022	R135.94 – R152.26	5.76% – 6.98%	3 – 5 years	2.29% – 2.46%
01/07/2022 – 30/06/2023	R104.93 – R149.05	7.30% – 8.01%	1 – 5 years	0.00% – 1.28%
01/07/2023 – 30/06/2024	R117.16 – R133.04	7.66% – 8.25%	1 – 5 years	0.00% – 1.80%
BEE Staff share trust				
01/07/2018 – 30/06/2019	R139.49 – R170.16	7.32% – 7.98%	2 – 5 years	1.46% – 2.01%
01/07/2019 – 30/06/2020	R86.00 – R133.76	4.85% – 7.54%	2 – 5 years	2.01% – 3.54%
01/07/2020 – 30/06/2021	R127.60 – R148.89	3.85% – 5.96%	3 – 5 years	2.34% – 2.78%
01/07/2021 – 30/06/2022	R136.00 – R181.49	4.91% – 7.49%	2 – 5 years	0.81% – 2.70%
01/07/2022 – 30/06/2023	R120.00 – R143.77	7.63% – 8.53%	2 – 5 years	0.85% – 1.47%
01/07/2023 – 30/06/2024	R120.24 – R145.85	7.66% – 8.65%	1 – 5 years	0.89% – 1.80%
Acquisition Share Scheme				
01/07/2023 – 30/06/2024	R146.46	8.06% – 8.38%	1 – 5 years	1.49% – 1.82%

4.6 RELATED PARTIES

List of related parties as defined

SUBSIDIARIES

Details of subsidiaries directly owned by Discovery Limited are contained in Company note 3.3. In addition, Annexure A sets out all subsidiary and other investments held within Discovery Group.

ASSOCIATES AND JOINT VENTURES

Details of Discovery's material associates and joint ventures are contained in note 5.7.

KEY MANAGEMENT PERSONNEL

Key management personnel have been defined as directors of Discovery Limited, Discovery Health Proprietary Limited and Discovery Life Limited, as these businesses constitute the majority of the Discovery Group.

A list of the directors and prescribed officers of Discovery Limited can be found in the Directors' report. Also refer to Annexure C for Directorate remuneration.

To the extent specific transactions have occurred between Discovery and key management personnel, including close family members of key management, (as defined in IAS 24 *Related Party Disclosures*) the details are included in the aggregate disclosure contained below under key management and where significant, full details of all relationships and terms of the transactions are provided.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 4: Equity, share-based payments and related parties *continued*

4.6 RELATED PARTIES *continued*

Transactions with related parties

Discovery Group had the following transactions and balances with the following equity-accounted investees

Transactions (R'000)	2024	2023
PAHI		
Other Income	**14 643**	27 656
CMT		
Other expenses	**(55 990)**	(40 815)
Other		
Other Income	**85 473**	190 017
Other expenses	**(34 700)**	(70 264)

Outstanding balances (R'000)	2024	2023
PAHI		
Other receivables	**13 720**	–
CMT		
Other receivables	**29 442**	20 389
Other		
Other receivables	**4 350**	71 910
Other payables	**(1 585)**	(10 102)

Key management personnel, families of key management (as defined in IAS 24) and entities significantly influenced or controlled by key management

KEY MANAGEMENT PERSONNEL COMPENSATION

R'000	2024	2023
Salaries and other short-term benefits paid[1]	**194 469**	150 643
Long-term benefits[2]	**24 215**	7 080
Share-based payments	**81 442**	57 173
	300 126	214 896

1 Other short-term benefits paid include defined contributions, paid leave, and short-term bonuses.

2 Included in long-term benefits are IAS 19 long-term bonus arrangements. During the year, there was also the release of a long-term bonus arrangement which is offset by in-period catch up of a share-based payment arrangement as a result of a conversion into a share-based scheme.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 4: Equity, share-based payments and related parties *continued*

4.6 RELATED PARTIES *continued*

Key management personnel of Discovery Limited, families of key management (as defined in IAS 24) and entities significantly influenced or controlled by key management *continued*

INSURANCE CONTRACTS

	Aggregated insured cover		Premiums received		Claims paid	
R'000	2024	2023	2024	2023	2024	2023
Life insurance	**1 310 246**	1 259 392	**10 819**	9 673	**–**	–
Short-term insurance	**642 978**	692 874	**2 726**	2 639	**1 104**	1 034
Short-term health insurance	**–**	–	**18**	16	**37**	–

INVESTMENT CONTRACTS

	Investment values		Premiums received		Withdrawal benefits		Investment returns	
R'000	2024	2023	2024	2023	2024	2023	2024	2023
Investment contracts	**64 256**	81 237	**2 301**	7 359	**1 465**	2 959	**4 440**	9 344

VITALITY PROGRAMME

	Premiums received		Amounts paid	
R'000	2024	2023	2024	2023
Vitality benefits	**187**	190	**1 676**	2 789

DISCOVERY BANK

	Loans		Savings		Fees	
R'000	2024	2023	2024	2023	2024	2023
Discovery Bank	**1 898**	2 347	**43 213**	38 915	**322**	219

Key management personnel, their families (as defined in IAS 24) and entities significantly influenced or controlled by key management accrued 403 037 Discovery miles as part of the Vitality Reward Programme for the year ended 30 June 2024 (2023: 360 431).

Major customers and other Discovery entities not part of Discovery Group

DISCOVERY HEALTH MEDICAL SCHEME

Discovery Health administers DHMS and provides managed care services for which it charges an administration fee and a managed healthcare fee respectively. These fees are determined on an annual basis and approved by the trustees of DHMS. The fees totalled R7 940 million (2023: R7 414 million). Discovery offers the members of DHMS access to the Vitality programme. Southern Rx and Discovery HealthCare provide wellness services to DHMS totalling R88 million (in the prior year these services were provided by Discovery Health and its subsidiaries and totalled R69 million).

Discovery Third Party Recovery Services (DTPRS) paid DHMS R21.1million (2023: R20.3 million) to purchase all the risks and rewards of ownership to the claims due from the Road Accident Fund up to 19 February 2024 (2023: 7 February 2023). DTPRS also provides a service to DHMS to recover all claims that are due from the Compensation for Occupational Injuries and Diseases. DTPRS received R21.3 million (2023: R16 million) for this service. DHMS owes DTPRS R2.3 million (2023: R1.6 million owed by DHMS to DTRPS) at year-end.

Discovery Vitality receives monthly contributions from DHMS members that have activated the Vitality Wellness programme through various product integrations. The membership fees totalled R2 035 million for the year ended 30 June 2024 (2023: R1 840 million).

DHMS owes Discovery Health R779 million (2023: R775 million) at year-end.

Discovery Central Services receives monthly rent from DHMS for office space at 1 Discovery Place which totalled R7.3 million for the year ended 30 June 2024, (2023: R7 million).

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 4: Equity, share-based payments and related parties *continued*

4.6 RELATED PARTIES *continued*

Major customers and other Discovery entities not part of Discovery Group *continued*

CLOSED SCHEMES

Discovery Health administers the following restricted membership medical schemes:

- Anglo Medical Scheme
- Anglovaal Group Medical Scheme
- Bankmed Medical Scheme
- BMW Employees Medical Aid Society
- Engen Medical Benefit Fund
- Glencore Medical Scheme
- LA Health Medical Scheme
- Lonmin Medical Scheme
- Malcor Medical Scheme
- Multichoice Medical Aid Scheme
- Netcare Medical Scheme
- Remedi Medical Scheme
- Retail Medical Scheme
- Sasolmed
- TFG Medical Scheme
- Tsogo Sun Group Medical Scheme
- UKZN Medical Scheme
- LibCare Medical Scheme

Discovery Health charges these schemes administration fees which are determined on an annual basis and approved by the trustees of the respective closed schemes. The fees totalled R1 425 million (2023: R1 285 million). Discovery Health and its subsidiaries also provide wellness services to these schemes. The fees received for these services totalled Rnil million (2023: R4.5 million).

DTPRS provides a service to some of the Inhouse schemes to recover all claims that are due from the Compensation for Occupational Injuries and Diseases. DTPRS received R1.1 million (2023: R0.3 million) for this service.

"Discovery Vitality receives monthly contributions from the closed scheme members that have activated the Vitality Wellness programme through various product integrations. The membership fees totalled R108 million (2023: R95 million).

Amounts due to Discovery Health at year-end totalled R126 million (2023: R120 million).

DISCOVERY FRANCHISES

Discovery has established a network of 28 franchises in order to establish a national footprint for its products. Discovery has paid R301 million (2023: R254 million) in fees to the franchises.

The franchises participate in the Acquisition Scheme (refer to note 4.5 for further details). During the year, R13 million (2023: R21 million) was accrued for in terms of this scheme.

THE DISCOVERY FOUNDATION

The Discovery Foundation, which is an independent shareholder of Discovery, received contributions of Rnil million (2023: R12 million) from Discovery in the current year.

THE DISCOVERY FUND

The Discovery Fund is a fund for sustainable non-governmental healthcare projects, especially in primary healthcare. These projects complement the delivery of primary and preventative care in the public sector and help to relieve the burden on state facilities.

The Discovery Fund received contributions from Discovery of R23 million during the year (2023: R23 million). Discovery also paid a management fee of R2.5 million (2023: R2 million).

DISCOVERY RETIREMENT FUNDS

The Discovery Life Pension Umbrella Fund and the Discovery Life Provident Umbrella Fund ("the Funds") are underwritten and administered by Discovery Life and are the retirement funds used by all the Discovery Staff employed by the Group in South Africa.

Contributions to the Funds by Discovery Staff during the year amounted to R634 million (2023: R569 million). The Funds have R5 751 million (2023: R 5 167 million) of assets under administration on behalf of Discovery Staff, R5 510 million is invested in unit linked insurance policies issued by Discovery Life (2023: R4 974 million). R4 882 million (2023: R4 417 million) of the unit linked insurance policies are in turn linked to unit trusts managed by Discovery Life Collective Investments.

SECTION 05

OTHER ASSETS, LIABILITIES, EQUITY-ACCOUNTED INVESTMENTS AND ITEMS OF INCOME AND EXPENSE

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 5: Other assets, liabilities, equity-accounted investments and items of income and expense

5.1 INTRODUCTION AND OVERVIEW

This section provides information on the remainder of the assets, liabilities, income and expense in the Annual Financial Statements.

5.2 PRIMARY FINANCIAL STATEMENTS AND INFORMATION ANALYSED IN THIS SECTION

R million		Notes	Group 2024	Group 2023
Statement of financial position	**Assets**			
	Goodwill	5.3	**5 292**	5 406
	Intangible assets	5.4	**7 239**	7 064
	Property and equipment	5.5	**3 581**	3 910
	Deferred tax asset	5.9.1	**5 631**	6 370
	Assets arising from contracts with customers	5.6	**2 598**	2 221
	Investment in equity-accounted investees	5.7	**8 189**	7 398
	Contract receivables and other receivables	5.8	**6 729**	5 684
	Non-current assets held for sale	5.5.1	**136**	-
			39 395	38 053
	Liabilities			
	Deferred tax liability	5.9.1	**8 184**	6 706
	Contract liabilities to customers	5.6	**512**	656
	Other payables and provisions	5.10	**1 665**	1 253
			10 361	8 072
Income statement				
	Fee income from administration businesses	5.6.1	**14 093**	13 224
	Vitality income	5.6.1	**4 655**	3 891
	Net banking fee and commission income	5.6.1	**1 398**	965
	Insurance service expenses	5.11.1	**(46 145)**	(39 826)
	Marketing and administration expenses	5.11.3	**(19 644)**	(18 540)
	Foreign exchange (losses)/gains	5.12	**(87)**	149
	Income tax expense	5.9.2	**(2 647)**	(2 486)
			(48 377)	(42 623)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 5: Other assets, liabilities, equity-accounted investments and items of income and expense *continued*

5.3 GOODWILL

For the accounting policies relevant to the recognition and measurement of Goodwill, refer to Annexure B policies 2.1, 2.4.1, 3.3, 6 and 7.

Goodwill is not amortised but tested annually for impairment. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

The table below sets out the reconciliation of the carrying amount of goodwill allocated to the respective cash-generating units (CGUs), which are expected to benefit from the combination's synergies. Impairment of goodwill is assessed at this CGU level.

R million	Vitality Health[1, 2, 5]	Vitality Life[1, 5]	Discovery Bank[3]	Other[4,6]	Total
Year ended 30 June 2024					
Cost	**2 407**	**562**	**2 417**	**29**	**5 415**
Accumulated impairment	**–**	**–**	**–**	**(9)**	**(9)**
Opening carrying amount	**2 407**	**562**	**2 417**	**20**	**5 406**
Movements					
Translation differences	**(92)**	**(22)**	**–**	**–**	**(114)**
Closing carrying amount	**2 315**	**540**	**2 417**	**20**	**5 292**
Cost	**2 315**	**540**	**2 417**	**29**	**5 301**
Accumulated impairments	**–**	**–**	**–**	**(9)**	**(9)**

R million	Vitality Health[1, 2, 5]	Vitality Life[1, 5]	Discovery Bank[3]	Other[4,6]	Total
Year ended 30 June 2023					
Cost	2 007	468	2 417	20	4 912
Opening carrying amount	2 007	468	2 417	20	4 912
Movements					
Additions: New business combinations	–	–	–	9	9
Impairments:	–	–	–	(9)	(9)
Translation differences	400	94	–	–	494
Closing carrying amount	2 407	562	2 417	20	5 406
Cost	2 407	562	2 417	29	5 415
Accumulated impairments	–	–	–	(9)	(9)

1 *GBP96.7 million and GBP23.4 million of the goodwill was allocated to VitalityHealth and VitalityLife respectively as at 31 July 2010. The goodwill arose from the acquisition of Standard Life Healthcare and related capital restructure of the PAC joint venture.*

2 *GBP2.5 million goodwill from the acquisition of Insure Your Health (25 March 2013) and GBP1.1 million of goodwill from the acquisition of KYS Paid Limited (30 April 2014) were allocated to the VitalityHealth CGU.*

3 *R2 417 million goodwill from the acquisition of the DiscoveryCard business on 1 March 2019 was allocated to the Discovery Bank CGU.*

4 *In October 2020, Discovery acquired Liberty Health Administration, a wholly owned subsidiary, which performs medical aid administration for specified medical aids. Liberty Health Administration has been renamed to Discovery Administration Services Proprietary Limited as of 11 August 2021.*

5 *Based on the work performed for the financial years ended 30 June 2024 and 30 June 2023, management considered a very low risk of material adjustment to the carrying amount of goodwill allocated to VitalityHealth and VitalityLife within the next financial year. Accordingly, no further information is included within this note, as this no longer meets the requirement of significant estimation uncertainty under IAS 1 Presentation of Financial Statements. As part of the annual assessment of impairment, Discovery has done significant stresses on the goodwill of VitalityHealth and VitalityLIfe. The value-in-use considers the value of in-force business as well as new business. The value-in-use is calculated as the present value of the best-estimate pre-tax cash flows of the CGU for the in-force policies at the valuation date and 10 years of new business. The outcome of the working indicated that the recoverable amount significantly exceeds the carrying amount of the CGUs, with little risk of impairment.*

6 *At the beginning of July 2022 Discovery acquired a controlling stake in Nanolabs Health Solutions Proprietary Limited (Nanolabs) with Point of Care Testing technology. Subsequent to the acquisition this goodwill was fully impaired.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 5: Other assets, liabilities, equity-accounted investments and items of income and expense *continued*

5.3 GOODWILL *continued*

Annual assessment of goodwill impairment

DISCOVERY BANK

The Discovery Bank CGU comprises the various assets that collectively produce independent cash flows for Discovery Bank. Discovery Bank's income streams comprise interest earned on loans to customers, interest on excess cash invested, and fees (e.g., banking fees, interchange fees and transaction fees) from banking. For the financial years ended 30 June 2024 and 30 June 2023, the recoverable amount of the Discovery Bank cash-generating unit (CGU) was determined based on fair value less costs to sell. Estimation uncertainty is inherent in determining fair value less costs to sell. The recoverable amount is the fair value less costs to sell using the income approach.

In determining the assets to attribute to the Discovery Bank CGU, Discovery considered the assets required to perform banking operations, including the banking license costs, the internally developed software in use, and the goodwill associated with the DiscoveryCard business acquisition and related assets and liabilities. Therefore, the valuation also supports the recoverability of goodwill, intangible assets and deferred tax.

Management has reviewed its business forecast, which comprises:

- A detailed 10-year business plan. The 10-year plan considers regulatory capital requirements, macro-economic forecasts and customer behaviour assumptions when forecasting a statement of financial position, income statement and resultant equity cash flows to/from shareholders. The 10-year period used to assess impairment is longer than the standard 5-year forecast model generally applied in Discovery's impairment testing. The business is still in the start-up phase, resulting in a 5-year forecast that does not adequately reflect the business plan.

Management can project beyond the 5 years due to the insights from the DiscoveryCard business it acquired.

- The terminal value was calculated using an extended cash flow forecasting method until earnings growth stabilised in year 18. The final value was considered perpetual terminal growth, and this terminal value was discounted to year 10.
- As a reasonability check, Discovery Bank translates the value of the business at year 10 into a Price-Earnings (PE) multiple, which it benchmarks against Discovery's PE ratio and other emerging banks within the South African environment. The ratio was determined to be in range

The key assumptions used by Discovery in the estimation are as follows:

- Conservative customer growth, targeting an achievable level of customers in year 10. After that, the customer base is treated as stable. From the point of stability in year 20, the projected growth in profits is estimated at a conservative 5.4% (2023: 5.65%), considering long-term inflation and long-term nominal GDP estimations. The increase in growth projections is based on the growth over the past financial year.
- System-build costs and intangible assets acquired in the business combination have been amortised over 10 years (2023: 10 years). The useful lives of these assets are determined as 10 years (2023: 10 years).

The discount rate applied to the cashflows comprises the following:

	Group 2024	Group 2023
Risk-free rate based on 10-year SA bond curve	**11.20%**	11.59%
Beta factor: The beta factor is a weighted average of large SA banks and Discovery	**0.76**	0.86
Discount rate applied	**16.90%**	17.80%

For the year ended 30 June 2024, management has engaged independent external valuation experts to benchmark the key assumptions and ratios within the South African market. This exercise determined that the assumptions were within acceptable ranges.

Management has further performed stress tests by increasing the discount rate to 20% (2023: 21%) while simultaneously decreasing the terminal growth rate to 4.5% (2023: 4.5%). Again, no impairment was triggered with these stressed scenarios.

Based on management's assessment, Discovery did not identify any impairments in respect of the Discovery Bank CGU.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 5: Other assets, liabilities, equity-accounted investments and items of income and expense *continued*

5.4 INTANGIBLE ASSETS

For the accounting policies relevant to the recognition and measurement of Intangible assets, refer to Annexure B, policies 5 and 7.

Group R million	Software development	Business acquisitions: Identifiable intangibles	Banking license	Total
Year ended 30 June 2024				
Cost	**11 256**	**2 548**	**29**	**13 833**
Accumulated amortisation and impairments	**(4 592)**	**(2 177)**	**–**	**(6 769)**
Opening carrying amount	**6 664**	**371**	**29**	**7 064**
Movements				
Additions: Owned: cost	**1 789**	**–**	**–**	**1 789**
Impairments: Owned: accumulated amortisation	**(8)**	**–**	**–**	**(8)**
Derecognition: Owned	**(45)**	**–**	**–**	**(45)**
– Cost	**(371)**	**–**	**–**	**(371)**
– Accumulated amortisation	**326**	**–**	**–**	**326**
Amortisation charge: Owned	**(1 411)**	**(56)**	**–**	**(1 467)**
Translation differences	**(84)**	**(10)**	**–**	**(94)**
Closing carrying amount	**6 905**	**305**	**29**	**7 239**
Cost	**12 503**	**2 456**	**29**	**14 988**
Accumulated amortisation	**(5 598)**	**(2 151)**	**–**	**(7 749)**
Year ended 30 June 2023 Restated[1]				
Cost	10 672	2 535	29	13 236
Accumulated amortisation	(4 494)	(2 158)	–	(6 652)
Opening carrying amount	6 178	377	29	6 584
Movements				
Additions: Owned: cost	1 760	–	–	1 760
Derecognition: Owned	(290)	–	–	(290)
– Cost	(1 873)	(37)	–	(1 910)
– Accumulated amortisation	1 583	37	–	1 620
Amortisation charge: Owned	(1 319)	(56)	–	(1 375)
Translation differences	335	50	–	385
Closing carrying amount	6 664	371	29	7 064
Cost	11 256	2 548	29	13 833
Accumulated amortisation	(4 592)	(2 177)	–	(6 769)

1 The comparative information has been restated due to a correction of a prior period error. Refer to note 7.3 for details.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 5: Other assets, liabilities, equity-accounted investments and items of income and expense *continued*

5.5 PROPERTY AND EQUIPMENT

For the accounting policies relevant to the recognition and measurement of Property and equipment, refer to Annexure B, policies 4 and 7 and for the accounting policies relevant to the recognition and measurement of leases, refer to Annexure B, policies 14 and 21.1.

Group R million	Land and buildings	Furniture, fittings and equipment	Computer equipment and operating systems	Leasehold improvements	Motor Vehicles	Telematics devices[1]	Total
Year ended 30 June 2024							
Cost – owned	235	154	919	812	67	260	2 447
Accumulated depreciation – owned	(75)	(92)	(449)	(376)	(56)	(177)	(1 225)
Opening carrying amount – owned	160	62	470	436	11	83	1 222
Cost – leased	3 841	–	272	300	2	–	4 415
Accumulated depreciation – leased	(1 386)	–	(227)	(113)	(1)	–	(1 727)
Opening carrying amount – leased	2 455	–	45	187	1	–	2 688
Opening carrying amount – total	2 615	62	515	623	12	83	3 910
Movements							
Additions	145	27	193	151	15	68	599
Owned: cost	–	27	160	151	8	68	414
Leased: cost	145	–	33	–	7	–	185
Disposals	(2)	–	–	(27)	–	(1)	(30)
Owned: cost	–	(4)	(128)	(28)	(11)	(2)	(173)
Owned: accumulated depreciation	–	4	128	1	11	1	145
Leased: cost	(74)	–	–	–	(2)	–	(76)
Leased: accumulated depreciation	72	–	–	–	2	–	74
Classified as held for sale[2]	(139)	–	–	–	–	–	(139)
Owned: cost	(231)	–	–	–	–	–	(231)
Owned: accumulated depreciation	92	–	–	–	–	–	92
Impairment: Owned: accumulated depreciation	(14)	–	–	–	–	–	(14)
Derecognition	–	–	–	–	–	(10)	(10)
Owned: cost	–	(8)	(25)	(26)	–	(47)	(106)
Owned: accumulated depreciation	–	8	25	26	–	37	96
Leased: cost	(12)	–	(43)	–	–	–	(55)
Leased: accumulated depreciation	12	–	43	–	–	–	55
Depreciation charge	(298)	(23)	(233)	(105)	(8)	(42)	(709)
Owned	(5)	(23)	(187)	(84)	(6)	(42)	(347)
Leased	(293)	–	(46)	(21)	(2)	–	(362)
Translation differences	(15)	(1)	(3)	(7)	–	–	(26)
Owned	(2)	(1)	(3)	(7)	–	–	(13)
Leased	(13)	–	–	–	–	–	(13)
Closing carrying amount – owned	–	65	440	469	13	98	1 085
Cost – owned	–	166	914	900	64	279	2 323
Accumulated depreciation – owned	–	(101)	(474)	(431)	(51)	(181)	(1 238)
Closing carrying amount – leased	2 292	–	32	166	6	–	2 496
Cost – leased	3 884	–	262	300	7	–	4 453
Accumulated depreciation – leased	(1 592)	–	(230)	(134)	(1)	–	(1 957)
Closing carrying amount – total	2 292	65	472	635	19	98	3 581

1 In Discovery Insure, when policies relating to motor vehicle insurance lapse, the telematics devices installed in those vehicles are not always recovered. The value of these unrecovered units are derecognised.
2 Refer to 5.5.1 for more information on non-current assets held for sale.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 5: Other assets, liabilities, equity-accounted investments and items of income and expense *continued*

5.5 PROPERTY AND EQUIPMENT *continued*

Group R million	Land and buildings	Furniture, fittings and equipment	Computer equipment and operating systems	Leasehold improvements	Motor Vehicles	Telematics devices[1]	Total
Year ended 30 June 2023							
Cost – owned	231	168	646	718	59	269	2 091
Accumulated depreciation – owned	(67)	(133)	(330)	(370)	(50)	(169)	(1 119)
Opening carrying amount – owned	164	35	316	348	9	100	972
Cost – leased	3 738	–	229	300	4	–	4 271
Accumulated depreciation – leased	(1 161)	–	(177)	(92)	(2)	–	(1 432)
Opening carrying amount – leased	2 577	–	52	208	2	–	2 839
Opening carrying amount – total[2]	2 741	35	368	556	11	100	3 811
Movements							
Additions	219	42	325	155	12	61	814
Owned: cost	–	42	282	155	12	61	552
Leased: cost	219	–	43	–	–	–	262
Acquisition of subsidiary	–	1	–	–	–	–	1
Owned: cost	–	1	–	–	–	–	1
Disposals	–	–	–	–	(3)	(7)	(10)
Owned: cost	–	–	–	–	(5)	(21)	(26)
Owned: accumulated depreciation	–	–	–	–	2	14	16
Leased: cost	(76)	–	–	–	(2)	–	(78)
Leased: accumulated depreciation	76	–	–	–	2	–	78
Impairment: Owned: accumulated depreciation	(45)	–	–	–	–	–	(45)
Derecognition	–	(1)	–	(2)	–	(31)	(34)
Owned: cost	(59)	(78)	(67)	(93)	–	(48)	(345)
Owned: accumulated depreciation	59	77	67	91	–	17	311
Depreciation charge	(293)	(19)	(194)	(103)	(8)	(41)	(658)
Owned	(15)	(19)	(145)	(82)	(7)	(41)	(309)
Leased	(278)	–	(49)	(21)	(1)	–	(349)
Translation differences	74	4	16	17	–	1	112
Owned	42	4	16	17	–	1	80
Leased	32	–	–	–	–	–	32
Leased: Changes or modifications in estimates of ROUA cost	(81)	–	–	–	–	–	(81)
Closing carrying amount – owned	160	62	470	436	11	83	1 222
Cost – owned	235	154	919	812	67	260	2 447
Accumulated depreciation – owned	(75)	(92)	(449)	(376)	(56)	(177)	(1 225)
Closing carrying amount – leased	2 455	–	45	187	1	–	2 688
Cost – leased	3 841	–	272	300	2	–	4 415
Accumulated depreciation – leased	(1 386)	–	(227)	(113)	(1)	–	(1 727)
Closing carrying amount – total	2 615	62	515	623	12	83	3 910

1 In Discovery Insure, when policies relating to motor vehicle insurance lapse, the telematics devices installed in those vehicles are not always recovered. The value of these unrecovered units are derecognised.
2 The split of the opening carrying amount between leased and owned assets has been restated to correctly reflect ownership rights. The total opening carrying amount per asset category remains unchanged.

Directors' responsibility statement
Group Chief Executive and Group Chief Financial Officer's internal financial control responsibility statement
Certificate by the Company Secretary
Report of the Discovery Limited Audit Committee
Independent auditors' report
Directors' report
Group statement of financial position
Group income statement
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NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 5: Other assets, liabilities, equity-accounted investments and items of income and expense *continued*

5.5 PROPERTY AND EQUIPMENT *continued*

5.5.1 Classification of land and buildings as non-current asset held for sale

Property owned by Vitality within the United Kingdom was reclassified to non-current assets held for sale in accordance with IFRS5 *Non-current Assets Held for Sale and Discontinued Operations*. The value of the property was remeasured to fair value less cost to sell, resulting in an impairment loss of R14 million. At 30 June 2024, the building was stated at fair value less costs to sell of £5.9 million (R136 million).

The non-recurring fair value measurement related to the property was categorised as a level 3 fair value, due to a binding offer being subject to significant unobservable inputs. Discovery used the binding offer without adjustment as the fair value and therefore there are no quantitative unobservable inputs developed when measuring the fair value.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 5: Other assets, liabilities, equity-accounted investments and items of income and expense *continued*

5.6 ASSETS AND LIABILITIES ARISING FROM CONTRACTS WITH CUSTOMERS

For the accounting policies relevant to the recognition and measurement of Revenue, refer to Annexure B policy 19.

Where either party to a contract has performed, Discovery presents either a contract asset or contract liability, depending on the relationship between Discovery's performance and the customer's payment. Where Discovery has performed and has unconditional rights to consideration a IFRS 9 receivable asset is presented separately.

Group R million	**Assets arising from contracts with customers[1]**	**Costs of obtaining contracts[1]**	**Contract liabilities**	**Contract receivables[2]**
Year ended 30 June 2024				
Balance at beginning of the year	**542**	**1 679**	**(656)**	**1 268**
Accrued income recognised during the year	**434**	**–**	**–**	**–**
Payments received	**(206)**	**–**	**–**	**(14 796)**
Costs of obtaining new contracts	**–**	**715**	**–**	**–**
Amortised during the year	**–**	**(492)**	**–**	**–**
Contract liabilities recognised in the current year	**–**	**–**	**(855)**	**–**
Revenue recognised in the year	**–**	**–**	**998**	**14 894**
Foreign exchange revaluations	**(51)**	**–**	**–**	**(4)**
Translation differences	**(22)**	**(1)**	**1**	**(12)**
Balance at end of the year	**697**	**1 901**	**(512)**	**1 350**
Year ended 30 June 2023 Restated[3]				
Balance at beginning of the year	256	1 453	(944)	1 209
Accrued income recognised during the year	313	–	–	–
Payments received	(57)	–	–	(13 614)
Costs of obtaining new contracts	–	595	–	–
Amortised during the year	–	(383)	–	–
Contract liabilities recognised in the current year	–	–	(426)	–
Revenue recognised in the year	–	–	747	13 629
Provision of impairment of contract receivables	–	–	–	(4)
Foreign exchange revaluations	(21)	13	–	–
Translation differences	51	1	(33)	48
Balance at end of the year	542	1 679	(656)	1 268

1 Presented as assets arising from contracts with customers.
2 Presented as part of Contract receivables and other receivables. Also see note 5.8.
3 The comparative information has been restated due to a correction of a prior period error. Refer to note 7.3.2 and 7.3.3 for details.

The contract liability primarily relates to the advance consideration received from customers for the initial advisor fees, for which revenue will be recognised over the expected terms of the arrangement. It further includes the Discovery Miles Provision on the Vitality Programme. The Discovery Miles Provision is presented as part of contract liabilities as it is closely associated with the Vitality Income earned from the Vitality Programme.

Discovery has unsatisfied performance obligations relating to providing intellectual property services for the VitalityOne System. The transaction price relating to unsatisfied performance obligations is expected to be recognised as revenue as follows:

R million	**Group 2024**	Group 2023
Provision of stand-ready Intellectual Property services		
– <1 year	**537**	519
– 2 – 3 years	**831**	1 042
– 4 – 5 years	**525**	584
– >5 years	**807**	1 004
Total contract amount for future services	**2 700**	3 149

Where performance obligations are discharged within 12 months or where contracts are cancellable giving 12 months or less notice, without the payment of a significant penalty, a practical expedient has been applied. Discovery has excluded these contracts from the disclosures above. Contracts that include variable considerations have also not been included in the table above.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June 2024

Section 5: Other assets, liabilities, equity-accounted investments and items of income and expense *continued*

5.6 ASSETS AND LIABILITIES ARISING FROM CONTRACTS WITH CUSTOMERS *continued*

5.6.1 Revenue from non-insurance activities

Also refer to accounting policy 19 Revenue recognition. Discovery Group's Revenue includes 'Fee income from administration businesses', 'Vitality income' and 'Banking fee and commission income'.

The split of revenue per geographical region and reportable segment can be viewed in Note 1.1, Segmental information.

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

R million	Group 2024	Restated[1] Group 2023
Fee income from administration businesses	**14 093**	13 224
– Over time	**14 070**	13 197
– Point-in-time	**23**	27
Vitality income	**4 655**	3 891
– Over time	**3 178**	2 660
– Point-in-time	**1 477**	1 231
Banking fee and commission income	**1 872**	1 292
– Over time	**836**	687
– Point-in-time	**1 036**	605

1 The comparative information has been restated to include Intellectual Property fees previously separately presented, within Fee income from administration businesses. In addition, some changes were affected with specified cash flows as a result of adoption of IFRS 17.

5.7 INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES

For the accounting policies relevant to the recognition and measurement of investment in equity-accounted investees, refer to Annexure B, policies 2.4.1 and 7.

R million	Group 2024	Restated[1] Group 2023
Carrying value of material interests in associates and joint ventures – Ping An Health Insurance	**6 523**	5 754
Carrying value of material interests in associates and joint ventures – CMT	**1 375**	1 400
Carrying value of individually immaterial interests in associates	**221**	148
Carrying value of individually immaterial interests in joint ventures	**70**	96
Investment in equity-accounted investees	**8 189**	7 398

1 The comparative information has been restated due to the adoption of IFRS 17. Refer to note 7.3.1.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June 2024

Section 5: Other assets, liabilities, equity-accounted investments and items of income and expense *continued*

5.7 INVESTMENT IN EQUITY-ACCOUNTED INVESTEES *continued*

5.7.1 Material interests in associates and joint ventures

The table below provides summarised financial information for the Group's material joint ventures and associates. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and joint ventures and not Discovery's share of those amounts.

PING AN HEALTH INSURANCE COMPANY OF CHINA, LIMITED (PAHI)

PAHI offers policyholders in China cover for a range of private healthcare-related claims. PAHI is a strategic partnership for the Group, providing access to new clients and markets in China.

CAMBRIDGE MOBILE TELEMATICS INC. (CMT)

A United States of America based leading telematics technology provider. This partnership provides the Group with expertise in the telematics environment that Discovery Insure harnesses to manage its insurance risk.

	PAHI		CMT	
Ownership structure	Equity-accounted associate		Equity-accounted associate	
Nature	Insurance		Telematics technology	
Place of business	China		USA	
R million	2024	Restated[1] 2023	2024	2023
% of ownership interest at end of the year	**24.99%**	24.99%	**8.72%**	8.76%
Summarised statement of comprehensive income				
Revenue	**39 669**	37 078	**4 287**	3 292
Net profit/(loss) for the year	**4 791**	2 645	**(18)**	(461)
Other comprehensive income/(loss)	**249**	(10)	**–**	–
Total comprehensive income/(loss)	**5 040**	2 635	**(18)**	(461)
Summarised statement of financial position				
Current assets	**12 540**	13 489	**4 665**	4 264
Non-current assets	**59 559**	53 046	**12 448**	12 929
Current liabilities	**(41 898)**	(38 392)	**(1 395)**	(1 204)
Non-current liabilities	**(5 292)**	(6 341)	**(390)**	(460)
Net assets	**24 909**	21 802	**15 328**	15 529
Reconciliation to carrying amounts:				
Opening net assets	**21 802**	18 154	**15 529**	13 880
Net profit/(loss) for the year	**4 791**	2 645	**(18)**	(461)
Other comprehensive income/(loss)	**249**	(10)	**–**	–
Increase in share capital and share premium	**–**	–	**319**	110
Dividends paid to ordinary shareholders	**(1 021)**	–	**–**	–
Translation differences	**(912)**	1 013	**(502)**	2 000
Closing net assets	**24 909**	21 802	**15 328**	15 529
Group's share of net assets	**6 225**	5 448	**1 337**	1 360
Goodwill	**298**	306	**38**	40
Carrying value at 30 June	**6 523**	5 754	**1 375**	1 400

1 The comparative information has been restated for the initial adoption of IFRS 17 in the accounting records of PAHI.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 5: Other assets, liabilities, equity-accounted investments and items of income and expense *continued*

5.7 INVESTMENT IN EQUITY-ACCOUNTED INVESTEES *continued*

5.7.2 Individually immaterial associates and joint ventures

5.7.2.1 INDIVIDUALLY MATERIAL TRANSACTIONS

DISPOSAL OF INVESTMENT IN AIAV

During the financial year ended 30 June 2022, the investment in AIA Vitality Proprietary Limited (AIAV) was reclassified from equity- accounted investments to non-current assets held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. At date of reclassification, there were no additional impairment losses or reversals due to reclassification. At 30 June 2022, the disposal group was stated at fair value less costs to sell.

The disposal group comprised of:

– Investment in AIAV equity-accounted investment AUD15 million (R171 million)

The investment was sold effective 1 February 2023 at AUD15 million (R184 million).

5.7.2.2 SUMMARY OF FINANCIAL INFORMATION

	Associates		Joint ventures	
Group R million	**Group 2024**	Group 2023	**Group 2024**	Group 2023
Aggregate amount of the Group's share of (loss)/profit	**(236)**	(165)	**16**	69
Aggregate amount of the Group's share of other comprehensive income/(loss)	**5**	8	**(6)**	6
Aggregate amount of the Group's share of total comprehensive (loss)/income	**(231)**	(157)	**10**	75

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 5: Other assets, liabilities, equity-accounted investments and items of income and expense *continued*

5.8 CONTRACT RECEIVABLES AND OTHER RECEIVABLES

For the accounting policies relevant to the recognition and measurement of Contract receivables and other receivables, refer to Annexure B policy 8.1 and 19.

R million	Notes	Group 2024	Restated[3] Group 2023
Contract receivables:	5.6	**1 350**	1 268
– Discovery Health: Closed scheme debtors		**130**	120
– Discovery Health: Discovery Health Medical Scheme debtors		**818**	775
– Other contract receivables		**405**	377
– Less allowance for expected credit losses of contract receivables	3.5	**(3)**	(4)
Other financial receivables:		**3 701**	3 005
– Agents and brokers		**683**	492
– Cash-in-transit debtors		**69**	544
– Consolidated unit trust debtors		**1 184**	628
– Loans to BEE initiatives		**385**	309
– Security deposit on derivatives[2]		**10**	27
– Vitality partner debtors		**212**	171
– Other financial debtors		**1 579**	1 259
– Less allowance for expected credit losses	3.5	**(421)**	(425)
Other non-financial receivables[1]		**1 678**	1 411
– Prepayments		**1 426**	1 204
– Value-added tax asset		**155**	48
– Other debtors		**97**	159
Total contract receivables and other receivables		**6 729**	5 684
Current		**6 129**	5 375
Non-current		**600**	309
		6 729	5 684

1 These non-financial assets have been excluded from the risk disclosures presented in note 3.13.4.2
2 To reduce the credit risk exposure from the hedge derivative instruments purchased, Discovery has entered into collateral agreements with the relevant financial institutions to post cash collateral periodically, equal to the fair value of the derivatives. The posting of the collateral does not result in legal settlement of the outstanding derivative balance. The collateral will only be used to settle the derivative upon default or bankruptcy of either party.
3. The comparative information has been restated for the initial adoption of IFRS 17 and restatements due to correction of prior period errors. Refer to note 7.3 for more detail.

The fair value of short-term receivables approximates the carrying value. Long-term receivables are interest bearing at market rates and fully secured, and therefore, the fair value approximates the carrying value.

5.9 INCOME TAX

5.9.1 Deferred tax assets and liabilities

For the accounting policies relevant to the recognition and measurement of deferred tax, refer to Annexure B policy 15.2

R million	Group 2024	Restated[1] Group 2023
Deferred tax asset – non-current	**5 631**	6 370
Deferred tax liability – non-current	**(8 184)**	(6 706)
Total deferred tax	**(2 553)**	(336)

1 The comparative information has been restated for the initial adoption of IFRS 17 and restatements due to correction of prior period errors. Refer to note 7.3 for more detail.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June 2024

Section 5: Other assets, liabilities, equity-accounted investments and items of income and expense *continued*

5.9 INCOME TAX *continued*

5.9.1 Deferred tax assets and liabilities *continued*

For the accounting policies relevant to the recognition and measurement of deferred tax, refer to Annexure B policy 15.2

Group R million	Balance at beginning of the year	Charge for the year Recognised in profit or loss	Charge for the year Recognised in other compre-hensive income	Charge for the year Recognised in equity	Charge for the year Translation differences	Balance at end of the year
Year ended 30 June 2024						
Assessed loss in Company Policyholders' Fund	155	(59)	–	–	–	96
Assessed loss in Individual Policyholders' Fund	979	(359)	–	–	–	620
Assessed loss in subsidiaries	2 899	322	–	–	(50)	3 171
Financial Instruments and share-based payments	(28)	–	–	(16)	(1)	(45)
Deferred acquisition costs	(207)	(9)	–	–	(1)	(217)
Contract liability	275	(1)	–	–	(31)	243
Difference between wear and tear and depreciation/amortisation and leases	(235)	(113)	–	–	8	(340)
Intangible asset recognised on acquisition of business	(10)	(58)	–	–	2	(66)
Prepayments	(9)	(8)	–	–	–	(17)
Provisions	484	100	–	–	(2)	582
Difference between accounting and tax balances arising from insurance contracts	(4 158)	(1 378)	(854)	–	(28)	(6 418)
Unrealised gains on revaluation of investments	(301)	233	–	–	–	(68)
Other	(180)	63	–	–	23	(94)
Total	(336)	(1 267)	(854)	(16)	(80)	(2 553)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June 2024

Section 5: Other assets, liabilities, equity-accounted investments and items of income and expense *continued*

5.9 INCOME TAX *continued*

5.9.1 Deferred tax assets and liabilities *continued*

Group R million	Balance at beginning of the year	Charge for the year Recognised in profit or loss	Charge for the year Recognised in other compre-hensive income	Charge for the year Recognised in equity	Charge for the year Translation differences	Balance at end of the year
Year ended 30 June 2023 Restated						
Assessed loss in Company Policyholders' Fund	160	(5)	–	–	–	155
Assessed loss in Individual Policyholders' Fund	834	145	–	–	–	979
Assessed loss in subsidiaries	2 605	77	–	–	217	2 899
Financial Instruments and share-based payments	(15)	(28)	–	7	8	(28)
Deferred acquisition costs	(206)	(3)	–	–	2	(207)
Contract liability	89	123	–	–	63	275
Difference between wear and tear and depreciation/amortisation and leases	(299)	83	–	–	(19)	(235)
Intangible asset recognised on acquisition of business	(2)	2	–	–	(10)	(10)
Prepayments	(3)	(6)	–	–	–	(9)
Provisions	386	96	–	–	2	484
Difference between accounting and tax balances arising from insurance contracts	(4 115)	(1 028)	774	–	211	(4 158)
Unrealised gains on revaluation of investments	(282)	(19)	–	–	–	(301)
Other	238	(373)	–	–	(45)	(180)
Total	(610)	(936)	774	7	429	(336)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 5: Other assets, liabilities, equity-accounted investments and items of income and expense *continued*

5.9 INCOME TAX *continued*

5.9.2 Income tax expense

For the accounting policies relevant to the recognition and measurement of taxation, refer to Annexure B, Policies 15.

R million	Group 2024	Restated Group 2023
Charge for the year:		
Current taxation	**1 380**	1 550
Normal taxation		
– prior year over provision	**(114)**	–
– current year charge	**1 470**	1 524
Capital gains taxation	**24**	26
Deferred taxation	**1 267**	936
Total income tax expense recognised in profit or loss	**2 647**	2 486

	%	%
Taxation rate reconciliation		
Statutory rate	**27.0**	27.0
Non-taxable income: Equity-accounted profit or loss and dividend income	**(2.9)**	(2.0)
Non-taxable income: Other individually immaterial	**(0.1)**	*
Non-deductible expenditure: Including items of a capital nature and non-deductible provisions	*	0.5
Non-deductible expenditure: Other individually immaterial	**0.6**	*
Subsidiary current period losses for which no deferred tax asset was recognised, net of deferred tax assets on losses recognised for prior period losses	**2.6**	2.8
Insurance policyholder funds I-E taxes and related DTA recognitions	**(0.8)**	(0.6)
Accounting gains and losses taxable at CGT rates	**(0.1)**	(0.2)
CFC imputations and WHT not recovered	**0.7**	0.7
Additional tax allowances	*	(0.1)
Prior year under/over provision	**0.2**	*
Tax rate changes	**(0.3)**	(0.4)
Tax rate differences	**(0.3)**	(0.4)
Effective taxation rate	**26.5**	27.4

* *Amount is less than 0.1%.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 5: Other assets, liabilities, equity-accounted investments and items of income and expense *continued*

5.9 INCOME TAX *continued*

5.9.2 Income tax expense *continued*

The current tax rate for South African entities in a tax paying position is 27%. Discovery, a holding company listed on the JSE, uses the South African tax rate for its tax rate reconciliation since it is based in South Africa and the most significant operations are in South Africa. The South African life insurance operations tax rate is determined based on the rates and basis applicable to section 29A of the Income Tax Act 58 of 1962 at the reporting date.

Vitality Group International Inc, a subsidiary of Discovery Limited in the US, is subject to taxation under section 11(b) of the Internal Revenue Code 1986. The applicable current tax rate for all of Vitality Group International Inc's taxable profit is 21%. Discovery Group Europe Limited, incorporated and operating in the UK, is governed by the Corporation Tax Act 2010 Chapter 2, which sets the main corporation tax rate on taxable profit at 25%.

Discovery Group is a multinational enterprise with a turnover of more than €750 million. Therefore, it is subject to the Organisation for Economic Cooperation and Development (OECD) Pillar Two Model Rules, which aim to ensure that the effective tax rate of affected entities is at least 15%.

Whilst Pillar Two legislation has not yet been enacted in South Africa, where the Group is ultimately parented, South Africa's National Treasury has published draft legislation and has indicated that this will come into effect for fiscal years commencing on or after 1 January 2024. Further, Pillar Two legislation has been enacted in the United Kingdom, to come into effect from the same date.

As the Pillar Two legislation will take effect for the 2025 financial year, the Group has no related current tax exposure for the current year. The Group applies the exception to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

The Group is in the process of assessing its exposure to the Pillar Two legislation and has engaged tax specialists to assist it with applying the legislation. Following preliminary analyses performed using data from the most recent Country-by-Country Report ('CbCR') submitted, there are a limited number of jurisdictions which are not expected to meet the Transitional CbCR Safe Harbour as contemplated in the OECD rules . However, it is anticipated that no material exposure will arise in these jurisdictions under the Pillar Two Rules, due to the impact of specific adjustments envisaged in the Pillar Two Rules.

Due to the complexities in applying the Pillar Two Rules and calculating the Top-up Tax payable, the Group will continue to work with its advisors to determine any exposure to Pillar Two Top-up Taxes as the legislation takes effect.

5.9.3 Assessed losses

Discovery did not recognise deferred tax assets in respect of the following assessed losses:

	2024	2023
Better Health Insurance Advice Limited	**39**	40
Cogence Proprietary Limited	**74**	33
Discovery Central Services Proprietary Limited	**4 932**	4 806
Discovery Group Europe Limited	**9**	1
Discovery Life Limited – Individual Policyholders' Fund	**1 960**	5 194
Discovery Vitality Australia Proprietary Limited	**285**	306
Grove Nursing Services Proprietary Limited	**45**	43
Medical Services Organisation International Proprietary Limited	**26**	10
Southern Rx Proprietary Limited	**33**	96
Discovery Green Pty (Ltd)	**33**	–
Nanolabs Health Services Pty (Ltd)	**13**	–
	7 448	10 529

The Group recognises deferred tax assets on carried forward losses to the extent that there are sufficient estimated future taxable profits and/or taxable temporary differences against which the tax losses can be utilised.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June 2024

Section 5: Other assets, liabilities, equity-accounted investments and items of income and expense *continued*

5.10 OTHER PAYABLES AND PROVISIONS

For the accounting policies relevant to the recognition and measurement of Other payables and provisions, refer to Annexure B policies 17.

R million	Notes	Group 2024	Group 2023
Non-financial payables	5.10.1	**1 216**	1 066
Provisions	5.10.2	**449**	187
Balance at end of the year		**1 665**	1 253
Current		**1 168**	1 018
Non-current		**497**	235

5.10.1 Non-financial payables

R million	Group 2024	Group 2023
Indirect taxes[1]	**867**	732
Employee leave pay benefit	**349**	334
Balance at end of the year	**1 216**	1 066
Current	**1 165**	1 012
Non-current	**51**	54
Total	**1 216**	1 066

1 *Indirect taxes includes value-added taxes and insurance premium taxes (IPT) (levied in the United Kingdom). This line item was changed in the current period to include the IPT taxes. In the prior year, the line item 'value-added tax liability' only included the value-added tax liabilities. The comparative information has been restated also in line with the changes on presentation of other payables and provisions as noted in note 7.3.5.*

5.10.2 Provisions

Group R million	Booster provisions[1]
Year ended 30 June 2024	
Balance at beginning of the year	**187**
Movements	
Additional provisions raised	**288**
Used during the year	**(26)**
Amounts paid to provisions	–
Translation differences	–
Balance at the end of the year	**449**
Current	**3**
Non-current	**446**
Year ended 30 June 2023 Restated	
Balance at beginning of the year	170
Movements	
Additional provisions raised	45
Used during the year	(28)
Amounts paid to provisions	–
Translation differences	–
Balance at the end of the year	187
Current	6
Non-current	181

1 *Retirement Upfront Investment Integrator (RUII) relates to the provision of boosters on specified investment products.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June 2024

Section 5: Other assets, liabilities, equity-accounted investments and items of income and expense *continued*

For the accounting policies relevant to the recognition and measurement of Marketing and administration expenses, refer to Annexure B policy 22.

5.11 EXPENSES

The adoption of IFRS 17 has resulted in significantly different presentation and disclosures of the commissions, acquisition, marketing and administration expenses which are directly attributable to fulfilment of insurance contracts. Comparative information has been accordingly restated.

5.11.1 Insurance Service expenses

R million	Notes	Group 2024	Group 2023
Insurance service expenses			
Claims and benefits	5.11.4	**29 462**	25 078
– Incurred claims and benefits		**29 349**	24 927
– Adjustment to liabilities for incurred claims (LIC)		**113**	151
Directly attributable service expenses, excluding insurance acquisition cash flows	5.11.3	**8 323**	7 227
Losses and reversal of losses on onerous contracts		**(156)**	608
GMM/VFA Insurance acquisition cash flows including amortisation		**5 509**	4 454
PAA: Insurance acquisition cash flows including amortisation		**3 007**	2 459
		46 145	39 826

5.11.2 Commissions insurance contracts

R million	Notes	Group 2024	Group 2023
Commission paid to obtain insurance contracts		**4 916**	4 933

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 5: Other assets, liabilities, equity-accounted investments and items of income and expense *continued*

5.11 EXPENSES *continued*

5.11.3 Marketing and administration expenses

R million	Notes	Group 2024	Group 2023
Auditors remuneration			
Audit fees		**223**	130
Fees for other services		**–**	4
Prior year		**1**	13
		224	147
Lease charges			
Short-term leases		**6**	80
Low-value item leases		**116**	217
		122	297
Staff costs including executive directors[1]			
Salaries, wages and allowances[2,4]		**10 438**	9 392
Medical aid fund contributions		**600**	529
Defined contribution provident fund contributions		**499**	444
Social security levies		**425**	397
Share-based payment expenses			
– equity-settled[2]		**717**	545
– cash-settled[4]		**24**	22
– (gains)/losses on cash flow hedge		**–**	(1)
Staff training		**90**	89
Recruitment fees		**63**	64
Temporary staff		**569**	694
Provision for leave pay		**16**	43
Other		**282**	236
		13 723	12 454
Other operating costs			
Amortisation of software	5.4	**1 411**	1 319
Amortisation of intangibles acquired in a business combination	5.4	**56**	56
Building related and office costs		**689**	530
Depreciation of property and equipment	5.5	**709**	658
Loss on derecognition of property and equipment and intangible assets		**55**	324
(Gain)/loss on disposal of property and equipment		**(1)**	8
Impairment of property and equipment and intangible assets		**22**	45
Allowance for expected credit losses on financial receivables and contract receivables		**3**	77
Insurance		**83**	75
IT systems and consumables		**3 124**	2 663
Marketing and distribution costs		**2 300**	2 090
Non-executive directors fees		**63**	47
Professional fees		**1 326**	955
Vitality benefit expenses		**5 354**	4 253
Other operating expenses		**3 443**	1 127
Subtotal of other operating costs		**18 637**	14 227
Total expenses[3]		**37 622**	32 058
Represented by:			
Insurance service expense	5.11.1	**8 323**	7 227
Other: Experience adjustment on CSM		**(86)**	77
Insurance acquisition cash flows		**9 741**	6 214
Marketing and administration expenses		**19 644**	18 540
Total expenses		**37 622**	32 058

1 Executive directors' and prescribed officers' remuneration is included in employee costs. Refer to Annexure C – Directorate for detailed disclosure.
2 Included in long-term benefits are IAS 19 long-term bonus arrangements. During the year, there was also the release of a long-term bonus arrangement which is offset by in-period catch up of a share-based payment arrangement as a result of a conversion into a share-based scheme.
3 Total expenses include commission paid to obtain insurance contracts. Refer to note 5.11.2.
4 In the previous period cash-settled share schemes included IAS 19 long-term bonus arrangements. This has been corrected and the previous period restated.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 5: Other assets, liabilities, equity-accounted investments and items of income and expense *continued*

5.11 EXPENSES *continued*

5.11.4 Claims and benefit

R million (Income)/expenses	Note	Group 2024	Group 2023
SA Life and Invest (Risk) and UK Life (Risk) insurance claims		**7 357**	7 232
Death		**4 935**	4 764
Disability		**4 483**	4 452
Payback benefits		**2 356**	2 146
Less: Reinsurance recoveries		**(4 417)**	(4 130)
SA Life and Invest (Participating) investment benefits		**462**	331
Death		**42**	44
Annuity payments		**420**	287
SA Life, Group Life and Other insurance claims		**2 268**	2 098
Death		**1 109**	1 062
Disability		**1 401**	1 154
Payback benefits		**18**	20
Less: Reinsurance recoveries		**(260)**	(138)
SA Discovery Insure and Other insurance claims		**4 428**	3 218
Gross claims		**5 136**	3 808
Less: Reinsurances recoveries		**(708)**	(590)
UK Health insurance claims		**9 561**	5 504
Gross claims		**9 562**	7 341
Less: Reinsurance recoveries		**(1)**	(1 837)
		24 076	18 383
Claims and policyholders' benefits	5.11.1	**29 462**	25 078
Insurance claims recovered from reinsurers		**(5 386)**	(6 695)
Net claims and policyholder benefits		**24 076**	18 383

5.12 FOREIGN EXCHANGE (LOSSES)/GAINS

For the accounting policies relevant to the recognition and measurement of foreign exchange gains (losses), refer to Annexure B, policy 3.

R million	Group 2024	Group 2023
Net foreign exchange (losses)/gains	**(87)**	149

The net foreign exchange gains and losses arise primarily from foreign denominated loans, some which are internal.

The total amount of foreign exchange gains/(losses) recognised in profit or loss is a loss of R53 million (2023: R292 million gain) presented within various lines associated with the underlying transaction.

SECTION 06

CASH FLOW INFORMATION

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 6: Cash flow information

6.1 INTRODUCTION AND OVERVIEW

This section provides more information on the Group statement of cash flows.

The comparative information has been restated for the initial adoption of IFRS 17, restatements due to correction of prior period errors and changes in presentation. Refer to note 7.3 for more detail.

6.2 CASH FLOW INFORMATION

6.2.1 Cash generated/(utilised) from operations:

R million	Group 2024	Restated Group 2023
Profit before income tax	10 011	9 058
Adjusted for items presented separately in statement of cash flows:		
– Interest received	(2 700)	(1 934)
– Interest paid	3 097	2 685
Adjusted for non-cash items:		
– Gains on financial assets at fair value through profit or loss	(9 820)	(10 778)
– Losses/(gains) from derivative financial instruments	36	(493)
– Cash flow hedge losses/(gains) from derivative financial instruments	4	(1)
– Other gains on financial instruments	(5)	–
– Marketing and administration expenses	2 996	3 053
– Share-based payment expenses – cash settled	24	22
– Share-based payment expenses – equity settled	717	545
– Amortisation of software	1 411	1 319
– Amortisation of intangibles acquired in a business combination	56	56
– Depreciation of property and equipment	347	309
– Depreciation of right of use assets	362	348
– Loss on derecognition of property and equipment	10	34
– Loss on derecognition of intangible assets	45	290
– (Gain)/loss on disposal of property and equipment	(1)	8
– Impairment of property and equipment	14	45
– Impairment of intangible assets (Excl goodwill)	8	–
– Allowance for expected credit losses on financial receivables and contract receivables	3	77
– Allowance for expected credit losses on loans and advances to customers	235	146
– Impairment of goodwill	–	9
– (Gain)/loss on dilution of equity-accounted investment	(22)	5
– Share of profits from equity-accounted investments	(975)	(525)
– Foreign exchange losses/(gains)	140	(142)
Cash generated from operations	2 997	1 083

6.2.1.1 INCREASE IN OPERATING ASSETS

R million	Group 2024	Group 2023
– Investments held to back policyholder liabilities	(9 510)	(3 209)
– Loans and advances to customers	(1 484)	(897)
– Contract receivables and other receivables	(1 119)	(223)
– Trading assets and derivative instruments	(553)	547
– Financial investments	5 604	(1 073)
– Assets arising from contracts with customers	(451)	(442)
	(7 513)	(5 297)

6.2.1.2 INCREASE IN OPERATING LIABILITIES

R million	Group 2024	Group 2023
– Deposits from customers	4 134	3 451
– Other payables at amortised cost	617	(39)
– Investment contract liabilities	(3 024)	(2 079)
– Third-party interest liabilities	3 110	4 026
– Contract liabilities to customers	(443)	(321)
– Other payables and provisions	(687)	71
– Assets and liabilities arising from insurance contracts issued, adjusted for changes recognised in OCI	5 123	5 880
– Assets and liabilities arising from reinsurance contracts held, adjusted for changes recognised in OCI	243	(295)
	9 073	10 694

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 6: Cash flow information *continued*

6.2 CASH FLOW INFORMATION *continued*

6.2.2 Taxation paid

R million	Group 2024	Group 2023
Balance at beginning of year	**(124)**	(306)
Taxation charged for the year in the income statement	**(2 647)**	(2 486)
Adjustment for movement in deferred taxation	**1 267**	936
Reallocation to separately disclosable items	**4**	(115)
Translation difference	**(4)**	8
Balance at end of year	**(18)**	124
Taxation paid	**(1 522)**	(1 839)

6.2.3 Movement of borrowings:

R million	Group 2024	Group 2023
Balance at beginning of year excluding bank overdraft	**20 553**	20 428
Leased assets acquired	**183**	260
Increase in borrowings	**2 000**	7 450
Raising fees capitalised	**5**	(8)
Interest accrued on borrowings	**2 007**	1 767
Interest paid on borrowings	**(1 545)**	(1 335)
Repayment of borrowings	**(1 385)**	(8 607)
Modification to lease assets	**(1)**	(81)
Translation difference	**(160)**	679
Balance at end of year	**21 657**	20 553

6.2.4 Interest paid

R million	Group 2024	Group 2023
Interest expenses on borrowings lease liabilities and bank interest and similar expense per the income statement	**(3 097)**	(2 663)
Bank interest and similar expense using effective interest rate method	**(1 061)**	(744)
Interest expenses on borrowings and lease liabilities	**(2 036)**	(1 919)
Adjusted for:		
– Bank borrowings interest accrual not yet paid	**29**	–
– Lease liabilities interest accrual not paid	**433**	432
– Other payables or interest accrual	**8**	(14)
Interest paid	**(2 627)**	(2 245)

6.2.5 Dividends received

R million	Group 2024	Group 2023
Dividends received , included in:		
Dividends from equity-accounted investments	**305**	108
Total dividends received	**305**	108

SECTION 07

OTHER DISCLOSURES

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 7: Other disclosures

7.1 INTRODUCTION AND OVERVIEW

This section provides information on other disclosures that are non-recurring disclosures. Disclosures include restatements, capital commitments, contingent liabilities and assets, as well as events after reporting date including dividend declarations.

7.2 PRIMARY FINANCIAL STATEMENTS AND INFORMATION ANALYSED IN THIS SECTION

Additional information	Notes
Adoption of new standards and interpretations and restatements	7.3
Capital commitments	7.4
Events after the reporting period	7.5

7.3 ADOPTION ON NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS

7.3.1 Introduction and overview

The section provides information on the material new standards, amendments and interpretations that became effective for Discovery for its financial year commencing 1 July 2023. In addition, the section sets out the correction of prior period errors and the changes in presentation of specified line items.

OVERVIEW

The financial year ended 30 June 2024 has been marked as a year of significant changes to the measurement and presentation of items in the primary financial statements, namely the Group statement of financial position, the Group income statement, the Group statement of other comprehensive income, Group statement of changes in equity and Group statement of cash flows. The notes to the financial statements, including the accounting policies which accompany the Group financial statements have also consequently been amended.

The changes to the financial statements have arisen from the following key events:

- Change 1: Adoption of IFRS 17 *Insurance Contracts*
- Change 2: Restatements as result of prior period errors identified
- Change 3: Changes in presentation of specified items in the primary statements and associated restatements for prior period corrections

CHANGE 1: ADOPTION OF IFRS 17 *INSURANCE CONTRACTS*

IFRS 17 became effective for the Discovery Group on 1 July 2023, with a required restatement of the comparative preceding year, namely the financial year ended 30 June 2023, including a restatement of the opening Group statement of financial position as at 1 July 2022.

IFRS 17 is a new accounting standard for insurance contracts that provides guidelines on recognising, measuring, presenting, and disclosing insurance contracts. IFRS 17 replaces the previous standard, IFRS 4 *Insurance Contracts*.

The framework established by IFRS 17 outlines the specific requirements that companies must adhere to when reporting information related to both the insurance contracts they issue and the reinsurance contracts they hold.

The summary of the impact of the adoption of IFRS 17 on the Group statement of financial position as at 1 July 2022 and 30 June 2023 is set out in section 7.3.2.

For further details on the adoption of IFRS 17 *Insurance Contracts* also refer section 7.3.3.

CHANGE 2: RESTATEMENT AS A RESULT OF PRIOR PERIOD ERRORS IDENTIFIED

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

During the financial year ended 30 June 2024, management has identified prior period errors that required correction and accordingly restated the prior period information.

The summary of the impact of the restatements on the Group statement of financial position as at 1 July 2022 and 30 June 2023 is set out in section 7.3.2.

For further details on the prior period errors, also refer section 7.3.4.

CHANGE 3: CHANGES IN PRESENTATION OF SPECIFIED ITEMS IN THE PRIMARY STATEMENTS AND ASSOCIATED RESTATEMENTS FOR PRIOR PERIOD CORRECTIONS

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

With the adoption of IFRS 17 and the developments within IFRS Accounting Standards on presentation of financial statements, Discovery has enhanced its presentation of the primary financial statements. Changes in addition to those as a result of adoption of IFRS 17 are further discussed in section 7.3.5.

The summary of the impact of the presentation on the Group statement of financial position as at 1 July 2022 and 30 June 2023 is set out in section 7.3.2.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 7: Other disclosures *continued*

7.3 ADOPTION ON NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

7.3.2 Impact of restatements on the Group statement of financial position

INTRODUCTION

The section provides summary information on the impact of the restatements as a result of the adoption of IFRS 17, the correction of prior period errors and presentation changes on the Group Statement of financial position for 1 July 2022 and 30 June 2023.

The information is set out to reconcile the information as previously published for the year end 30 June 2023 under IFRS 4 basis to the new restated results, setting out the respective adjustments to the final restated balances in the Group statement of financial position as at 1 July 2022 and 30 June 2023.

RECONCILIATION OF THE RESTATED GROUP STATEMENT OF FINANCIAL POSITION 1 JULY 2022

Group R million	30 June 2022 As previously reported under IFRS 4[5]	7.3.3 Restated IFRS 17 remeasurement and reclassification[6]	7.3.4 Other restatements	7.3.5 Other presentation changes	1 July 2022 Restated under IFRS 17
Assets					
Goodwill	4 912	–	–	–	4 912
Intangible assets	6 539	–	45	–	6 584
Property and equipment	3 811	–	–	–	3 811
Assets arising from insurance contracts issued	56 645	(26 884)	–	–	29 761
Assets arising from reinsurance contracts held	511	362	–	–	873
Deferred tax asset	4 455	1 357	(95)	–	5 717
Deferred acquisition costs[1]	640	(623)	–	(17)	–
Assets arising from contracts with customers	1 692	–	–	17	1 709
Investment in equity-accounted investees	6 008	330	–	–	6 338
Financial assets					
– Loans and advances to customers at amortised cost	3 944	–	–	–	3 944
– Investments at amortised cost	7 161	–	–	–	7 161
– Investments at fair value through profit or loss	141 494	–	(3 399)	–	138 095
– Derivative financial instruments at fair value through profit or loss	276	–	–	–	276
Contract receivables and other receivables[2]	13 113	(7 848)	(41)	–	5 224
Non-current assets held for sale	171	–	–	–	171
Current tax asset	220	–	(37)	–	183
Cash and cash equivalents[3]	19 775	(5 988)	3 399	–	17 186
Total assets	**271 367**	**(39 294)**	**(128)**	**–**	**231 945**
Equity					
Capital and reserves					–
Ordinary share capital and share premium	10 178	–	–	–	10 178
Perpetual preference share capital	779	–	–	–	779
Other reserves[4]	3 621	(1 208)	42	–	2 455
Retained earnings	38 972	(11 373)	(197)	–	27 402
Equity attributable to equity holders of the Company	53 550	(12 581)	(155)	–	40 814
Non-controlling interest	5	–	–	–	5
Total equity	**53 555**	**(12 581)**	**(155)**	**–**	**40 819**

1 *The deferred acquisition costs for insurance contracts will no longer be presented separately in the Group statement of financial position under IFRS 17 as all insurance cash flows, payables and receivables are presented on a net basis, as part of the liability or an asset arising from insurance contract issued.*

2 *Previously named Insurance receivables, contract receivables and other receivables. The line item description has been updated to exclude the insurance receivables as under IFRS 17 all insurance cash flows, payables and receivables are presented on a net basis, as part of the liability or an asset arising from insurance contract issued.*

3 *The treatment of the Prudential Assurance Company Limited (PAC) arrangement under IFRS 17 has resulted in a fundamental change in the way Discovery is required to reflect the underlying assets and liabilities within the PAC arrangement. Under IFRS 17, the entire PAC arrangement is reflected as an overarching insurance contract. Discovery is treated as the reinsurer for those VitalityLife policies underwritten on the PAC life insurance license (up to 31 December 2015). One key difference is the manner in which the cash and cash equivalents, which are held as the required capital backing for the policies, are reflected. Under IFRS 17, the cash backing the capital requirement and reserves are presented and measured as a non-distinct loan to policyholder. This differs from IFRS 4, where the cash and cash equivalents of the capital backing the arrangement were treated as separable components and accordingly disclosed separately. In addition to the resultant change in cash and cash equivalents on 1 July 2022 of R5 988 million.*

4 *Included in the Other reserves line item is the new IFRS 17 reserve for the cumulative IFIE recognised in OCI.*

5 *The previously reported values relate to the IFRS 4 Group statement of financial position for the year-ended 30 June 2023 as was published in September 2023.*

6 *The IFRS 17 remeasurement and reclassification column has been restated from the reconciliation of restated Group statement of financial position published in the Discovery Group interim disclosures for the six-month period ended 31 December 2023. The effect of these changes are noted in item 5 of D.1.4.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

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Section 7: Other disclosures *continued*

7.3 ADOPTION ON NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

7.3.2 Impact of restatements on the Group statement of financial position *continued*

Group R million	30 June 2022 As previously reported under IFRS 4[5]	7.3.3 Restated IFRS 17 remeasurement and reclassification[6]	7.3.4 Other restatements	7.3.5 Other presentation changes	1 July 2022 Restated under IFRS 17
Liabilities					
Liabilities arising from insurance contracts issued	108 067	(24 143)	–	–	83 924
Liabilities arising from reinsurance contracts held	13 192	(7 940)	–	–	5 252
Deferred tax liability	9 335	(3 008)	–	–	6 327
Contract liabilities to customers	944	–	–	–	944
Third-party interest in consolidated funds	–	–	–	24 320	24 320
Financial liabilities					
– Borrowings at amortised cost	20 584	–	–	–	20 584
– Other financial payables at amortised cost	15 123	(6 280)	65	(833)	8 075
– Deposits from customers	10 881	–	–	–	10 881
– Investment contracts at fair value through profit or loss	38 637	14 638	–	(24 320)	28 955
– Derivative financial instruments at fair value through profit or loss	202	–		–	202
Other payables	–	–	–	735	1 003
Provisions	–	20	–	150	170
Employee benefits	320	–	–	(320)	–
Current tax liability	527	–	(38)	–	489
Total liabilities	**217 812**	**(26 713)**	**27**	**–**	**191 126**
Total equity and liabilities	**271 367**	**(39 294)**	**(128)**	**–**	**231 945**

1 The deferred acquisition costs for insurance contracts will no longer be presented separately in the Group statement of financial position under IFRS 17 as all insurance cash flows, payables and receivables are presented on a net basis, as part of the liability or an asset arising from insurance contract issued.
2 Previously named Insurance receivables, contract receivables and other receivables. The line item description has been updated to exclude the insurance receivables as under IFRS 17 all insurance cash flows, payables and receivables are presented on a net basis, as part of the liability or an asset arising from insurance contract issued.
3 The treatment of the Prudential Assurance Company Limited (PAC) arrangement under IFRS 17 has resulted in a fundamental change in the way Discovery is required to reflect the underlying assets and liabilities within the PAC arrangement. Under IFRS 17, the entire PAC arrangement is reflected as an overarching insurance contract. Discovery is treated as the reinsurer for those VitalityLife policies underwritten on the PAC life insurance license (up to 31 December 2015). One key difference is the manner in which the cash and cash equivalents, which are held as the required capital backing for the policies, are reflected. Under IFRS 17, the cash backing the capital requirement and reserves are presented and measured as a non-distinct loan to policyholder. This differs from IFRS 4, where the cash and cash equivalents of the capital backing the arrangement were treated as separable components and accordingly disclosed separately. In addition to the resultant change in cash and cash equivalents on 1 July 2022 of R5 988 million.
4 Included in the Other reserves line item is the new IFRS 17 reserve for the cumulative IFIE recognised in OCI.
5 The previously reported values relate to the IFRS 4 Group statement of financial position for the year-ended 30 June 2023 as was published in September 2023.
6 The IFRS 17 remeasurement and reclassification column has been restated from the reconciliation of restated Group statement of financial position published in the Discovery Group interim disclosures for the six-month period ended 31 December 2023. The effect of these changes are noted in item 5 of 7.3.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

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Section 7: Other disclosures *continued*

7.3 ADOPTION ON NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

7.3.2 Impact of restatements on the Group statement of financial position *continued*

RECONCILIATION OF THE RESTATED GROUP STATEMENT OF FINANCIAL POSITION 30 JUNE 2023

Group R million	30 June 2023 As previously reported under IFRS 4[5]	7.3.2 Restated IFRS 17 remeasurement and reclassification[6]	7.3.3 Other restatements	7.3.4 Other presentation changes	30 June 2023 Restated under IFRS 17
Assets					
Goodwill	5 406	–	–	–	5 406
Intangible assets	6 982	–	82	–	7 064
Property and equipment	3 910	–	–	–	3 910
Assets arising from insurance contracts issued	63 865	(30 241)	–	–	33 624
Assets arising from reinsurance contracts held	709	(105)	–	–	604
Deferred tax asset	4 404	2 085	(119)	–	6 370
Deferred acquisition costs[1]	799	(779)	–	(20)	–
Assets arising from contracts with customers	2 201	–	–	20	2 221
Investment in equity-accounted investees	7 024	374	–	–	7 398
Financial assets					
– Loans and advances to customers at amortised cost	4 702	–	–	–	4 702
– Investments at amortised cost	9 910	–	–	–	9 910
– Investments at fair value through profit or loss	155 426	–	(2 911)	–	152 515
– Derivative financial instruments at fair value through profit or loss	119	–	–	–	119
Contract receivables and other receivables[2]	16 059	(10 333)	(42)	–	5 684
Current tax asset	41	–	–	–	41
Cash and cash equivalents[3]	20 370	(4 110)	2 911	–	19 171
Total assets	**301 927**	**(43 109)**	**(79)**	**–**	**258 739**
Equity					
Capital and reserves					
Ordinary share capital and share premium	10 351	–	–	–	10 351
Perpetual preference share capital	779	–	–	–	779
Other reserves[4]	8 622	(3 982)	50	–	4 690
Retained earnings	44 218	(10 124)	(194)	–	33 900
Equity attributable to equity holders of the Company	63 970	(14 106)	(144)	–	49 720
Non-controlling interest	4	–	–	–	4
Total equity	**63 974**	**(14 106)**	**(144)**	**–**	**49 724**

1 The deferred acquisition costs for insurance contracts will no longer be presented separately in the Group statement of financial position under IFRS 17 as all insurance cash flows, payables and receivables are presented on a net basis, as part of the liability or an asset arising from insurance contract issued.
2 Previously named Insurance receivables, contract receivables and other receivables. The line item description has been updated to exclude the insurance receivables as under IFRS 17 all insurance cash flows, payables and receivables are presented on a net basis, as part of the liability or an asset arising from insurance contract issued.
3 The treatment of the Prudential Assurance Company Limited (PAC) arrangement, under IFRS 17 has resulted in a fundamental change in the way Discovery is required to reflect the underlying assets and liabilities within the PAC arrangement. Under IFRS 17, the entire PAC arrangement is reflected as an overarching insurance contract. Discovery is treated as the reinsurer for those VitalityLife policies underwritten on the PAC life insurance license (up to 31 December 2015). One key difference is the manner in which the cash and cash equivalents, which are held as the required capital backing for the policies, are reflected. Under IFRS 17, the cash backing the capital requirement and reserves are presented and measured as a non-distinct loan to policyholder. This differs from IFRS 4, where the cash and cash equivalents of the capital backing the arrangement were treated as separable components and accordingly disclosed separately. In addition to the resultant change in cash and cash equivalents 30 June 2023 R4 110 million, it also resulted in a change in cash utilized and generated by operations of R2 744 million for the year ended 30 June 2023.
4 Included in the Other reserves line item is the new IFRS 17 reserve for the cumulative IFIE recognised in OCI.
5 The previously reported values relate to the IFRS 4 Group statement of financial position for the year-ended 30 June 2023 as was published in September 2023.
6 The IFRS 17 remeasurement and reclassification column has been restated from the reconciliation of restated Group statement of financial position published in the Discovery Group interim disclosures for the six-month period ended 31 December 2023. The effect of these changes are noted in item 5 of 7.3.4.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

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Section 7: Other disclosures *continued*

7.3 ADOPTION ON NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

7.3.2 Impact of restatements on the Group statement of financial position *continued*

RECONCILIATION OF THE RESTATED GROUP STATEMENT OF FINANCIAL POSITION 30 JUNE 2023 *continued*

Group R million	30 June 2023 As previously reported under IFRS 4[5]	7.3.2 Restated IFRS 17 remeasurement and reclassification[6]	7.3.3 Other restatements	7.3.4 Other presentation changes	30 June 2023 Restated under IFRS 17
Liabilities					
Liabilities arising from insurance contracts issued	114 807	(20 147)	–	–	94 660
Liabilities arising from reinsurance contracts held	14 669	(9 850)	–	–	4 819
Deferred tax liability	9 559	(2 851)	(2)	–	6 706
Contract liabilities to customers	656	–	–	–	656
Third-party interest in consolidated funds	–	–	–	28 346	28 346
Financial liabilities					–
– Borrowings at amortised cost	20 586	–	–	–	20 586
– Other financial payables at amortised cost	14 780	(5 375)	67	(904)	8 568
– Deposits from customers	14 333	–	–	–	14 333
– Investment contracts at fair value through profit or loss	48 044	9 205	–	(28 346)	28 903
– Derivative financial instruments at fair value through profit or loss	20	–	–	–	20
Other payables	–	–	–	1 066	1 066
Provisions	–	15	–	172	187
Employee benefits	334	–	–	(334)	–
Current tax liability	165	–	–	–	165
Total liabilities	**237 953**	**(29 003)**	**65**	**–**	**209 015**
Total equity and liabilities	**301 927**	**(43 109)**	**(79)**	**–**	**258 739**

1 *The deferred acquisition costs for insurance contracts will no longer be presented separately in the Group statement of financial position under IFRS 17 as all insurance cash flows, payables and receivables are presented on a net basis, as part of the liability or an asset arising from insurance contract issued.*

2 *Previously named Insurance receivables, contract receivables and other receivables. The line item description has been updated to exclude the insurance receivables as under IFRS 17 all insurance cash flows, payables and receivables are presented on a net basis, as part of the liability or an asset arising from insurance contract issued.*

3 *The treatment of the Prudential Assurance Company Limited (PAC) arrangement, under IFRS 17 has resulted in a fundamental change in the way Discovery is required to reflect the underlying assets and liabilities within the PAC arrangement. Under IFRS 17, the entire PAC arrangement is reflected as an overarching insurance contract. Discovery is treated as the reinsurer for those VitalityLife policies underwritten on the PAC life insurance license (up to 31 December 2015). One key difference is the manner in which the cash and cash equivalents, which are held as the required capital backing for the policies, are reflected. Under IFRS 17, the cash backing the capital requirement and reserves are presented and measured as a non-distinct loan to policyholder. This differs from IFRS 4, where the cash and cash equivalents of the capital backing the arrangement were treated as separable components and accordingly disclosed separately. In addition to the resultant change in cash and cash equivalents 30 June 2023 R4 110 million, it also resulted in a change in cash utilized and generated by operations of R2 744 million for the year ended 30 June 2023.*

4 *Included in the Other reserves line item is the new IFRS 17 reserve for the cumulative IFIE recognised in OCI.*

5 *The previously reported values relate to the IFRS 4 Group statement of financial position for the year-ended 30 June 2023 as was published in September 2023.*

6 *The IFRS 17 remeasurement and reclassification column has been restated from the reconciliation of restated Group statement of financial position published in the Discovery Group interim disclosures for the six-month period ended 31 December 2023. The effect of these changes are noted in item 5 of 7.3.4.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

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Section 7: Other disclosures *continued*

7.3 ADOPTION ON NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

7.3.3 Adoption of IFRS 17 *Insurance Contracts*

INTRODUCTION

As noted above, IFRS 17 *Insurance Contracts* became effective for the Discovery Group from 1 July 2023, with comparative restatement of the preceding year, namely the financial year ended 30 June 2023, including a restatement of the opening Group statement of financial position as at 1 July 2022. IFRS 17 replaces the previous standard, IFRS 4 *Insurance Contracts*.

IFRS 17 is not limited to insurance companies but also those companies that issue any contract that results in the transfer of significant insurance risk. For Discovery, the contracts within the scope of IFRS 17 are almost entirely aligned with those recognised in IFRS 4.

Whilst the underlying contractual terms and economic risks and rewards of each insurance contract remain unaltered, IFRS 17 impacts the accounting treatment of insurance contracts and, most notably, the timing of recognition of insurance-related profits and losses for accounting purposes. Importantly, it also separates the insurance-related profit and losses between those arising from insurance service results and those arising from financial results. IFRS 17 does not result in a change in the underlying business value of contracts, including:

- No direct change to cash flows or underlying risk and reward of contracts. Future tax cash flow impacts are expected to be immaterial.
- Immaterial impact on regulatory or economic solvency, capital position and capital management.
- The ability to pay dividends unaffected as cash flows and solvency remain unchanged.
- Immaterial impact on Embedded Value.

ADOPTION OF IFRS 17

Upon first-time adoption, IFRS 17 requires the IFRS Accounting Standard to be applied fully retrospectively as if the IFRS Accounting Standard always had applied unless impracticable. If impracticable to do so, the entity can elect to either apply a modified retrospective approach or use the fair value approach. Discovery applied a fully retrospective restatement from inception for all material groups of insurance contracts. Discovery did not measure any of its portfolios using the fair value approach.

The fully retrospective approach requires that Discovery identify, recognise, and measure groups of insurance contracts as if IFRS 17 had always applied. Based on the work completed, the restatement is much more pronounced for the long-term insurance business of Discovery Life in SA and VitalityLife in the UK. In contrast, the impact of the retrospective restatement is limited for the short-term businesses except for VitalityHealth where the impact is more significant due to change in the treatment of insurance acquisition costs.

The changes resulting from the transition to IFRS 17 can be summarised as follows:

- Those changes that result in differences between the IFRS 17 release of margins relative to the IFRS 4 release of margins. These changes result in concomitant temporary changes in equity. For example, to the extent that changes resulted in the strengthening of contractual service margins that will release to profit in future periods or absorb adverse variances, such changes are mirrored by a reduction in shareholders' equity upon transition.
- Other changes, such as remeasurement basis of the expected future cash flows or recognised assets and liabilities from short-term insurance, e.g., deferred acquisition costs. These remeasurements result in a change in equity on transition without a visible offset of insurance margins but similarly indirectly result in higher or lower net profits in future periods (for a reduction or increase in equity respectively).

In the case of Discovery, increases in insurance margins, most notably contractual service margin (CSM), have more material impact. Such resulting increases of additional IFRS 17 margins on transition will be available as future profit. The main cause for this significant increase in CSM is that Discovery has a more recent and rapidly growing history compared to very long-standing insurers.

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for the year ended 30 June 2024

Section 7: Other disclosures *continued*

7.3 ADOPTION ON NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

7.3.3 Adoption of IFRS 17 *Insurance Contracts* *continued*

The most significant changes that result in an increase in IFRS 17 margins relative to margins under IFRS 4 can be summarised as follows:

- The measurement under IFRS 17 includes only those cash inflows and outflows relating directly to the fulfilment of the group of insurance contracts, termed directly attributable expenses. In addition to claims and benefits, these may include certain directly attributable overhead expenses. However, non-directly attributable expenses such as general marketing and sponsorships, allocated group executive and group function costs and research and development activities of new products, are not included in the initial recognition value of the contract. Under IFRS 17, these non-directly attributable expenses are immediately expensed and are therefore not considered when determining the expected fulfilment cash flows (EFCF) of the insurance contracts being measured. The immediate expensing of such non-directly attributable expenses increases the available margin on the portfolio compared to the IFRS 4 treatment where such expenses were brought into account when determining the available margins. It should be noted that such expenses are brought into consideration when determining the pricing of products and these increased IFRS 17 margins are therefore similarly available for recognition as profits in future or to absorb adverse changes.
- Contracts are measured at a more granular level where portfolios are established and as a minimum with annual business cohorts of no more than twelve months apart. Each of these cohorts is further categorised into separate groups based on expected profitability being profitable, profitable at risk, and onerous groups. Losses are immediately expensed when they arise on onerous contracts, effectively eliminating any cross-subsidisation or set-off applied within a portfolio. This immediate write-off of shortfalls on contracts effectively increases the available margin on the remainder of the portfolio, which will be recognised to profit in future.
- Other items, including, amongst others, the different treatment of certain basis changes and variances through the margin, the different rates at which interest is accreted on the margins, and small differences in the run-off of the margins over time are less material in the case of Discovery. Unlike IFRS 4, IFRS 17 separately recognises the finance-related consequences of insurance contracts from the underlying insurance activities. Finance income and expense related to insurance contracts and the changes in the measurement of finance-related items are recognised as insurance finance income and expense (IFIE) either immediately in profit or loss or disaggregated and allocated using a systematic allocation to profit or loss with variances being recognised through OCI.
- Discovery has elected to apply the OCI option to certain long-term insurance contracts. The exclusion of certain elements of IFIE from the profit or loss is largely aligned to Discovery's treatment under IFRS 4 where it excluded the impact of economic assumptions, net of associated derivatives, from its normalised profit and normalised headline earnings. The use of OCI removes the need for this normalisation after the adoption of IFRS 17.

TAX CHANGES

To transition to and implement IFRS 17, there were amendments in tax legislation in both South Africa (Section 28 and 29A of the South African Income Tax Act) and the United Kingdom (The Insurance Contracts (Tax) Change in Accounting Standards Regulations 2022, 2022. No. 1165). The amendments legislated phasing-in periods of the impact, which are 3 years for Discovery Insure, 6 years for Discovery Life Limited, and 10 years for Vitality Life Limited. The main impact on the consolidated group at transition was the recognition and remeasurement of the related deferred tax assets and liabilities on the respective reduction in equity on transition, reflecting the change in the timing of income tax.

OTHER CHANGES

Other changes, resulting in a change in equity on transition without a visible offset of insurance margins:

- The remeasurement of best estimates of the future fulfilment cash flows and measurement and accounting treatment of insurance acquisition cash flows, i.e., deferred acquisition costs, on the short-term business lines and
- Associated deferred tax and future tax impacts of the changes noted above.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 7: Other disclosures *continued*

7.3 ADOPTION ON NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

7.3.3 Adoption of IFRS 17 *Insurance Contracts* *continued*

IMPACT ON ADOPTION

With finalisation of the adoption of IFRS 17, the transition change is primarily a result of the increased IFRS 17 margins, as represented by the CSM plus the risk adjustment. Other factors contributing to the change in equity include alterations in the methodology used to determine fulfilment cash flows, difference in short-term business lines such as risk adjustment for non-financial risks, and the tax effects of changes in the measurement of insurance contracts. The concomitant net impact of transition adjustments (after tax) to the balance of the Group's shareholders' equity was as follows:

	R million
Group total equity 30 June 2022	53 555
IFRS 17 adjustments, net of tax	
Retained earnings R11 373 million and IFIE OCI of R1 208 million	(12 581)
Group total equity 1 July 2022	
Post IFRS 17 but pre restatement for prior period errors	40 974

The impact of the above reduction in equity is effectively offset by a significant increase in insurance margins, most notably CSM, that is available for release to profit in future years or to absorb any adverse changes. On this basis, the total value created through the insurance activities of the Group remains largely unchanged, however, the timing of recognition of insurance related profits has been deferred. The strengthened IFRS 17 margins result in higher future release of profits and in less volatility due to its ability to absorb negative variances and basis changes, while the election of OCI results in less volatility as a result of its ability to manage variances in financial risks.

For further details on the IFRS 17 accounting policies, refer to the Group Annual Financial Statements for the year ended 30 June 2024, Annexure B – note 13.

7.3.4 Restatements as result of prior period errors

INTRODUCTION

As mentioned earlier, management identified prior period errors which require that Discovery restate prior period information. The section sets out a summary of the prior period corrections made.

Below is a summary of the impact of the restatements as a result of the correction of prior period errors on the Group Statement of financial position for 1 July 2022 and 30 June 2023.

The information is set out to reconcile the information as previously published for the year end 30 June 2023 under IFRS 4 basis, setting out the respective adjustments to the final restated balances in the Group statement of financial position as at 1 July 2022 and 30 June 2023.

Details on the corrections are provided after the tables.

GROUP STATEMENT OF FINANCIAL POSITION 1 JULY 2022

R million	Group 30 June 2022 (previously reported)[2]	Item 1 Correction Increase (decrease)[3]	Item 2 Correction Increase (decrease)	Item 3 Correction Increase (decrease)	Item 4 Correction Increase (decrease)	Group 1 July 2022 Restated
Intangible assets	6 539	–	–	45	–	6 584
Deferred tax asset	4 455	–	(95)	–	–	4 360
Financial assets						
– Investments at fair value through profit or loss	141 494	–	–	–	(3 399)	138 095
Contract receivables and other receivables	13 113	(41)	–	–	–	13 072
Current tax asset	220	–	(37)	–	–	183
Cash and cash equivalents	20 370	–	–	–	3 399	23 769
Other reserves[1]	3 621	–	–	42	–	3 663
Retained earnings	38 972	(106)	(94)	3	–	38 775
Other financial payables at amortised cost	15 123	65	–	–	–	15 188
Current tax liability	527	–	(38)	–	–	489

1 Other reserves reflect the impact on foreign currency translation reserve (FCTR).
2 The previously reported values relate to the comparative information presented in the IFRS 4 Group statement of financial position for the year ended 30 June 2023 as was published in September 2023.
3 Differences in the restatement note from the note published in the unaudited interim results for the six months ended 31 December 2023 booklet are due to rounding.

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Section 7: Other disclosures *continued*

7.3 ADOPTION ON NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

7.3.4 Restatements as result of prior period errors

GROUP STATEMENT OF FINANCIAL POSITION 30 JUNE 2023

R million	Group 30 June 2023 (previously reported)[2]	Item 1 Correction Increase (decrease)[3]	Item 2 Correction Increase (decrease)	Item 3 Correction Increase (decrease)	Item 4 Correction Increase (decrease)	Group 30 June 2023 Restated
Intangible assets	6 982	–	–	82	–	7 064
Deferred tax asset	4 404	–	(119)	–	–	4 285
Financial assets						
– Investments at fair value through profit or loss	155 426	–	–	–	(2 911)	152 515
Contract receivables and other receivables	16 059	(42)	–	–	–	16 017
Cash and cash equivalents	20,370	–	–	–	2 911	23 281
Other reserves[1]	8 622	(6)	(23)	79	–	8 672
Retained earnings	44 218	(103)	(94)	3	–	44 024
Deferred tax liability	9 559	–	(2)	–	–	9 557
Other financial payables at amortised cost	14 780	67	–	–	–	14 847

1 *Other reserves reflect the impact on foreign currency translation reserve (FCTR).*

2 *The previously reported values relate to the IFRS 4 Group statement of financial position for the year ended 30 June 2023 as was published in September 2023.*

3 *Differences in the restatement note from the note published in the unaudited interim results for the six months ended 31 December 2023 booklet are due to rounding.*

ITEM 1: MEASUREMENT OF THE PRE-EXISTING RELATIONSHIP OF RECEIVABLES AND PAYABLES

During the year ended 30 June 2024, Discovery identified that it had incorrectly adjusted specified debtors and creditors that were reflective of pre-existing relationships in its business acquisition of Standard Life Healthcare in July 2010 and the DiscoveryCard acquisition in March 2019. The incorrect treatment did not affect the goodwill at acquisition. It did, however, result in an overstatement of debtors and understatement of creditors as well as an overstatement of profit in the periods to 30 June 2022. Discovery corrected the errors in the earliest period presented, 1 July 2022.

The restatement has had no change to operating, investing, and financing cash flows. The correction does not impact the prior or current reported period Group income statement, basic or diluted earnings per share.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 7: Other disclosures *continued*

7.3 ADOPTION ON NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

7.3.4 Restatements as result of prior period errors *continued*

ITEM 2: CALCULATION OF DEFERRED TAX ASSET

During the year ended 30 June 2024, Discovery reviewed the interest expense deductions in its UK business lines with the assistance of external specialists and identified restrictions that impacted income tax in a prior period. This resulted in the overstatement of the deferred tax asset as at 30 June 2022. Discovery corrected the error in the earliest period presented, being 1 July 2022.

The finalised value of the correction is different to the value communicated during the unaudited interim results for the six-month period ended 31 December 2023. The finalised values are tabled above, with the previously reported numbers for 1 July 2022 being in deferred tax asset decrease of R105 million (30 June 2023: R126 million) with an equal decrease in Retained earnings of R105 million (30 June 2023: Retained earnings decrease R105 million and Foreign currency translation reserve R21 million).

The restatement has had no change to operating, investing, and financing cash flows. The correction does not impact the prior or current reported period Group income statement, basic or diluted earnings per share.

ITEM 3: CALCULATION OF FOREIGN CURRENCY TRANSLATION RESERVE

During the year ended 30 June 2024, Discovery identified that it had incorrectly calculated the foreign currency translation reserve (FCTR), a component of equity, for specified assets and liabilities. In this transaction, balances arising from an intergroup transaction for the year ended 30 June 2019 were incorrectly eliminated. This treatment resulted in certain foreign- denominated intangible assets not being revalued. Discovery corrected the error in the earliest period presented, being 1 July 2022.

The restatement has had no change to operating, investing, and financing cash flows. The correction does not impact the prior or current reported period Group income statement, basic or diluted earnings per share.

ITEM 4: CASH AND CASH EQUIVALENTS

During the year ended 30 June 2024, Discovery identified that in its UK business it had incorrectly presented specified highly liquid investments held specifically for short-term cash commitments as investments at fair value through profit or loss, instead of cash equivalents. The treatment resulted in the understatement of the cash and cash equivalents and an overstatement of the investments at fair value through profit or loss in prior periods. Discovery corrected the error in the earliest period presented, which was 1 July 2022.

The restatement resulted in a change to investing cash flows of R1 038 million for the year ended 30 June 2024, and increase in cash and cash equivalent balances. The correction does not impact the prior or current reported period Group income statement, basic or diluted earnings per share.

For the impact in the Group statement of cash flows, please refer to section 7.3.5.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*
for the year ended 30 June 2024

Section 7: Other disclosures *continued*

7.3 ADOPTION ON NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

7.3.4 Restatements as result of prior period errors *continued*

ITEM 5: CORRECTION OF IFRS 17 TRANSITION AND RESTATED RESULTS AS PUBLISHED IN THE UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

As noted earlier, IFRS 17 became effective for Discovery from 1 July 2023. In its unaudited interim results for the six months ended 31 December 2023, Discovery included in its results the impact of adoption of IFRS 17 as well as provided the restated information. During the finalisation of its annual results for the year-ended 30 June 2024, Discovery identified corrections to the previously published information. The below summarises the corrections to the previously published IFRS 17 information.

Details on the corrections are provided after the tables.

GROUP STATEMENT OF FINANCIAL POSITION

	1 July 2022				30 June 2023			
R million	IFRS 17 remeasurement and reclassification previously reported[1]	Item 5A Adjustment: Increase (decrease) in equity	Item 5B Adjustment: Increase (decrease) in equity	IFRS 17 remeasurement and reclassification as reported in these results	IFRS 17 remeasurement and reclassification previously reported[1]	Item 5A Adjustment: Increase (decrease) in equity	Item 5B Adjustment: Increase (decrease) in equity	IFRS 17 remeasurement and reclassification as reported in these results
Assets arising from insurance contracts issued	(25 782)	29	(1 131)	(26 884)	(30 951)	1 745	(1 035)	(30 241)
Deferred tax asset	1 338	19	–	1 357	2 042	43	–	2 085
Total assets	**(38 211)**	**48**	**(1 131)**	**(39 294)**	**(43 862)**	**1 788**	**(1 035)**	**(43 109)**
Other reserves	(1 420)	212	–	(1 208)	(5 628)	1 646	–	(3 982)
Retained earnings	(11 150)	(223)	–	(11 373)	(9 804)	(320)	–	(10 124)
Total equity	**(12 570)**	**(11)**	**–**	**(12 581)**	**(15 432)**	**1 326**	**–**	**(14 106)**
Liabilities arising from insurance contracts held	(23 012)	–	(1 131)	(24 143)	(19 112)	–	(1 035)	(20 147)
Liabilities arising from reinsurance contracts held	(7 985)	45	–	(7 940)	(9 826)	(24)	–	(9 850)
Deferred tax liability	(3 022)	14	–	(3 008)	(3 337)	486	–	(2 851)
Total liabilities	**(25 641)**	**59**	**(1 131)**	**(26 713)**	**(28 430)**	**462**	**(1 035)**	**(29 003)**
Total equity and liabilities	**(38 211)**	**48**	**(1 131)**	**(39 294)**	**(43 862)**	**1 788**	**(1 035)**	**(43 109)**

1 *The previously reported values relate to the Restated IFRS 17 Group statement of financial position for the year ended 30 June 2023 published in the unaudited interim results for the six months ended 31 December 2023.*

Directors' responsibility statement | Group Chief Executive and Group Chief Financial Officer's internal financial control responsibility statement | Certificate by the Company Secretary | Report of the Discovery Limited Audit Committee | Independent auditors' report | Directors' report | Group statement of financial position | Group income statement | Group statement of other comprehensive income | Group statement of cash flows | Group statement of changes in equity | Notes to the Group annual financial statements | Company Annual Financial Statements | Annexures | Glossary

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 7: Other disclosures *continued*

7.3 ADOPTION ON NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

7.3.4 Restatements as result of prior period errors *continued*

GROUP INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2023

R million	30 June 2023 Group (previously reported)[1]	Item 5A: Adjustment	Item 5C: Adjustment	Group Restated
Insurance revenue	47 208	(1 954)	–	45 254
Insurance service expenses	(41 634)	1 707	101	(39 826)
Net expenses from reinsurance contracts	(188)	62	–	(126)
Insurance service result	5 386	(185)	101	5 302
Net financial result from insurance finance income and expense	(7 458)	63	–	(7 395)
– Net finance income/(expenses) from insurance contracts	(7 172)	83	–	(7 089)
– Net finance income/(expenses) from reinsurance contracts	(286)	(20)	–	(306)
Net fair value (losses)/gains on financial assets at fair value through profit or loss	16 726	–	506	17 232
Fair value adjustments to liabilities under investment contracts	(2 593)	–	(506)	(3 099)
Net insurance and investment results	9 699	(122)	101	9 678
Net income	29 897	(122)	101	29 876
Marketing and administration expense	(18 439)	–	(101)	(18 540)
Operating profit	10 430	(122)	–	10 308
Profit before financing and income tax	10 950	(122)	–	10 828
Foreign exchange gains/(losses)	151	(2)	–	149
Profit before income tax	9 182	(124)	–	9 058
Income tax expense	(2 516)	30	–	(2 486)
Profit for the year	6 666	(94)	–	6 572

1 *The previously reported values relate to the Restated IFRS 17 Group income statement for the full year ended 30 June 2023 published in the unaudited interim results for the six months ended 31 December 2023.*

GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

R million	30 June 2023 Group (previously reported)[1]	Item 5A Adjustment	Group Restated
Items that are or may be reclassified subsequently to profit or loss:			
Currency translation differences	3 287	144	3 431
– unrealised gains	3 287	144	3 431
Net finance income/(expense) from insurance contracts issued	(3 712)	1 268	(2 444)
– unrealised income/(expense)	(5 072)	1 691	(3 381)
– tax on unrealised (income)/expense	1 360	(423)	937
Net finance (expense)/income from reinsurance contracts held	433	21	454
– unrealised income/(expense)	589	28	617
– tax on unrealised expense/(income)	(156)	(7)	(163)
Other comprehensive income/(losses) for the period, net of tax	410	1 433	1 843
Total comprehensive income for the period	7 076	1 339	8 415

1 *The previously reported values relate to the Restated IFRS 17 Group statement of other comprehensive income for the full year ended 30 June 2023 published in the unaudited interim results for the six months ended 31 December 2023.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 7: Other disclosures *continued*

7.3 ADOPTION ON NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

7.3.4 Restatements as result of prior period errors *continued*

ITEM 5A: CORRECTION OF UK LIFE INSURANCE BUSINESS LINE

Consistent with the unaudited interim results for the six months ended 31 December 2023, including the restated comparative information, the arrangement with the Prudential Assurance Company Limited (PAC arrangement) is accounted for as an insurance contract. Included within the PAC arrangement are specified cash flows that are akin to collateral and loan movements. Under IFRS 17, these cash flows are accounted for as a 'non-distinct loan to policyholders', resulting in the cash flows not being presented within insurance revenue and insurance service expenses, and variances recognised in the contractual service margin.

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

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

ITEM 5B: CORRECTION OF UK HEALTH PRESENTATION OF PRE-ACQUISITION INSURANCE ACQUISITION CASH FLOWS

IFRS 17 requires that pre-acquisition insurance acquisition cash flows for UK Health Private Medical Insurance (PMI) portfolio be presented together with the recognised groups of insurance contracts that form the UK Health (PAA) portfolio. As previously communicated, the UK Health (PAA) portfolio consists solely of the PMI portfolio. The pre-acquisition insurance acquisition cash flows therefore relate solely to those recognised PMI contracts. At the interim reporting period, the pre-acquisition insurance acquisition cash flows which are assets, were presented separately from those recognised PMI contracts which was presented as insurance contract liability. These balances should instead be presented together as a single asset or liability arising from insurance contracts.

The correction does not impact the prior or current reported period Group income statement, basic or diluted earnings per share. The restatement has had no change to operating, investing, and financing cash flows.

ITEM 5C: CORRECTION OF DISCOVERY INSURE AND VITALITY INVEST

Discovery identified incorrect presentation of items within the Group income statements as a result of incorrect presentation when it released its unaudited interim results. The correction and restatement do not impact the basic or diluted earnings per share and has had no change to operating, investing, and financing cash flows. The corrections are as follows:

- Discovery Insure had incorrectly presented marketing and administration expenses as insurance service expenses. This resulted in an overstatement of the insurance service expenses for the affected period, offset with understatement of the marketing and administration expenses.
- Vitality Invest incorrectly presented the fair value remeasurement of liabilities under investments contracts within the net fair value gains on financial assets at fair value through profit or loss. This resulted in an understatement of the gains on financial assets at fair value through profit or loss and understatement of fair value adjustments to liabilities under investment contracts.

7.3.5 Changes in presentation of specified items in primary statements and associated restatements for prior period corrections

INTRODUCTION

Discovery continually evaluates its presentation and disclosures to developing market practices, changes in IFRS Accounting Standards and changes in its business composition that may indicate a need for change in presentation or disclosures. During the year under review, in addition to those changes necessitated from the adoption of IFRS 17 *Insurance Contracts*, Discovery has made the following enhancements in its financial statements.

GROUP STATEMENT OF FINANCIAL POSITION

Discovery has enhanced the presentation of certain transactions within the Group statement of financial position by introducing new line items. While these changes do not impact the total value of liabilities, they provide users with a clearer understanding of the financial information. The key adjustments are as follows:

- A new line item, *Third-party interest in consolidated funds*, has been introduced to separately reflect the interests of third parties in consolidated unit funds. Previously, these interests were included under *Investment contracts at fair value through profit or loss*.
- Two new line items have been introduced.
  - *Provisions*, which was previously included within the Other payables line item in the Group statement of financial position, is now separately presented.
  - *Other payables*, which includes, *Employee benefits* that was previously disclosed separately in the Group statement of financial position, as well as non-financial payables that was previously included within Other payables.
  - The line item formerly known as Other payables has been renamed *Other financial payables at amortised cost*.

Additionally, the order of line items within the Group statement of financial position has been amended to better represent their liquidity, arranging them, where possible, from least to most liquid. For instance, *Assets from reinsurance contracts held* has been moved from above *Cash and cash equivalents* to above *Deferred tax asset*. Apart from the changes noted above, no reclassifications or restatements of values between line items have been made.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 7: Other disclosures *continued*

7.3 ADOPTION ON NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

7.3.5 Changes in presentation of specified items in primary statements *continued*

GROUP STATEMENT OF CASH FLOWS

Discovery has implemented changes to its Group statement of cash flows to enhance the understandability, correct for prior period errors and to accommodate the growth of Discovery Bank within the Group and to align with best practices in the market. In implementing changes, Discovery also identified some items that were previously incorrectly presented. The changes have been incorporated into the Group statement of cash flows for the year ended 30 June 2024, and the prior period has been restated accordingly.

The information is set out to reconcile the information as previously published for the year ended 30 June 2023 under IFRS 4 basis, setting out the respective adjustments to the final restated balances in the Group statement of cash flows.

Details on the changes are provided after the reconciliation

Group R million	30 June 2023 As previously reported under IFRS 4[1]	Item 1	Item 2	Item 3	Item 4	Item 5	Group 30 June 2023 Restated
Cash flows from operating activities	2 549	2 744	–	–	(1 072)	–	4 221
Cash generated by operations	8 308	2 899	–	(574)	–	(9 550)	1 083
Purchase of investments held to back policyholder liabilities	(62 773)	–	–	–	–	62 773	–
Proceeds from disposal of investments held to back policyholder liabilities	55 908	–	–	–	–	(55 908)	–
Dividends received	728	–	–	–	–	(728)	–
Interest received	3 718	(155)		1 318	–	(3 056)	1 825
Interest paid	(1 501)	–	–	(744)	–	–	(2 245)
Taxation paid	(1 839)	–	–	–	–	–	(1 839)
Net movement in operating assets and liabilities	–	–	–	–	(1 072)	6 469	5 397
– Increase in operating assets	–	–	–	–	(1 072)	(4 225)	(5 297)
– Increase in operating liabilities	–	–	–	–	–	10 694	10 694
Cash flows from investing activities	(2 236)	–	(1 038)	–	1 072	–	(2 202)
– Purchase of financial assets	(30 966)	–	8 549	–	22 417	–	–
– Proceeds from disposal of financial assets	30 932	–	(9 587)	–	(21 345)	–	–
Cash flows from financing activities	(1 234)	–	–	–	–	–	(1 234)
Net increase in cash and cash equivalents	(921)	2 744	(1 038)	–	–	–	785
Cash and cash equivalents at beginning of the year	19 619	(5 988)	3 399	–	–	–	17 030
Effects of exchange rate changes on cash and cash equivalents	1 639	(866)	550	–	–	–	1 323
Cash and cash equivalents at end of the year	20 337	(4 110)	2 911	–	–	–	19 138
Reconciliation to statement of financial position							
Cash and cash equivalents	20 370	–	–	–	–	–	19 171
Bank overdraft included in borrowings at amortised cost	(33)	–	–	–	–	–	(33)
Cash and cash equivalents at end of the year	20 337	–	–	–	–	–	19 138

1 The previously reported values relate to the IFRS 4 Group statement of cash flows for the year ended 30 June 2023, as published in September 2023.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 7: Other disclosures *continued*

7.3 ADOPTION ON NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

7.3.5 Changes in presentation of specified items in primary statements *continued*

ITEM 1: ADOPTION OF IFRS 17

Although IFRS 17 did not affect the cash flows arising from insurance contracts, as mentioned in the Group statement of financial positions in section 7.3.2 (footnote 5), the adoption of IFRS 17 has resulted in a change in the presentation of cash and cash equivalents within the PAC arrangement. Consequently, this has also led to a change in the Group's statement of cash flows.

ITEM 2: UK INVESTMENTS INCORRECTLY CLASSIFIED

As outlined in section 7.3.4, Item 4, *Cash and cash equivalent*, Discovery identified that it had incorrectly presented certain highly liquid investments held specifically for short-term cash commitments in its UK business as investments at fair value through profit or loss, rather than as cash equivalents. As a result, these investments have been reclassified as cash equivalents, leading to a change in the Group's statement of cash flows.

Please note: Consistent with the significant judgements disclosed in our financial statements, to meet the requirements for cash equivalents, Discovery conducts assessments of its money market investments. These investments will only be classified as cash equivalents if they meet the following criteria

(1) The purpose of the investment is to fulfil short-term cash commitments

(2) The instrument demonstrates high credit quality within the relevant jurisdiction, as indicated by its credit rating

(3) The primary objective of the investment is to protect capital and provide liquidity

(4) The investment can be readily converted into known amount of cash, similar to bank balances

(5) The fund is invested solely in interest-bearing instruments, similar to deposits, with institutions of high credit quality.

Additionally, the investment must not introduce speculative grade or equity-type risks and exposures. This can be demonstrated by the yield returns relative to other deposit-type investments within the same jurisdiction.

ITEM 3: CORRECTION OF PRESENTATION OF BANKING INTEREST RECEIVED AND PAID

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

ITEM 4: CHANGE IN PRESENTATION AND CORRECTION OF SPECIFIED ITEMS OF FINANCIAL ASSETS

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

These activities are now being reclassified under operating activities, as these financial assets are utilised for purposes of managing capital and liquidity as well as increased investment returns, in line with the associated changes to the presentation of operating assets and operating liabilities, as noted in Item 5.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 7: Other disclosures *continued*

7.3 ADOPTION ON NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

7.3.5 Changes in presentation of specified items in primary statements *continued*

ITEM 5: OPERATING ASSETS AND OPERATING LIABILITIES

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

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

- **Working capital changes** with quick turnover and short maturities, which were previously disclosed in the note for cash generated from operations as part of working capital changes arising from operations.
- **Specific activities undertaken by Discovery as a financial institution**, including cash receipts and payments made on behalf of customers, which reflect the activities of the customers rather than those of Discovery. This also includes receipts and payments related to investments, loans, and advances. These were previously disclosed in the note for cash generated from operations as part of working capital changes, with other activities forming part of investments acquired or disposed of as investments held to back policyholder liabilities in the Group's statement of cash flows.
- **Cash flows arising from the purchases and disposals of financial assets**, as noted in Item 4, which were previously disclosed as investing activities.
- **For investments at fair value through profit or loss**, Discovery had previously included interest and dividends received, presented as Net fair value gains and losses on financial assets at fair value through profit or loss in the Group income statement, as part of interest received and dividends received in the Group's statement of cash flows. These will now be included as part of the gains or losses on financial assets at fair value through profit or loss within cash generated from operations.
- **Other operating assets and liabilities:** Discovery has reclassified certain items which are working capital in nature, previously recognised under cash generated from operations as non-cash adjustments to profit before tax, to now be presented as changes in working capital. This includes movements in assets arising from contracts with customers, liabilities related to customers, as well as trading and derivative assets and liabilities.

Discovery has restated the comparative information accordingly. This correction does not affect basic or diluted earnings per share.

7.4 CAPITAL COMMITMENTS

R million	Group 2024	Group 2023
Capital expenditure approved but not contracted for at the reporting date as follows:		
– Property and equipment	**32**	106
– Intangible assets	**170**	397
– Developments costs for Discovery Bank	**280**	328
	482	831

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 7: Other disclosures *continued*

7.5 EVENTS AFTER THE REPORTING PERIOD

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

7.5.1 Dividend declared

7.5.1.1 B PREFERENCE SHARES

7.5.1.1.1 B PREFERENCE SHARE CASH DIVIDEND DECLARATION

On Wednesday, 28 August 2024, the Board of directors declared a final gross cash dividend of 585.89041 cents (468.71233 cents net of dividend withholding tax) per B preference share for the period 1 January 2024 to 30 June 2024, payable from the income reserves of the Company.

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

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

The salient dates for the dividend will be as follows:

Last day of trade to receive a dividend	Tuesday, 17 September 2024
Shares commence trading "ex" dividend	Wednesday, 18 September 2024
Record date	Friday, 20 September 2024
Payment date	Monday, 23 September 2024

B preference share certificates may not be dematerialised or rematerialised between Wednesday, 18 September 2024 and Friday, 20 September 2024, both days inclusive.

7.5.1.1.2 B PREFERENCE SHARE CASH DIVIDEND HISTORY

Payment date	Nature and financial period	Dividend declared per share
28 February 2024	Interim dividend, financial year 2024	592.32877 cents (473.86302 cents net of dividend withholding tax)
05 September 2023	Final dividend, financial year 2023	548.49315 cents (438.79452 cents net of dividend withholding tax)
13 March 2023	Interim dividend, financial year 2023	476.91781 cents (381.53425 cents net of dividend withholding tax)
28 September 2022	Final dividend, financial year 2022	382.26027 cents (305.80822 cents net of dividend withholding tax)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 7: Other disclosures *continued*

7.5 EVENTS AFTER THE REPORTING PERIOD *continued*

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

7.5.1 Dividend declared *continued*

7.5.1.2 ORDINARY SHARES

7.5.1.2.1 ORDINARY SHARE CASH DIVIDEND DECLARATION

On Wednesday, 18 September 2024, the Board of Directors declared a final gross cash dividend of 152.00000 cents (121.60000 cents net of dividend withholding tax) per ordinary share, out of the income reserves of the Company. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

The number of ordinary shares in issue at the date of declaration is 676 374 092.

The salient dates for the dividend will be as follows:

Last day of trade to receive a dividend	Tuesday, 15 October 2024
Shares commence trading "ex" dividend	Wednesday, 16 October 2024
Record date	Friday, 18 October 2024
Payment date	Monday, 21 October 2024

Ordinary share certificates may not be dematerialised or rematerialised between Wednesday, 16 October 2024 and Friday, 18 October 2024, both days inclusive.

7.5.1.2.2 ORDINARY SHARE CASH DIVIDEND DECLARATION HISTORY

Payment date	Nature and financial period	Dividend declared per share
19 March 2024	Interim dividend, financial year 2024	65.0000 cents (52.00000 cents net of dividend withholding tax)
20 September 2023	Final dividend, financial year 2023	110.0000 cents (88.00000 cents net of dividend withholding tax)

Discovery

COMPANY ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2024

COMPANY STATEMENT OF FINANCIAL POSITION

as at 30 June 2024

R million	Notes	Company 2024	Restated[1] Company 2023	Restated[1] Company 1 July 2022
Assets				
Deferred tax asset	3.5	**3**	5	82
Investments in subsidiaries	3.3	**35 115**	30 579	29 027
Investment in associate	3.4	**2 584**	2 584	2 584
Financial assets				
– Loans to subsidiaries at amortised cost	1.3	**8 260**	9 840	8 573
– Loans to BEE partners	1.4	**271**	219	186
– Derivative financial instruments at fair value through profit or loss	1.5	**14**	59	18
Other receivables	3.6	**–**	3	9
Current tax asset		**12**	–	–
Cash and cash equivalents	4.2.5	**1 992**	282	607
Total assets		**48 251**	43 571	41 086
Equity				
Capital and reserves				
Ordinary share capital and share premium	2.3	**10 783**	10 467	10 293
Perpetual preference share capital	2.4	**779**	779	779
Other reserves		**1 824**	1 601	1 129
Retained earnings		**12 804**	11 315	8 003
Total equity		**26 190**	24 162	20 204
Liabilities				
Financial liabilities				
– Borrowings at amortised cost	1.6	**11 464**	9 948	10 584
– Loans from subsidiaries at amortised cost	1.7	**10 546**	9 384	10 195
– Financial guarantee contracts	1.8	**11**	12	25
– Other financial payables at amortised cost	1.9	**16**	19	21
– Derivative financial instruments at fair value through profit or loss	1.5	**24**	1	56
Current tax liability		**–**	45	1
Total liabilities		**22 061**	19 409	20 882
Total equity and liabilities		**48 251**	43 571	41 086

1 Loans to/from subsidiaries previously included in other financial receivables/payables are now shown separately. Comparative information has been restated accordingly.

COMPANY INCOME STATEMENT

for the year ended 30 June 2024

R million	Notes	Company 2024	Company 2023
Investment income	3.8	3 882	4 056
– At amortised cost interest income, using the effective interest rate		1 079	863
– Dividends received from subsidiaries		2 803	3 193
Other income	3.9	24	36
Net fair value losses on financial instruments at fair value through profit or loss	3.10	–	(2)
Marketing and administration expenses	3.11	(18)	(16)
Movement in allowance for expected credit losses	3.12	(3)	8
Profit before financing and income tax		3 885	4 082
Interest expenses on borrowings		(993)	(943)
Foreign exchange (losses)/gains		(100)	386
Profit before income tax		2 792	3 525
Income tax expense	3.7	(19)	(124)
Profit for the year		2 773	3 401
Attributable to:			
– Ordinary shareholders		2 682	3 332
– Preference shareholders		91	69
		2 773	3 401

COMPANY STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2024

R million	Company 2024	Company 2023
Profit for the year	2 773	3 401
Income and expenses that will be reclassified to profit or loss when specific conditions are met:		
Cash flow hedges	(62)	80
– unrealised (losses)/gains	(66)	76
– losses reclassified to profit or loss	4	4
Other comprehensive (loss)/income for the year, net of tax	(62)	80
Total comprehensive income for the year	2 711	3 481
Attributable to:		
– Ordinary shareholders	2 620	3 412
– Preference shareholders	91	69
Total comprehensive income for the year	2 711	3 481

COMPANY STATEMENT OF CASH FLOWS

for the year ended 30 June 2024

R million	Notes	Company 2024	Company 2023
Cash flows from operating activities		3 244	1 600
Cash generated by operations	4.2.1	2 640	1 864
Dividends received	4.2.6	1 379	425
Interest received	4.2.7	265	231
Interest paid	4.2.8	(966)	(917)
Taxation paid	4.2.2	(74)	(3)
Cash flows from investing activities		(2 047)	(1 713)
Increase in investment in subsidiaries	4.2.3	(4 358)	(1 493)
Increase in loans granted to subsidiaries		(3 472)	(4 686)
Proceeds from settlement of subsidiary loans		5 783	4 466
Cash flows from financing activities		529	(230)
Proceeds from treasury shares		–	*
Repurchase of treasury shares		(131)	–
Proceeds from issuance of ordinary shares		432	514
Proceeds from long-term borrowings	4.2.4	2 000	2 650
Repayment of long-term borrowings	4.2.4	(504)	(3 304)
Premium refunded/(paid) on interest rate swap		2	(21)
Dividends paid to ordinary shareholders		(1 179)	–
Dividends paid to preference shareholders		(91)	(69)
Net increase/(decrease) in cash and cash equivalents		1 726	(343)
Cash and cash equivalents at beginning of the year		282	607
Effects of exchange rate changes on cash and cash equivalents		(16)	18
Cash and cash equivalents at end of the year	4.2.5	1 992	282

* *Amount is less than R500 000.*

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2024

Company R million	Share capital and share premium	Perpetual Preference share capital	Hedging reserve	Share-based payment reserve	Retained earnings	Total
Year ended 30 June 2024						
At beginning of the year	**10 467**	**779**	**41**	**1 560**	**11 315**	**24 162**
Total comprehensive income for the year	**–**	**91**	**(62)**	**–**	**2 682**	**2 711**
Profit for the year	–	91	–	–	2 682	2 773
Other comprehensive income	–	–	(62)	–	–	(62)
Transactions with owners	**316**	**(91)**	**–**	**285**	**(1 193)**	**(683)**
Issue of shares	433	–	–	–	–	433
Increase in treasury shares	(564)	–	–	–	–	(564)
Delivery of treasury shares	447	–	–	(447)	–	–
Employee share option schemes:						
– Value of employee services net of tax	–	–	–	718	–	718
Transfer of vested shares	–	–	–	14	(14)	–
Dividends paid to ordinary shareholders	–	–	–	–	(1 179)	(1 179)
Dividends paid to preference shareholders	–	(91)	–	–	–	(91)
Balance at 30 June 2024	**10 783**	**779**	**(21)**	**1 845**	**12 804**	**26 190**
Year ended 30 June 2023						
At beginning of the year	10 293	779	(39)	1 168	8 003	20 204
Total comprehensive income for the year	–	69	80	–	3 332	3 481
Profit for the year	–	69	–	–	3 332	3 401
Other comprehensive income	–	–	80	–	–	80
Transactions with owners	174	(69)	–	392	(20)	477
Issue of shares	514	–	–	–	–	514
Increase in treasury shares	(514)	–	–	–	–	(514)
Delivery of treasury shares	171	–	–	(171)	–	–
Proceeds from treasury shares	3	–	–	(3)	–	–
Employee share option schemes:						
– value of employee services net of tax	–	–	–	546	–	546
Transfer of vested shares	–	–	–	20	(20)	–
Dividends paid to preference shareholders	–	(69)	–	–	–	(69)
Balance at 30 June 2023	10 467	779	41	1 560	11 315	24 162

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NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2024

The principal accounting policies applied in the preparation of these separate financial statements are consistent with those set out in Annexure B.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 1: Financial instruments and management of financial risk

1.1 INTRODUCTION AND OVERVIEW

This section provides information on financial instruments including the disclosure and reconciliation of all financial assets and liabilities and cash and cash equivalents. This section also details how the financial risk is managed.

1.2 PRIMARY FINANCIAL STATEMENT AND INFORMATION ANALYSED IN THIS SECTION

R million	Notes	Company 2024	Company 2023
Statement of financial position			
ASSETS			
Financial assets			
– Loans to subsidiaries at amortised cost	1.3	**8 260**	9 840
– Loans to BEE partners	1.4	**271**	219
– Derivative financial instruments at fair value through profit or loss	1.5	**14**	59
Cash and cash equivalents	4.2.5	**1 992**	282
		10 537	10 400
LIABILITIES			
Financial liabilities			
– Borrowings at amortised cost	1.6	**11 464**	9 948
– Loans from subsidiaries at amortised cost	1.7	**10 546**	9 384
– Financial guarantee contracts	1.8	**11**	12
– Other financial payables at amortised cost	1.9	**16**	19
– Derivative financial instruments at fair value through profit or loss	1.5	**24**	1
		22 061	19 364

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 1: Financial instruments and management of financial risk *continued*

1.3 LOANS TO SUBSIDIARIES[1]

R million	Company 2024	Restated[3] Company 2023
Interest bearing loans	**8 035**	9 622
Discovery Group Europe Limited	**2 625**	2 639
Discovery Health Proprietary Limited	**4 169**	3 758
Discovery Central Services Proprietary Limited	**1 241**	3 225
Non-interest bearing loans[2]	**236**	226
Cogence Proprietary Limited	**–**	7
Discovery Connect Distribution Services Proprietary Limited	**2**	–
Discovery Finance Company Europe Limited	**–**	32
Discovery Green Proprietary Limited	**1**	–
Discovery Group Europe Limited	**2**	–
Discovery Holdings Europe Limited	**2**	3
Discovery Life Investment Services Proprietary Limited	**93**	93
Discovery Telematic Services Proprietary Limited	**16**	–
Discovery Vitality Proprietary Limited	**108**	85
Vitality Corporate Services Limited	**12**	6
Total gross loans	**8 271**	9 848
Less: IFRS 9 Expected credit losses (ECL)	**(11)**	(8)
Total net loans	**8 260**	9 840
Current	**1 478**	3 451
Non-current	**6 782**	6 389
	8 260	9 840
Balance at beginning of the year	**9 840**	8 573
Additional loan granted	**3 999**	5 298
Repayment of loans		
– capital portion	**(6 299)**	(5 037)
– interest portion	**(214)**	(198)
Interest receivable	**1 020**	836
Movement in allowance for expected credit losses	**(2)**	–
Exchange differences	**(84)**	368
Balance at end of the year	**8 260**	9 840

1 All loans to subsidiaries are measured at amortised cost, which approximates to fair value, as the loans bear interest at market related terms. For those that are non-interest bearing and repayable on demand, the amortised cost approximates fair value.
2 Non-interest bearing loans are repayable on demand.
3 Loans to subsidiaries previously included in other financial receivables are now shown separately. Comparative information has been restated accordingly.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 1: Financial instruments and management of financial risk *continued*

1.3 LOANS TO SUBSIDIARIES *continued*

Terms for interest-bearing loans

GBP denominated

Discovery Limited has granted GBP denominated loans to Discovery Group Europe Limited. The terms are as follows:

			Carrying value			
			Company 2024		Company 2023	
Original loan value GBP million	Variable rate	Capital repayment and maturity date	**R million**	**GBP million**	R million	GBP million
11.9	Bank of England base rate + 400bps	At maturity – 31 July 2025	**433**	**18.7**	411	17.2
24.7	Bank of England base rate + 600bps	At maturity – 1 April 2027	**569**	**24.7**	591	24.6
6.0	Bank of England base rate + 600bps	At maturity – 1 November 2027	**138**	**6.0**	144	6.0
10.5	Bank of England base rate + 600bps	At maturity – 1 June 2028	**242**	**10.5**	252	10.5
9.0	Bank of England base rate + 600bps	At maturity – 21 August 2028	**208**	**9.0**	216	9.0
6.5	Bank of England base rate + 600bps	At maturity – 24 November 2028	**150**	**6.5**	156	6.5
2.8	Bank of England base rate + 615bps	At maturity – 1 March 2029	**64**	**2.8**	67	2.8
7.1	Bank of England base rate + 615bps	At maturity – 1 June 2029	**164**	**7.1**	170	7.1
6.5	Bank of England base rate + 615bps	At maturity – 1 August 2029	**150**	**6.5**	156	6.5
			2 118	**91.8**	**2 163**	**90.2**

ZAR denominated

Discovery Limited has granted ZAR denominated loans to subsidiaries. The terms are as follows:

				Carrying value Rand million	
Subsidiary the loan was granted to	Original loan value R million	Variable rate	Capital repayment and maturity date	**Company 2024**	Company 2023
Discovery Group Europe Limited	268	3-month Jibar + 200bps	At maturity – 31 July 2030	**507**	476
Discovery Health Proprietary Limited[1]	727	3-month Jibar + 240bps	At maturity – 30 June 2026	**1 451**	1 304
Discovery Health Proprietary Limited[1,2]	93		At maturity – 30 September 2027	**205**	185
Discovery Health Proprietary Limited[1,2]	282		At maturity – 30 September 2027	**622**	561
Discovery Health Proprietary Limited[1,2]	235		At maturity – 15 December 2027	**507**	458
Discovery Health Proprietary Limited[1,2]	173		At maturity – 28 March 2027	**363**	328
Discovery Health Proprietary Limited[1,2]	288		At maturity – 30 June 2027	**588**	531
Discovery Health Proprietary Limited[1,2]	212		At maturity – 3 July 2027	**433**	391
Discovery Central Services Proprietary Limited[3]	2 932	3-month Jibar + 115bps	On demand	**1 241**	3 225
				5 917	7 459

1 Interest payable quarterly in arrears, with the option available for Discovery Health to capitalise the interest to the value of the loan.
2 Interest accrues at a fixed rate of 10.2% per annum.
3 The interest rate on this loan was charged at the South African prime rate in the prior financial year. The new rate was applicable from 1 July 2023.

For the loans to Discovery Group Europe Limited, interest of R284 million was earned in respect of these loans in the current financial year (2023: R208 million) and R83 million foreign exchange loss was recognised in profit and loss (2023: R359 million gain).

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 1: Financial instruments and management of financial risk *continued*

1.4 LOANS TO BEE PARTNERS[1]

R million	**Company 2024**	Company 2023
Balance at beginning of the year	**219**	186
Interest receivable	**18**	15
Additional loan granted	**58**	39
Repayment of loans	**(24)**	(21)
– Capital	**(14)**	–
– Interest	**(10)**	(21)
Balance at end of the year	**271**	219
Current	**271**	219

1 All loans to BEE partners are measured at amortised cost, which approximates to fair value.

These loans are due from Mohau Equity Partners R219 million (2023: R193 million) is a bridge loan that accrues interest at prime rate less 2%. R52 million (2023: R26 million) is an interest-free loan to provide empowerment financing towards a newly formed brokerage. There are no repayment terms for these loans.

1.5 DERIVATIVE INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

R million	**Company 2024 Assets**	**Company 2024 Liabilities**	Company 2023 Assets	Company 2023 Liabilities
Interest rate derivatives – used as cash flow hedges[1]	**14**	**24**	59	1
Total	**14**	**24**	59	1
Current	**6**	**1**	5	
Non-current	**8**	**23**	54	1
Total	**14**	**24**	59	1

1 For further information, refer to Group note 3.4 in section 3 which sets out information on the 'Interest Rate Swaps' which equally apply to the Company.

1.6 BORROWINGS AT AMORTISED COST

R million	**Company 2024**	Company 2023
Borrowings from banks[1]	**11 464**	9 948
Current	**2 304**	587
Non-current	**9 160**	9 361
	11 464	9 948

1 Collateral in the form of financial guarantees by Discovery Health Proprietary Limited, Discovery Vitality Proprietary Limited and Discovery Central Services Proprietary Limited has been given to secure these borrowings.

The borrowings were acquired for general corporate purposes in order to fund the various growth initiatives within the Group. For variable rate loans the carrying amount approximates the fair value because the variable is set on market related terms. For fixed rate loans, the fair value is R4 351 million (2023: R4 359 million) relative to the carrying value of R4 387 million (2023: R4 382 million).

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 1: Financial instruments and management of financial risk *continued*

1.6 BORROWINGS AT AMORTISED COST *continued*

Credit rating

In December 2023 Moody's Investors Service ("Moody's") reaffirmed Discovery Limited's global-scale long-term issuer rating of Ba3 and the national-scale long-term issuer rating at A1.za. The outlook remained unchanged as stable, aligned to the outlook of the country.

Facility amount R million	Variable rate	Interest per annum	Capital repayment and maturity date	Carrying value R million Company 2024	Carrying value R million Company 2023
Listed DMTN[4]					
500	3-month JIBAR + 205bps	4.253%[1,3]	At maturity – 21 August 2023	**–**	505
200	–	10.46%[2]	At maturity – 21 November 2024	**202**	202
800	3-month JIBAR + 191bps	8.4%[1,3]	At maturity – 21 November 2024	**809**	808
1 200	3-month JIBAR + 191bps	7.295%[1,3]	At maturity – 21 November 2024	**1 215**	1 218
700	3-month JIBAR + 180bps	8.49%[1,3]	At maturity – 21 August 2026	**707**	707
300	3-month JIBAR + 180bps	7.60%[1,3]	At maturity – 21 August 2026	**304**	304
792	3-month JIBAR + 173bps	7.98%[1,3]	At maturity – 21 May 2027	**800**	799
226	3-month JIBAR + 180bps	7.98%[1,3]	At maturity – 21 May 2029	**228**	228
576	3-month JIBAR + 140bps[3]		At maturity – 21 November 2027	**582**	–
924	3-month JIBAR + 159bps[3]		At maturity – 21 November 2029	**935**	–
Unlisted DMTN[5]					
2 500	–	9.615%[3]	At maturity – 22 February 2025	**2 525**	2 522
1 650	–	9.55%[3]	At maturity – 10 March 2026	**1 659**	1 658
Other					
1 000	3-month JIBAR + 190bps	8.38%[1,3]	At maturity – 02 March 2028	**999**	997
500	3-month JIBAR + 190bps[3]		At maturity – 02 March 2028	**499**	–
				11 464	9 948

1 *The interest rate has been fixed through interest rate swaps.*
2 *Interest is payable semi-annually in arrears.*
3 *Interest is payable quarterly in arrears.*
4 *DMTN refers to the R10 billion Discovery Domestic Medium Term Note (DMTN) program registered in 2017.*
5 *During the financial year ended 30 June 2020, Discovery Limited refinanced R3.6 billion bank syndicated loans through the issue of unlisted DMTN notes. The notes, although underwritten by a bank until maturity, are structured to enable short-term issuances into the commercial paper market on an ongoing basis.*

The borrowings are unsecured senior debt and are not callable or convertible. Interest is payable quarterly in arrears other than footnote 2 in the table above. Refer to company note 4.2.4 in section 4 for movement analysis and Group Note 3.7 in section 3.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 1: Financial instruments and management of financial risk *continued*

1.7 LOANS FROM SUBSIDIARIES[1,2]

R million	Company 2024	Restated[3] Company 2023
Discovery Bank Limited	**3**	*
Discovery Health Proprietary Limited	**5 744**	4 615
Discovery Insure Limited	**19**	1
Discovery Life Limited	**4 780**	4 768
Total loans	**10 546**	9 384
Current	**10 546**	9 384
Non-current	**–**	–
	10 546	9 384
Balance at beginning of the year	**9 384**	10 195
Additional loan granted	**5 928**	5 055
Repayment of loans	**(4 766)**	(5 866)
Balance at end of the year	**10 546**	9 384

1 *All loans to subsidiaries are measured at amortised cost, which approximates to fair value, due to the short-term nature of these loans.*
2 *The information is separately disclosed in the current period, and the comparative information has been restated accordingly.*
3 *Loans from subsidiaries previously included in other financial payables are now shown separately. Comparative information has been restated accordingly.*
* *Amount is less than R500 000.*

Discovery Limited receives funds from its subsidiaries, through intercompany accounts, to assist with operational requirements. These loans are interest free and are settled as and when sufficient cash becomes available.

For the purposes of determining which cash flows the Company presents as 'cash flows from operating activities' and 'cash flows from financing activities,' the Company considers the nature of the liabilities. Cash flows related to long-term borrowing and the financing of the Company are presented as part of 'cash flows from financing activities.' In contrast, cash flows associated with the Company's revenue activities, such as investment income or working capital requirements, are presented as 'cash flows from operating activities.' Working capital includes current receivables and payables with no stated repayment terms and are revolving in nature.

Loans from subsidiaries, as noted above, amounting to approximately R9.3 billion (2023: R9.3 billion), are considered part of financing. Therefore, cash flows used to repay these loans are classified as 'cash flows from financing activities.' Cash flows exceeding this base amount are regarded as part of working capital and included in 'cash flows from operating activities.' The loans considered part of financing will be reviewed at specified intervals to ensure they reflect the Company's long-term funding. Where applicable, the base amount and the associated classification of cash flows as 'financing' will be adjusted accordingly.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 1: Financial instruments and management of financial risk *continued*

1.8 FINANCIAL GUARANTEES CONTRACTS

R million		Company 2024	Company 2023
Discovery Limited has accrued for financial guarantees issued for the following subsidiary:			
Discovery Central Services Proprietary Limited	i	11	12
Total		11	12
Balance at the beginning of the year		12	25
New guarantee contracts		1	–
Fee income released		(3)	(5)
Expected credit losses		1	(8)
Balance at end of year		11	12

i. Discovery Limited has guaranteed the following borrowing facilities of Discovery Central Services Proprietary Limited:
   - R650 million facility to fund the systems build of Discovery Bank. The full amount has been drawn down and the balance outstanding at 30 June 2024 is R396 million (2023: R445 million).
   - a 5 year borrowing facility for an amount of R1.4 billion. These funds were acquired for general corporate purposes and the full amount has been drawn down and the balance outstanding at 30 June 2024 is R1 408 million (2023: R1 408 million).
   - a R1.5 billion Financial Credit Facility. The outstanding balance of R154 million was settled on 7 June 2024 when the facility expired. There is no balance outstanding at 30 June 2024 (2023: R151 million). Subsequent to year-end, the facility was renewed for a further 2 years to June 2026.
   - a R691 million facility and the full amount has been drawn down. The balance outstanding at 30 June 2024 is R695 million (2023: R694 million).
   - a R750 million facility, undrawn at 30 June 2024. This facility is a committed 364-day notice facility granted in November 2023. Subsequent to year-end, the facility was reduced to R500 million.

ii. In December 2022, Discovery Finance Company Europe Limited entered into borrowing facilities for an amount of GBP 56 million. The facility has been guaranteed by Discovery Limited. Discovery Limited charges a financial guarantee fee on an arms length basis. For more information refer to company note 3.9. As at 30 June 2024, Discovery Finance Company Europe Limited owed GBP54 million (2023: GBP 54 million) in respect of these borrowings.

iii. During 2020, Discovery Holdings Europe Limited entered into borrowing facilities for an amount of GBP 100 million to fund its operations. The loan was reduced to GBP 25 million in December 2022. This facility has been guaranteed by

Discovery Limited. Discovery Limited charges a financial guarantee fee on an arms length basis. For more information refer to company note 3.9.

1.9 OTHER FINANCIAL PAYABLES AT AMORTISED COST

R million	Company 2024	Company 2023
Accrued expenditure	6	10
Dividends due to shareholders	10	9
	16	19

The amortised cost of the trade and other payables approximate the fair value due to the short-term nature of these payables.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 1: Financial instruments and management of financial risk *continued*

1.10 MANAGEMENT OF FINANCIAL RISK

The Company's activities expose it to a variety of financial risks. Financial risks include market risk, credit risk and liquidity risk. Refer to the Group note 3.13 Management of financial risk for detailed explanation of financial risks and how they are managed.

1.10.1 Interest rate risk

Sensitivity to changes in interest rates is relevant to financial assets or liabilities bearing floating interest rates due to the risk that future cash flows fluctuate. However, sensitivity will also be relevant to fixed-rated financial assets and financial liabilities that are re-measured to fair value.

The table below details the specific interest rate risk that the Company is exposed to:

Company R million	Carrying amount	Fixed	Floating	Non-interest bearing
At 30 June 2024				
Derivative financial instruments at fair value:				
– used as cash flow hedges[1]	14	14	–	–
Loans to subsidiaries at amortised cost	8 260	2 715	5 309	236
Loans to BEE partners	271	–	219	52
Cash and cash equivalents	1 992	231	1 761	–
Total financial assets	10 537	2 960	7 289	288
Borrowings at amortised cost	11 464	4 385	7 079	–
Derivative financial instruments at fair value:				
– used as cash flow hedges[1]	24	24	–	–
Loans from subsidiaries at amortised cost	10 546	–	–	10 546
Financial guarantee contracts	11	–	–	11
Trade and other payables	16	–	–	16
Total financial liabilities	22 061	4 409	7 079	10 573
At 30 June 2023 Restated				
Derivative financial instruments at fair value:				
– used as cash flow hedge[1]	59	59	–	–
Loans to subsidiaries at amortised cost[2]	9 840	2 453	7 161	226
Loans to BEE partners	219	–	193	26
Cash and cash equivalents	282	–	282	–
Total financial assets	10 400	2 512	7 636	252
Borrowings at amortised cost	9 948	4 382	5 566	–
Derivative financial instruments at fair value:				
– used as cash flow hedges[1]	1	1	–	–
Loans from subsidiaries at amortised cost[2]	9 384	–	–	9 384
Financial guarantee contracts	12	–	–	12
Trade and other payables	19	–	–	19
Total financial liabilities	19 364	4 383	5 566	9 415

1 For further information on the use of interest rate swaps to manage the interest rate risk of Discovery Limited, refer to the following note in the Group financials, which equally applies to Discovery Limited:
– Note 3.13.4.1 Shareholder financial assets and liabilities, "Borrowings at amortised cost and related hedges".

2 Loans to/from subsidiaries previously included in other financial receivables/payables are now shown separately. Comparative information has been restated accordingly.

For those financial assets at amortised cost, a change of 1% in the interest rate would result in an increase/decrease of R84 million (2023: R80 million) in interest income. The sensitivity is based on the assumption that the interest rate has increased/decreased by 1% with all other variables held constant.

Borrowings at amortised cost include facilities at floating interest rates, which expose Discovery Limited to cash flow interest rate risk. This risk has been managed by using floating-to-fixed interest rate swaps. These interest rate swaps have the economic effect of converting the borrowings from floating to fixed rates. Interest is payable quarterly in arrears, with capital repayable on maturity. The hedge ratio is 1:1. For borrowings at floating interest rates that have not been hedged, a change of 1% in the interest rate would result in an increase of R6 million (2023: R4 million) in finance costs. The sensitivity is based on the assumption that the interest rate has increased/decreased by 1% with all other variables held constant.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 1: Financial instruments and management of financial risk *continued*

1.10 MANAGEMENT OF FINANCIAL RISK *continued*

1.10.2 Currency risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the UK pound. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities

The following table segregates the currency exposure by major currency:

Company R million	**Total**	**Rand**	**GBP**	**USD**
At 30 June 2024				
Derivative financial instruments at fair value:				
– used as cash flow hedges	**14**	**14**	**–**	**–**
Loans to subsidiaries	**8 260**	**6 144**	**2 116**	**–**
Loans to BEE partners	**271**	**271**	**–**	**–**
Cash and cash equivalents	**1 992**	**1 563**	**429**	*****
Total financial assets	**10 537**	**7 992**	**2 545**	*****
Borrowings at amortised cost	**11 464**	**11 464**	**–**	**–**
Derivative financial instruments at fair value:				
– used as cash flow hedges	**24**	**24**	**–**	**–**
Loans from subsidiaries at amortised cost	**10 546**	**10 546**	**–**	**–**
Financial guarantee contracts	**11**	**11**	**–**	**–**
Other payables	**16**	**16**	**–**	**–**
Total financial liabilities	**22 061**	**22 061**	**–**	**–**
At 30 June 2023 Restated				
Derivative financial instruments at fair value:				
– used as cash flow hedges	59	59	–	–
Loans to subsidiaries at amortised cost[1]	9 840	7 647	2 193	–
Loans to BEE partners	219	219	–	–
Cash and cash equivalents	282	39	243	*
Total financial assets	10 400	7 964	2 436	*
Borrowings at amortised cost	9 948	9 948	–	–
Derivative financial instruments at fair value:				
– used as cash flow hedges	1	1	–	–
Loans from subsidiaries at amortised cost[1]	9 384	9 384	–	–
Financial guarantee contracts	12	12	–	–
Other payables	19	16	3	–
Total financial liabilities	19 364	19 361	3	–

1 Loans to/from subsidiaries previously included in other financial receivables/payables are now shown separately. Comparative information has been restated accordingly.
** Amount is less than R500 000.*

A 10% increase on respective foreign exchange rates of GBP: ZAR would result in additional gains of R235 million (2023: R226 million), or in the case of decrease, a loss of R235 million (2023: R226 million), recognised in profit or loss.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 1: Financial instruments and management of financial risk *continued*

1.10 MANAGEMENT OF FINANCIAL RISK *continued*

1.10.3 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The credit risk associated with Cash and cash equivalents is managed by monitoring exposure to external financial institutions against limits set by the CCIC.

CREDIT EXPOSURE FOR DEBT INSTRUMENTS, MONEY MARKET INSTRUMENTS AND CASH AND CASH EQUIVALENTS

The following table provides information regarding the credit risk exposure categorised by Moody's credit ratings. These assets are all in stage 1 for purposes of determining expected credit losses.

Company R million	**Total**	**Aa1-3**	**A1-3**	**Baa1-3**	**Ba1-3**	**B1-3**	**Internally rated/ assessed**
At 30 June 2024							
Derivative financial instruments at fair value:							
– used as cash flow hedges	**14**	**–**	**–**	**–**	**14**	**–**	**–**
Loans to subsidiaries	**8 260**	**–**	**2**	**2 634**	**5 513**	**111**	**–**
Loans to BEE partners	**271**	**–**	**–**	**–**	**–**	**–**	**271**
Cash and cash equivalents	**1 992**	**481**	**–**	**564**	**947**	**–**	**–**
Total financial assets	**10 537**	**481**	**2**	**3 198**	**6 474**	**111**	**271**
Financial guarantee contracts	**11**	**–**		**–**	**11**	**–**	**–**
At 30 June 2023 Restated							
Derivative financial instruments at fair value:							
– used as cash flow hedges	59	–		–	59	–	–
Loans to subsidiaries at amortised cost[1]	9 840	–		3 934	5 906	–	–
Loans to BEE partners	219	–		–	–	–	219
Cash and cash equivalents	282	1		–	281	–	–
Total financial assets	10 400	1		3 934	6 246	–	219
Financial guarantee contracts	12	–		–	12	–	–

1 Loans to subsidiaries previously included in other financial receivables are now shown separately. Comparative information has been restated accordingly.

Long-term credit ratings were used on the credit risk analysis above. Refer to Group Note 3.13 Management of financial risk in section 3, 'Discovery's approach in monitoring credit risk' for a summary of how credit ratings are aligned to external credit ratings.

Loans to BEE partners are not assigned formal credit ratings externally or internally. These loans are structured considering creditworthiness of the individual partners, and the purpose of the BEE relationship. These loans are managed and monitored on an individual basis, and ECL is accordingly recognised on an individual basis using management's best estimate.

Discovery Limited has issued financial guarantees as security for loans incurred by subsidiaries in the group. The maximum credit risk that Discovery Limited is exposed to on these contracts is the carrying amount, which amounted to R5 729 million (2023: R3,940 million). For majority of the issued financial guarantees, Discovery Limited is co-guarantor with Discovery Health (Pty) Ltd and Discovery Vitality (Pty) Ltd.

Loans to subsidiaries and financial guarantee contracts do not have external credit ratings. Credit ratings are internally assigned using the RW rating scale.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 1: Financial instruments and management of financial risk *continued*

1.10 MANAGEMENT OF FINANCIAL RISK *continued*

1.10.4 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities due to insufficient cash available to meet commitments as and when due.

Liquidity is managed through the Group Treasury Management function, which considers the liquidity position at the respective Company level as well as the overall Group position. As part of this assessment, the liquidity position in each entity is optimised and takes account of available credit facilities to the Group within the Board approved maximum financial leverage ratio. The Company is in the process of refinancing short term borrowings as part of its ongoing debt capital management activities. The group structure is conducive for the Company to receive dividends and other forms of funding from underlying subsidiaries to enable it to meet its obligations.

Cash flow forecasting is performed by the Company and liquidity requirements are monitored to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Company's debt financing plans and covenant compliance.

Cash held by the Company is invested in interest-bearing accounts, term deposits and money-market deposits with appropriate maturities or sufficient liquidity to provide headroom as determined by the above-mentioned forecasts. At the reporting date, the Company had money market funds and cash and cash equivalents of R1 992 million (2023: R282 million).

The table below analyses Discovery Limited's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. These amounts do not agree to the Statement of financial position as these are the undiscounted contractual payments.

Company R million	Total	<1 year	1 – 2 years	3 – 5 years	6 – 10 years
At 30 June 2024					
Borrowings	**13 800**	**5 662**	**2 274**	**4 894**	**970**
Derivative financial instruments:					
– used as cash flow hedges	**14**	**6**	**–**	**8**	**–**
Loans from subsidiaries at amortised cost	**10 546**	**10 546**	**–**	**–**	**–**
Trade and other payables	**16**	**16**	**–**	**–**	**–**
	24 376	**16 230**	**2 274**	**4 902**	**970**
Financial guarantees	**5 729**	**5 729**	**–**	**–**	**–**
	30 105	**21 959**	**2 274**	**4 902**	**970**
At 30 June 2023 Restated					
Borrowings	12 187	1 425	5 429	5 085	248
Derivative financial instruments:					
– used as cash flow hedges	59	5	22	32	–
Loans from subsidiaries at amortised cost[1]	9 384	9 384	–	–	–
Trade and other payables	19	19	–	–	–
	21 649	10 833	5 451	5 117	248
Financial guarantees	3 940	3 940	–	–	–
	25 589	14 773	5 451	5 117	248

1 *Loans from subsidiaries previously included in other financial payables are now shown separately. Comparative information has been restated accordingly.*

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 1: Financial instruments and management of financial risk *continued*

1.10 MANAGEMENT OF FINANCIAL RISK *continued*

1.10.5 Fair value hierarchy

Discovery Limited'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. Refer to Group Note 3.13.6 Fair value hierarchy for more details on the valuation techniques.

These are as follows:

Level 1: includes financial instruments that are measured using unadjusted, quoted prices in an active market for identical financial instruments. An active market in which transactions for the asset or liability take place with sufficient frequency and volume to provide information on an ongoing basis. 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.

Company R million	Total	Level 1	Level 2	Level 3
At 30 June 2024				
Derivative financial instruments at fair value:				
– Used as cash flow hedges	**14**	**–**	**14**	**–**
Total financial assets	**14**	**–**	**14**	**–**
Derivative financial instruments at fair value:				
– Used as cash flow hedges	**24**	**–**	**24**	**–**
Total financial liabilities	**24**	**–**	**24**	**–**
At 30 June 2023				
Derivative financial instruments at fair value:				
– Used as cash flow hedges	59	–	59	–
Total financial assets	59	–	59	–
Derivative financial instruments at fair value:				
– Used as cash flow hedges	1	–	1	–
Total financial liabilities	1	–	1	–

Section 2: Equity

2.1 INTRODUCTION AND OVERVIEW

This section provides information on the approved, outstanding and changes in the Company's ordinary and preference share capital and share premium.

2.2 PRIMARY FINANCIAL STATEMENTS AND INFORMATION ANALYSED IN THIS SECTION

R million	Notes	Group 2024	Group 2023
Statement of financial position			
Capital and reserves			
Ordinary share capital and share premium	2.3	**10 783**	10 467
Perpetual preference share capital	2.4	**779**	779
		11 562	11 246

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 2: Equity *continued*

2.3 ORDINARY SHARE CAPITAL AND SHARE PREMIUM

	Issued		Treasury Shares		
R million	Share capital	Share premium	BEE Share Trust	LTIP	Total Outstanding
Issued					
At 1 July 2022	1	11 688	(47)	(1 349)	10 293
Share movements:					
– shares issued	*	514	–	–	514
– treasury shares delivered[1]	–	–	3	171	174
– treasury shares purchased	–	–	–	(514)	(514)
At 30 June 2023	1	12 202	(44)	(1 692)	10 467
Share movements:					
– shares issued	*	**433**	**–**	**–**	**433**
– treasury shares delivered	**–**	**–**	**2**	**445**	**447**
– treasury shares purchased	**–**	**–**	**(18)**	**(546)**	**(564)**
At 30 June 2024	**1**	**12 635**	**(60)**	**(1 793)**	**10 783**

** Amount is less than R500 000.*

1 R171 million was incorrectly included in the share premium column in the prior year. This has been correct in the current year disclosure.

		Treasury Shares		
Number of shares	Company	BEE Share Trust	Long-term incentive plan	Total Outstanding
Issued				
At 1 July 2022	668 963 471	(653 857)	(10 672 735)	657 636 879
Share movements:				
– shares issued	4 182 946	–	–	4 182 946
– treasury shares delivered	–	64 714	1 402 275	1 466 989
– treasury shares purchased	–	–	(4 182 946)	(4 182 946)
At 30 June 2023	673 146 417	(589 143)	(13 453 406)	659 103 868
Share movements:				
– shares issued	**3 227 675**	**–**	**–**	**3 227 675**
– treasury shares delivered	**–**	**46 991**	**3 660 857**	**3 707 848**
– treasury shares purchased	**–**	**(150 000)**	**(4 187 976)**	**(4 337 976)**
At 30 June 2024	**676 374 092**	**(692 152)**	**(13 980 525)**	**661 701 415**

The total authorised number of ordinary shares is 1 billion (2023: 1 billion), with a par value of 0.1 cent per share.

2.4 PERPETUAL PREFERENCE SHARE CAPITAL

R million	Company 2024	Restated Company 2023[1]
Authorised		
40 000 000 A no par value preference shares	**–**	–
20 000 000 B preference shares of R100 each	**2 000**	2 000
20 000 000 C no par value preference shares	**–**	–
	2 000	2 000
Issued		
8 000 000 B preference shares of R100 each	**800**	800
Share issue costs	**(21)**	(21)
	779	779

1 Other receivables previously included in other financial receivables are now shown separately. Comparative information has been restated accordingly.

The B preference shares are non-compulsory, non-cumulative, non-participating, non-convertible, voluntary redeemable (at the option of Discovery Limited) preference shares and were issued at a coupon rate of 85% prime rate. With the introduction of dividend withholding tax on 1 April 2012, the coupon rate on the preference shares was increased to 100% of the prime rate.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Other assets, liabilities and items of income and expense

3.1 INTRODUCTION AND OVERVIEW

This section provides information on the remainder of the assets, liabilities, income and expense in the rest of the annual financial statements.

3.2 PRIMARY FINANCIAL STATEMENTS AND INFORMATION ANALYSED IN THIS SECTION

R million	Notes	Company 2024	Company 2023
Statement of financial position			
Assets			
Deferred tax asset	3.5	**3**	5
Investment in subsidiaries	3.3	**35 115**	30 579
Investment in associate	3.4	**2 584**	2 584
Other receivables	3.6	**–**	3
		37 702	33 171
Income statement			
Investment income	3.8	**3 882**	4 056
Other income	3.9	**24**	36
Net fair value losses on financial instruments at fair value through profit or loss	3.10	**–**	(2)
Marketing and administration expenses	3.11	**(18)**	(16)
Movement in allowance for expected credit losses	3.12	**(3)**	8
Income tax expense	3.7	**(19)**	(124)
		3 866	3 958

3.3 INVESTMENTS IN SUBSIDIARIES

	Issued ordinary capital R million		Effective percentage holding %		Investment in subsidiaries[3] R million	
	Company 2024	Company 2023	Company 2024	Company 2023	Company 2024	Company 2023
Cogence Proprietary Limited	**37**	–	**100**	100	**37**	–
Discovery Bank Holdings Limited	**10 715**	9 699	**100**	100	**11 040**	9 963
Discovery Connect Distribution Services Proprietary Limited	**555**	555	**100**	100	**543**	546
Discovery Central Services Proprietary Limited	**3 000**	*	**100**	100	**3 073**	34
Discovery Finance Company Europe Limited[1]	**393**	393	**100**	100	**394**	394
Discovery Group Europe Limited[1]	**14 172**	14 172	**100**	100	**14 153**	14 159
Discovery Health Proprietary Limited	**271**	271	**100**	100	**277**	253
Discovery Insure Limited	**2 552**	2 552	**100**	100	**1 601**	1 588
Discovery Life Limited	**1 416**	1 416	**100**	100	**1 567**	1 502
Discovery Life Collective Investments Proprietary Limited	**15**	15	**100**	100	**15**	15
Discovery Life Investment Services Proprietary Limited	**203**	203	**100**	100	**211**	204
Discovery Mauritius Asset Management	**1**	1	**100**	100	**1**	1
Discovery Vitality Proprietary Limited	*****	*	**100**	100	**8**	–
Discovery Partner Markets Asia Private Limited[2]	**211**	211	**100**	100	**113**	113
Vitality Group International Incorporated[4]	**3 948**	3 643	**100**	100	**2 082**	1 807
Discovery Green Proprietary Limited	*****	–	**100**	–	*****	–
Balance at the end of the year					**35 115**	30 579

** Amount is less than R500 000.*

1 Incorporated in England and Wales.

2 Incorporated in Singapore.

3 Investments in subsidiaries include cost less impairments plus the value of share options issued to subsidiary staff.

4 Incorporated in the United States of America.

Refer to company note 4.2.3 in section 4 for a detailed movement analysis.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Other assets, liabilities and items of income and expense *continued*

3.4 INVESTMENT IN ASSOCIATE

R million	% ownership interest Company 2024	Company 2023	Company 2024	Company 2023
Investment at cost:				
– Ping An Health Insurance Company of China, Limited	**24.99%**	24.99%	**2 584**	2 584

Refer to Group note 5.7 for disclosure of the investment in associate.

3.5 DEFERRED TAX ASSET

R million	Company 2024	Company 2023
Deferred tax asset – non-current	**3**	5
Movement summary:		
Balance at beginning of the year	**5**	82
Income statement charge	**(2)**	(77)
Balance at end of the year	**3**	5
Deferred taxation comprises:		
Section 6 quat credits	**–**	3
Capital loss	**3**	2
	3	5

3.6 OTHER RECEIVABLES

R million	Company 2024	Restated Company 2023
Prepayments	**–**	3
Balance at end of the year	**–**	3

3.7 INCOME TAX EXPENSE

R million	Company 2024	Company 2023
Charge for the year:		
Current taxation	**17**	47
Normal taxation		
– prior year under provision	**1**	*
– current year charge	**16**	47
Deferred taxation	**2**	77
– prior year under provision	**3**	*
– current year charge	**(1)**	77
Total income tax expense recognised in profit or loss	**19**	124

* *Amount is less than R500 000.*

	%	%
Taxation rate reconciliation		
Effective taxation rate	**0.7**	3.5
Non-taxable income: Dividend income	**27.1**	24.2
Exempt income	*****	0.2
Non-deductible expenditure including items of a capital nature	**(0.1)**	(0.6)
Prior year over provision	**(0.2)**	-
Controlled foreign imputations and foreign credits	**(0.5)**	(0.3)
Tax rate difference	*****	*
Standard rate of taxation	**27.0**	27.0

Tax has been provided at 27% (2023: 27%). The company uses the South African tax rate in respect of its tax rate reconciliation as Discovery Limited (holding company listed on the JSE) is domiciled in South Africa and the most significant operations are in South Africa.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Other assets, liabilities and items of income and expense *continued*

3.8 INVESTMENT INCOME[1]

R million	Company 2024	Company 2023
At amortised cost interest income, using the effective interest rate[3]	**1 079**	863
– cash and cash equivalents	**41**	12
– BEE partners	**18**	15
– subsidiaries	**1 020**	836
Dividends received from subsidiaries and associate	**2 803**	3 193
	3 882	4 056
Interest income was received from the following subsidiaries:		
– Discovery Central Services Proprietary Limited	**325**	280
– Discovery Group Europe Limited	**284**	208
– Discovery Health Proprietary Limited	**411**	348
	1 020	836
Dividends were received from the following subsidiaries and associate:		
– Discovery Central Services Proprietary Limited	**–**	23
– Discovery Finance Company Europe Limited	**24**	–
– Discovery Green Proprietary Limited	**1**	–
– Discovery Health Proprietary Limited[2]	**1 420**	2 740
– Discovery Life Collective Investments Proprietary Limited	**–**	408
– Discovery Life Limited	**1 100**	–
– Discovery Mauritius Asset Management	**–**	17
– Discovery Telematic Services Proprietary Limited	**2**	–
– Discovery Vitality Proprietary Limited	**–**	1
– PingAn Health Insurance Company of China Limited	**255**	–
– Vitality Corporate Services Limited	**1**	4
	2 803	3 193

1 Investment Income for Discovery Limited is seen as Revenue.
2 The dividends received settled a portion of the loan due to Discovery Health Proprietary Limited and was not received in cash.
3 At amortised cost total has been disaggregated and the comparative information has been disaggregated accordingly, but the total remains unchanged.

3.9 OTHER INCOME

R million		Company 2024	Company 2023
Guarantee fees	i	**21**	31
Amortisation of financial guarantee contracts	ii	**3**	5
		24	36

i Discovery Limited issued guarantees in respect of Discovery Finance Company Europe Limited and Discovery Holdings Europe Limited obligations. A guarantee fee is charged by Discovery Limited to Discovery Finance Company Europe Limited of R13 million (2023: R13 million) and Discovery Holdings Europe Limited of R8 million (2023: R18 million).

ii Amortisation of initial financial guarantee contracts over the term of the loan. Refer to company note 1.8 in section 1 for a list of guarantees that Discovery Limited has issued.

3.10 NET FAIR VALUE LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

R million	Company 2024	Company 2023
Net fair value losses on non-hedge derivatives	**–**	2
	–	2

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 3: Other assets, liabilities and items of income and expense *continued*

3.11 MARKETING AND ADMINISTRATION EXPENSES

R million	Company 2024	Company 2023
Marketing and administration expenses comprises:		
– Audit fees	7	6
– Professional fees	8	7
– Other	3	3
	18	16

3.12 MOVEMENT IN ALLOWANCE FOR EXPECTED CREDIT LOSSES[1]

R million	Company 2024	Company 2023
Financial guarantee contracts:		
– Discovery Bank Limited	–	(1)
– Discovery Central Services Proprietary Limited	1	(*)
– Discovery Finance Company Europe Limited	–	(7)
Loans to subsidiaries:		
– Discovery Central Services Proprietary Limited	(2)	–
– Discovery Group Europe Limited	1	–
– Discovery Health Proprietary Limited	4	–
– Discovery Life Collective Investments Proprietary Limited	(1)	–
	3	(8)

* *Amount is less than R500 000.*

1 *In determining the expected credit loss, credit ratings are internally assigned using the RW rating scale. Refer to company note 1.10.3 Credit risk in section 1, for more information.*

R million	12 month credit losses	Total
30 June 2024		
Balance at beginning of the year	(8)	(8)
Increase in allowance	(6)	(6)
Decrease in allowance	3	3
Balance at end of the year	(11)	(11)
30 June 2023		
Balance at beginning of the year	(16)	(16)
Increase in allowance	8	8
Balance at end of the year	(8)	(8)

* *Amount is less than R500 000.*

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 4: Cash flow information

4.1 INTRODUCTION AND OVERVIEW

This section provides more information on the Company statement of cash flows.

4.2 CASH FLOW INFORMATION

4.2.1 Cash generated by operations

R million	Company 2024	Company 2023
Profit before income tax	2 792	3 525
Adjusted for:		
Interest received	(1 079)	(863)
Dividends received	(2 803)	(3 193)
Interest expenses on borrowings	993	943
Non-cash items:		
Movement in expected credit losses	3	(8)
Amortisation of financial guarantee contracts	(3)	(5)
Fair value losses on non-hedge derivatives not designated as hedging instruments	–	2
Unrealised foreign exchange gains/(losses)	100	(386)
Working capital changes:		
Loans and receivables	(54)	(78)
Trade and other payables and loans from subsidiaries	2 691	1 927
	2 640	1 864

4.2.2 Taxation paid

R million	Company 2024	Company 2023
Balance at beginning of the year	(45)	(1)
Current taxation charged for the year in the income statement	(17)	(47)
Balance at end of the year	(12)	45
	(74)	(3)

4.2.3 Increase in investments in subsidiaries

R million	Company 2024	Company 2023
Balance at beginning of the year	30 579	29 027
Value of share options issued to subsidiary staff	718	546
Financial guarantee contracts raised	1	–
Deemed dividends	4	27
Long-term incentive plan share recharges	(545)	(514)
Balance at end of the year	(35 115)	(30 579)
Increase in investment in subsidiary	(4 358)	(1 493)

4.2.4 Long-term borrowings

R million	Company 2024	Company 2023
Balance at beginning of the year	9 948	10 584
Interest accrued	998	860
Interest paid	(978)	(840)
Increase in borrowings	2 000	2 650
Raising fees capitalised	(6)	(9)
Raising fees amortised	6	7
Repayment of borrowings	(504)	(3 304)
Balance at end of the year	11 464	9 948

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 30 June 2024

Section 4: Cash flow information *continued*

4.2 CASH FLOW INFORMATION *continued*

4.2.5 Cash and cash equivalents

R million	Company 2024	Company 2023
Cash at bank and in hand	**235**	256
Short-term deposits	**796**	25
Money market investments[1]	**961**	1
	1 992	282

1 To meet the requirements for cash equivalents, as outlined in Annexure B, Policy 10 Cash and Cash Equivalents, Discovery conducts assessments of its money market investments. These investments will only be classified as cash equivalents if they meet the following criteria
(1) The purpose of the investment is to fulfil short-term cash commitments
(2) The instrument demonstrates high credit quality within the relevant jurisdiction, as indicated by its credit rating
(3) The primary objective of the investment is to protect capital and provide liquidity
(4) The investment can be readily converted into known amounts of cash, similar to bank balances
(5) The fund is invested solely in interest-bearing instruments, similar to deposits, with institutions of high credit quality.
Additionally, the investment must not introduce speculative grade or equity-type risks and exposures. This can be demonstrated by the yield returns relative to other deposit-type investments within the same jurisdiction.

4.2.6 Dividends received

R million	Company 2024	Company 2023
Dividends received per income statement	**2 803**	3 193
Dividends used to settle subsidiary loan (note 3.8)	**(1 420)**	(2 740)
Deemed dividends allocated to investments in subsidiaries (note 4.2.3)	**(4)**	(28)
	1 379	425

4.2.7 Interest received

R million	Company 2024	Company 2023
At amortised cost interest income, using the effective interest rate	**1 079**	863
Interest received from Loans to subsidiaries (note 1.3)	**(806)**	(638)
– accrued	**(1 020)**	(836)
– received	**214**	198
Interest received from Loans to BEE partners (note 1.4)	**(8)**	6
– accrued	**(18)**	(15)
– received	**10**	21
	265	231

4.2.8 Interest paid

R million	Company 2024	Company 2023
Interest expense on borrowings	**993**	943
Interest on long-term borrowings	**(20)**	(20)
– accrued	**(998)**	(860)
– paid	**978**	840
IFRS9 cost of hedging transferred from hedging reserve	**(4)**	(4)
Amortisation of contract fees transferred from prepayments	**(3)**	(2)
	966	917

Section 5: Other disclosures

5.1 INTRODUCTION AND OVERVIEW

This section provides information on other disclosures that non-recurring disclosures, restatements, events after reporting date included dividend declaration, capital commitments and contingent assets and liabilities and business combinations.

5.2 EVENTS AFTER REPORTING DATE

Refer to Group note 7.5 in section 7 for a list of the events after the reporting date.

Discovery

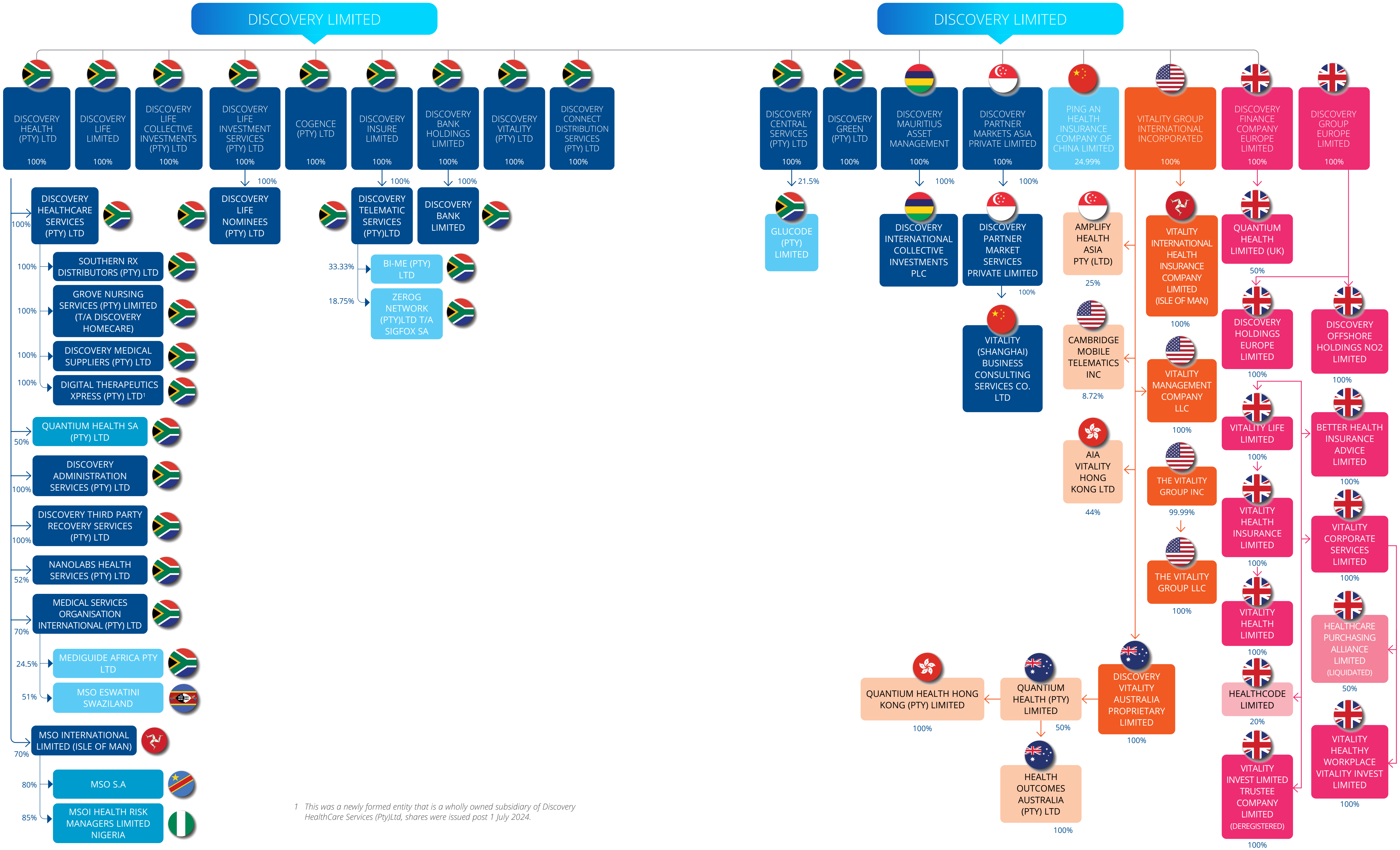
ANNEXURES

for the year ended 30 June 2024

ANNEXURE A – GROUP STRUCTURE

for the year ended 30 June 2024

Discovery is directly and indirectly the holding company of:



1 *This was a newly formed entity that is a wholly owned subsidiary of Discovery HealthCare Services (Pty)Ltd, shares were issued post 1 July 2024.*

ANNEXURE A – GROUP STRUCTURE *continued*

for the year ended 30 June 2024

In addition to the above subsidiaries, Discovery consolidates unit trusts which are deemed to be under the Group's control in terms of IFRS 10 *Consolidated Financial Statements*. The consolidated unit trusts include:

- Cogence Discovery Balanced Dynamic Asset Optimiser Fund of Funds
- Discovery Balanced Fund
- Discovery Cautious Balanced Fund
- Cogence Discovery Cautious Dynamic Asset Optimiser Fund of Funds
- Discovery Diversified Income Fund
- Discovery Equity Fund
- Discovery Flexible Property Fund
- Discovery Global Equity Feeder Fund
- Discovery Global Real Estate Securities Feeder Fund
- Discovery Global Value Equity Feeder Fund
- Discovery Moderate Balanced Fund
- Cogence Discovery Moderate Dynamic Asset Optimiser Fund of Funds
- Discovery Money Market Fund
- Discovery Target Retirement 2015 Fund
- Discovery Target Retirement 2020 Fund
- Discovery Target Retirement 2025 Fund
- Discovery Target Retirement 2030 Fund
- Discovery Target Retirement 2035 Fund
- Discovery Target Retirement 2040 Fund
- Discovery Target Retirement 2045 Fund
- Discovery Target Retirement 2050 Fund
- Discovery Target Retirement 2055 Fund
- Discovery Target Retirement 2060 Fund
- Discovery Global Multi Asset Fund (previously named Discovery Worldwide Best Ideas Fund)
- Discovery Strategic Bond Fund
- Cogence Global Cautious Portfolio (Mauritius)
- Cogence Global Balanced Portfolio (Mauritius)
- Cogence Global Growth Portfolio Fund (Mauritius)

ANNEXURE B – GROUP ACCOUNTING POLICIES

for the year ended 30 June 2024

Summary of material accounting policies

1. BASIS OF PRESENTATION

The consolidated and separate Annual Financial Statements have been prepared in accordance with JSE Limited (JSE) Listings Requirements and JSE Debt Listings Requirements, IFRS® Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards), the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council (FRSC), and the requirements of the South African Companies Act. The Group Annual Financial Statements have been prepared in accordance with the going concern principle using the historical cost basis, except where otherwise stated in the accounting policies below.

The preparation of the Group Annual Financial Statements, in conformity with the IFRS Accounting Standards, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are material to the consolidated financial statements, are outlined in the following notes to the Annual Financial Statements:

Notes	Topic
2.3.17	Insurance and reinsurance contracts and management of insurance risk
5.3	Goodwill
5.9.1	Deferred tax assets and liabilities

1.1 New standards and amendments that became effective during the financial year

- The Group has not early adopted any IFRS Accounting Standards, amendments, or interpretations that have been issued but have yet to be effective
- IFRS 17 *Insurance Contracts* became effective for the Discovery Group on 1 July 2023, with a comparative restatement of the preceding year, namely the financial year ended 30 June 2023, including a restatement of the opening Statement of financial position as at 1 July 2022. For IFRS 17, please refer to accounting policy note 12
- International Tax Reform-Pillar Two Model Rules – Amendments to IAS 12 *Income Taxes* became effective for accounting periods beginning on or after 1 January 2023. This amendment is effective for the financial year ended 30 June 2024. The Group has applied the amendments retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

The Group does not expect other new IFRS Accounting standards, amendments, or interpretations not listed above that became effective during the financial year to have a material impact on recognised or disclosed amounts.

1.2 New standards and amendments to published standards not yet effective

- The Group does not expect the IFRS Accounting Standards, amendments, or annual improvements it has not listed below to have a material impact on recognised or disclosed amounts
- The Group expects the following IFRS Accounting Standards, amendments, and annual improvements that were issued during the financial year but are not yet effective to have a material effect on recognised and disclosed accounts

IFRS 18 *Presentation and Disclosure in Financial Statement*	IFRS 18 supersedes IAS 1 *Presentation of Financial Statements* and provides additional requirements for the presentation and disclosure of information in the primary financial statements and the notes to improve transparency and comparability of information. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027. IFRS 18 will impact the Group's Income statement and related note disclosures. The Group will assess additional disclosure requirements required.
IFRIC Decision: Disclosure of Revenues and Expenses for Reportable Segments (IFRS 8 *Operating Segments*)	Discovery acknowledges the IFRIC's decision which was finalised in June 2024, which addressed how management presents material items of revenue and expenses within its segment reporting. Discovery is currently in the process of implementing these changes. Discovery has noted the potential to include separate disclosures for staff costs by segment. However, Discovery is still assessing any further impacts. Segmental information will be updated in the next reporting period, covering the six months ending 31 December 2024.

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*
for the year ended 30 June 2024

Summary of material accounting policies *continued*

2. CONSOLIDATION

The consolidated financial statements include the assets, liabilities, and results of operations of the Group and its subsidiaries, joint ventures, and associates.

2.1 Business combinations

The Group uses the acquisition method of accounting to account for its business combinations. The consideration transferred for the acquisition of a business is the fair value of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The Group expenses acquisition-related costs as incurred.

The Group measures identifiable assets acquired and liabilities and contingent liabilities it assumes in a business combination initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the consideration transferred, being the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired, the Group records as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the Group recognises the difference directly in profit or loss as "gain on bargain purchase".

COMPANY ACCOUNTING POLICY:
The company is, directly and indirectly, the holding company of subsidiaries, equity-accounted associates, and joint ventures as set out in Annexure A.

Investments in subsidiaries and associates are accounted for at cost less impairment. Cost includes the fair value of any asset or liability resulting from a contingent consideration arrangement on initial recognition.

The Company assesses whether there is objective evidence that the investment in subsidiaries, equity-accounted associates, and joint ventures is impaired at each reporting date. If such evidence of impairment exists, the Company calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value.

Common control transactions refer to business combinations in which all the combining entities or businesses are ultimately controlled by the same party (or parties) before and after the combination. This includes businesses that are associates and joint ventures.

The Company applies book value accounting to account for common control transactions. The company will dispose of its investment at the carrying amount. Any difference between the consideration received and the carrying amount of the investment disposed of is recognised as an equity transaction with shareholders in equity. No gain or loss is recognised in profit or loss on disposal.

2.2 Consolidation of entities in which the Group holds less than 50%

The Group analysed its relationships with Discovery Unit Trusts and has determined that it has power to direct the relevant activities of the funds, has sufficient exposure to the variable returns of the funds and has the ability to use its power over the investee to affect its returns. This analysis concluded that Discovery has control of the Discovery Unit Trusts even if the economic interest is less than 50% and is therefore required to consolidate these funds.

The Group controls these unit trusts as it has the right to the variable returns in the form of fund management fees it receives from its involvement with the funds. Furthermore, the Group exercises control over these unit trusts through the setting of the mandates and the appointment of the independent trustees. Within the regulatory framework, the Group can also amend the mandates and change the independent trustees.

Of the 25 (2023: 27) Discovery Unit Trusts and 3 (2023: 3) Discovery International Collective Investment Unit Trusts consolidated at 30 June 2024, the Group holds less than a 50% economic interest in none (2023: 1 (economic interest 49.9%)) of these funds. Refer to Annexure A of the Annual Financial Statements for a list of consolidated unit trusts.

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*
for the year ended 30 June 2024

Summary of material accounting policies *continued*

2. CONSOLIDATION *continued*

2.3 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group consolidates subsidiaries from the date on which the Group obtains control. The Group discontinues consolidation from the date on which control ceases. Intra-group transactions, balances, and unrealised gains or losses on intra-group transactions are eliminated. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group. The Group does not eliminate intra-group foreign exchange gains and losses arising from intra-group balances.

COMPANY ACCOUNTING POLICY: FINANCIAL GUARANTEE CONTRACTS ISSUED OVER THE DEBT OF SUBSIDIARIES
The Company accounts for financial guarantee contracts (FGCs) in accordance with IFRS 9 *Financial Instruments*. The Company issues FGCs to assist in securing funding for its subsidiaries.

FGCs are contracts which require the Company, as the issuer of the contract, to make specified payments to reimburse the holder for a loss that the holder incurs because the specified debtor fails to make payment when it is due under the original or modified terms of the debt instrument.

The Company measures the FGC:

- Initially at fair value and
- Subsequently, at the higher of:
  - The amount of expected credit losses determined under IFRS 9 (calculation 1), and
  - The amount initially recognised less, when appropriate, the cumulative amount of income recognised under the principles of IFRS 15 *Revenue from Contracts with Customers* (calculation 2).

Where the Company issues FGCs for the debt of a related entity in the Group, the Company determines the fair value. These FGCs are seen as transactions in a capacity as the shareholder and are treated as capital contributions.

In some instances, the Group entity can also pay a premium to the issuer of the FGCs. The Company then determines if the price represents the fair value, or whether there is still an additional cost of the FGC that the Company should recognise.

In the instance where the Company does not receive all the premiums upfront, it recognises the FGC using a net approach. The net approach requires that the Company presents the financial guarantee as its fair value less all future premiums.

The Company subsequently recognises financial guarantee fee income as follows:

- Amortises the fair value recognised on initial recognition over the period that the FGC is outstanding, generally the period of the underlying debt
- Recognises any premiums received for issuing the FGC as financial guarantee fee income and
- Where the Company has applied the net approach, the Company adjusts for the premiums subsequently received to ensure it takes into account all premiums in using calculation 2

The Company calculates the 12 month expected credit losses for purposes of calculation 1.

Where the outcome is that calculation 1 is more than calculation 2, differences are recognised and presented as part of expected credit losses.

Where the outcome is such that calculation 2 is more than calculation 1, no adjustments are required. Any previously recognised expected credit losses can be reversed but limited to the total value previously recognised.

The Company derecognises FGCs when the FGC is extinguished, expires, or the underlying debt is extinguished.

At the date of derecognition:

- Where the FGC is extinguished in exchange for a new FGC to the same holder and in respect of the same guaranteed entity, the FGC derecognised is seen as compensation for the new FGC,or
- In all other instances, the FGC is derecognised with an associated gain or loss in profit or loss

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

Summary of material accounting policies *continued*

2. CONSOLIDATION *continued*

2.4 Associates and joint arrangements

2.4.1 ASSOCIATES AND JOINT VENTURES

Associates are entities over which the Group has the ability to exercise significant influence but not control over the financial and operational policies. Significant influence is primarily based on the percentage of voting rights, generally between 20% and 50%, together with other factors such as board participation and participation in the policy-making process. In certain instances, the Group holds less than 20% equity interests but holds rights that still give it significant influence (activities that allow for significant influence, such as board participation).

A joint venture is a joint arrangement in which the parties have joint control and rights to the net assets.

The Group recognises its interest in an associate or a joint venture as an investment and accounts for that investment using the equity method. Under the equity method, on initial recognition, the investment in an associate or a joint venture is recognised at cost. The carrying amount is adjusted to recognise the Group's share of the post-acquisition profit or loss of the investee and is recognised in profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Dividends received from the investee are presented as part of investing activities in the Statement of cash flows.

Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the investee arising from changes in the investee's other comprehensive income. Such changes include those arising from foreign exchange translation differences. The Group recognises its share of those changes in other comprehensive income.

The Group discontinues equity accounting when the carrying amount of the investment in an associate or a joint venture reaches zero unless it has incurred obligations, guaranteed obligations or made payments on behalf of the associate or the joint venture. The Group resumes equity accounting only after its share of the profits equals the share of losses not recognised.

The Group will discontinue the use of the equity method from the date when its investment ceases to be an associate or a joint venture.

Changes in ownership

An investor may reduce its ownership interest in an associate or joint venture by selling a portion of its share or through an investee transaction such as a dilution. When an investor disposes of a portion of an investment, the investor will need to determine the applicable gain or loss in the disposal. The gain or loss on the dilution of an equity-accounted investee is calculated as the difference between:

- The entity's ownership interest in the new assets received by the investee for the subscription of the new shares (e.g. the cash paid by the other party) and
- The reduction in ownership interest in the previous carrying amount

The Group's investment in an associate or a joint venture includes goodwill identified on acquisition. Discovery assesses whether there is objective evidence that an associate or a joint venture is impaired at each reporting date. If such evidence of impairment exists, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value. For impairment, please refer to accounting policy note 7

- Unrealised gains or losses on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in these entities unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4.2 JOINT OPERATIONS

A joint operation is a joint arrangement in which the parties have joint control of an arrangement and rights to the assets and obligations for the liabilities relating to the arrangement.

The Group recognises its share of those assets, liabilities, revenues and expenses the operators incur jointly.

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

Summary of material accounting policies *continued*

3 FOREIGN CURRENCY TRANSLATION

3.1 Functional and presentation currency

The consolidated financial statements are presented in Rand, the Group's presentation currency.

COMPANY ACCOUNTING POLICY:

The Company measures items included in the financial statements of its entities using the currency of the primary economic environment in which the entity operates (the functional currency). The separate financial statements are presented in Rand/Great British Pound/United States Dollar, the Company's presentation currency.

3.2 Transactions and balances

The Group translates foreign currency transactions into the functional currency using the exchange rates prevailing at the dates of the transactions. The Group includes foreign exchange gains and losses as follows:

- The settlement of trading transactions in the results of operating activities in profit or loss
- The settlement of financing transactions and the translation at year-end exchange rates of assets and liabilities denominated in foreign currencies in profit or loss as foreign exchange gains and losses, and
- Qualifying cash flow hedges are deferred in the Statement of other comprehensive income. Subsequently, the Group reclassifies these foreign exchange gains and losses to profit or loss in the periods in which the hedged item affects profit or loss

3.3 Group companies

The Group translates results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency into the presentation currency as follows:

- For each Statement of financial position presented, the assets and liabilities are translated, applying the closing rate at the date of that statement of financial position
- For each Income Statement presented, the income and expenses are translated applying the average exchange rates applicable for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at rates at the date of the transactions), and
- The Group recognises the resulting exchange differences as a separate component of equity, namely the foreign currency translation reserve (FCTR)

On consolidation, exchange differences including their tax effects, arising from the translation of the net investment in foreign entities are recognised in FCTR in the Statement of other comprehensive income. When a foreign operation is partially disposed of or sold, such exchange differences, together with their tax effects, are reclassified to profit or loss as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

4. PROPERTY AND EQUIPMENT

The Group measures property and equipment at cost, which includes capitalised borrowing costs, less accumulated depreciation, and any accumulated impairment losses.

The Group includes subsequent costs in the asset's carrying amount or recognises costs as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The Group recognises all other repairs and maintenance in profit or loss during the financial period in which they are incurred.

If significant parts of an item of property and equipment have different useful lives, then the Group accounts for the components as separate items (major components) of property and equipment.

The Group depreciates property and equipment when the assets are ready for use, applying the straight-line method over their estimated useful lives, as follows:

Owner occupied property	40 years
Leasehold improvements	Shorter of estimated life or period of lease
Leased asset	3 – 15 years
Computer equipment	3 – 7 years
Furniture, fittings and building fit-out	5 – 15 years
Motor vehicles	4 years
Telematics devices	2 – 5 years

The Group reviews assets' residual values and useful lives at least each financial year end and adjusts if appropriate. For the treatment of impairment of items of property and equipment, refer to accounting policy 7.

Property and equipment shall be derecognised:

- On disposal, or
- When no future economic benefits are expected from its use or disposal

The Group determines gains/losses on derecognition by comparing the proceeds with the carrying amount. The Group records these gains/losses in profit or loss.

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

Summary of material accounting policies *continued*

5. INTANGIBLE ASSETS

5.1 Computer software equipment costs

The Group measures items of computer software development costs at cost, less accumulated amortisation and any accumulated impairment losses. The Group does not capitalise internally generated intangibles, excluding capitalised development costs, and it reflects the related expenditure in profit or loss in the period in which the expenditure is incurred.

The Group recognises development costs that are directly attributable to the design and testing of identifiable software products which the Group controls as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use
- Management intends to complete the software product and use or sell it
- There is an ability to use or sell the software product
- The Group can demonstrate the software product will generate probable future economic benefits
- Adequate technical, financial, and other resources to complete the development and to use or sell the software product are available, and
- The Group can reliably measure expenditure attributable to the software product during its development

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of directly attributable overheads. For cloud computing arrangements, implementation costs that do not meet the requirements to be capitalised as an asset are expensed as incurred.

The Group expenses the following items as incurred:

- Costs associated with maintaining computer software programmes
- Other development expenditures that do not meet the criteria noted above

The Group does not recognise development costs previously recognised as expenses, as assets in a subsequent period. The Group recognises computer software development costs as assets from the point where the recognition criteria above are satisfied and the Group amortises the asset when it is ready for use, over its useful life. The Group presents amortisation as part of marketing and administration expenses in profit or loss.

If significant parts of computer software development costs have different useful lives, the Group accounts for the components as separate items (major components) of computer software development costs. Computer software development costs recognised as assets are amortised over their useful lives.

Software applications	3 – 7 years
Core Systems	10 – 16 years (2023: 16 years)

The Group reviews intangible assets' residual values and useful lives at least at each financial year-end and adjusts if appropriate. For the treatment of impairment of intangible assets, refer to accounting policy 7.

The Group derecognises intangible assets

- On disposal; or
- When no future economic benefits are expected from its use or disposal.

The Group determines gains/ losses arising from the derecognition of an intangible asset as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. The Group recognises such gains/ losses in profit or loss when the asset is derecognised.

5.2 Other intangible assets

The Group does not recognise costs incurred for internally developed trademarks, patents and similar rights and assets, including franchises and management contracts. The Group recognises these costs in profit or loss in the period they are incurred.

The Group capitalises intangible assets acquired as part of business combinations at their fair value. These fair values are represented by the estimated net present value of future cash flows relating to existing business, or at a value as determined by an independent valuer. The Group amortises these intangible assets over their useful lives, and the Group tests for impairment if an indication of impairment arises.

6. GOODWILL

Goodwill arises on the acquisition of businesses and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired.

For the purpose of impairment testing, the Group allocates goodwill acquired in a business combination to each of the cash-generating units (CGUs) or groups of CGUs that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill management monitors for internal management purposes. The Group monitors goodwill at the operating segment level.

The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value-in-use and the fair value less costs to sell. The Group recognises any impairment immediately as an expense and this impairment is not subsequently reversed.

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

Summary of material accounting policies *continued*

7. IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group tests goodwill annually for impairment, or more frequently if events or changes in circumstances indicate that goodwill may be impaired.

The Group reviews assets, including equity-accounted investments and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Such indicators include continued losses and changes in technology, market, economic, legal, and operating environments.

The Group recognises an impairment loss for the amount by which the asset's carrying value exceeds its recoverable amount. The Group measures the recoverable amount using the higher of the value-in-use and the fair value less costs to sell. The Group immediately recognises these costs in profit or loss in the period they are incurred.

The Group reviews other assets, other than goodwill, that suffered an impairment for possible reversal of the impairment at the end of each reporting period.

8. FINANCIAL INSTRUMENTS

The Group initially recognises financial instruments when it becomes party to the contract.

The Group measures financial instruments at initial recognition at the fair value net of directly attributable transaction costs unless the financial instrument is classified as fair value through profit or loss. For instruments the Group classifies at fair value through profit or loss, attributable transaction costs are immediately expensed.

8.1 Financial assets

8.1.1 RECOGNITION, CLASSIFICATION, MEASUREMENT AND DERECOGNITION

At initial recognition, the Group considers the appropriate classification of financial assets as at Amortised cost (AC), Fair value through profit or loss (FVTPL), Fair value through other comprehensive income (FVOCI) for debt instruments, or Fair value through other comprehensive income (FVOCI) for equity instruments. The Group considers:

- Whether the contractual cash flows of the financial asset are solely payments of principal and interest (SPPI). Such contractual cash flows are consistent with a basic lending arrangement and compensate the Group for the elements of the time value of money, credit risk and other basic lending risks and a profit margin. Examples of such instruments include Treasury Bills, Government Bonds, cash, and fixed-term deposits. It excludes instruments such as equity-linked financial assets or puttable investments in unit trusts, and
- Whether the business model of the Group is to hold to collect contractual cash flows or a business model that results in collecting contractual cash flows and selling the financial assets

Based on the criteria above, the Group will classify a debt instrument as:

- Amortised cost, if the financial asset meets the SPPI criterion and is held for the purpose to collect the contractual cash flows. Examples of this include loans and advances to customers (e.g. credit card advances and home loans) and fixed-term deposits
- Fair value with changes in other comprehensive income (debt instruments) if the financial asset meets the SPPI criterion and is held either to collect contractual cash flows or for sale. The Group currently does not hold financial assets in this category. However, specified equity-accounted associates have certain debt instruments in the category
- Fair value through profit or loss for all other financial assets that do not meet the criteria above are mandatorily classified as financial instruments at fair value through profit and loss. In addition, the Group can irrevocably designate financial assets into this category if this will reduce measurement inconsistencies (i.e. 'accounting mismatch'). The Group's business includes, amongst others, providing unit-linked insurance, unit-linked investment and non-linked insurance products to customers. Financial assets and liabilities in these portfolios are managed to achieve the objectives of the portfolio and to ensure that liabilities are appropriately matched with assets. Additionally, Discovery Bank uses specified fixed-rate debt instruments to manage interest rate risk which is also included in this category. In considering whether the objective of a portfolio is to collect contractual cash flows or to trade in financial instruments, the Group considers the purpose for which instruments are held, the methods of risk management in a portfolio, the manner of performance reporting on a portfolio and the basis for determining compensation to managers for asset performance. For those financial assets backing insurance contracts, the Group measures these financial assets at fair value through profit or loss. Unit-linked investment contracts are also mandatorily classified at fair value through profit or loss

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*
for the year ended 30 June 2024

Summary of material accounting policies *continued*

8. FINANCIAL INSTRUMENTS *continued*

8.1 Financial assets *continued*

8.1.1 RECOGNITION, CLASSIFICATION, MEASUREMENT AND DERECOGNITION *continued*

For equity instruments, the Group is permitted to make the irrevocable election to present changes in fair value in other comprehensive income. However cumulative gains or losses recognised cannot be reclassified to profit or loss on disposal. This election is available on an instrument-by-instrument basis. The Group has made this election for the accounting records of specified associates. All other equity instruments are measured at FVTPL.

	Subsequent measurement
Amortised cost (AC)	The Group measures these instruments at amortised cost using the effective interest method. Movements in the balance of the instrument relate to expected credit losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. The Group measures interest revenue using the effective interest rate on the gross carrying amount for those financial assets categorised in Stage 1.
Fair value through profit or loss (FVTPL)	The Group measures these instruments at fair value with gains and losses recognised in profit or loss. Movements in this balance are due to fair value gains or losses, interest or dividends, and foreign exchange gains or losses. Dividends are recognised in profit or loss.
Fair value through other comprehensive income (FVOCI) – equity	The Group measures these instruments at fair value with gains and losses recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss. Dividends are recognised in profit or loss.
Fair value through other comprehensive income (FVOCI) debt	The Group measures these instruments at fair value with changes in fair value recognised in other comprehensive income. Discovery recognises interest using effective interest method, movements in the balance related to expected credit losses, interest income and translation differences in profit or loss. The Group measures interest revenue using the effective interest rate on the gross carrying amount for those financial assets categorised in Stage 1. Refer to accounting policy 8.1.2. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss

The Group has not designated financial assets at fair value through profit or loss.

The Group expects the business model for managing a group of financial instruments to remain stable. In rare instances where the business model changes, there can be a reclassification of the business model. Any reclassifications are applied prospectively from the first day of the first reporting period after the change in business model, with no restatement of any previously recognised gains, losses or interest. The Group has not had any changes in business models in the current reporting period, and consequently, there have been no reclassifications.

The Group derecognises financial assets when the rights to receive cash flows from them expire or when they have been transferred and the Group has also transferred substantially all the risks and rewards of ownership with no retention of control of financial assets.

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*
for the year ended 30 June 2024

Summary of material accounting policies *continued*

8. FINANCIAL INSTRUMENTS *continued*

8.1 Financial assets *continued*

8.1.2 EXPECTED CREDIT LOSSES

The Group measures expected credit losses on the following items:

- Debt instruments at amortised cost or fair value with changes in other comprehensive income, which include treasury bills, banking loans and advances and fixed deposits. This also includes loan commitments for undrawn credit facilities
- Lease receivables
- Financial guarantee contracts
- Other receivables, which are financial assets at amortised cost
- Contract receivables and contracts assets with non-insurance customers and cash and cash equivalents

The Group has a multitude of different debtors and loans included in other receivables, which are financial assets which do not represent a homogeneous group of assets. The approach to determining expected credit losses varies according to the asset type, past bad debt experience and the potential to incorporate forward-looking information. In certain instances, the Group aggregates financial assets based on shared characteristics (i.e. debt payment pattern similarities, financial instruments with collateral, debtor type), and the Group determines expected credit losses on a collective basis.

In calculating the expected credit losses,the general expected credit loss approach requires that the Group assess the credit risk of the instrument and determine whether there has been a significant increase in credit risk since initial recognition.

The Group measures the loss allowance using the following approach:

- The Group refers to financial assets that have not had a significant increase in credit risk since initial recognition as Stage 1 financial assets. The Group measures loss allowances on Stage 1 financial assets at an amount equal to the 12-month expected credit losses
- The Group refers to financial assets that have had a significant increase in credit risk since initial recognition as Stage 2 and 3 financial assets. If the financial assets have had a significant increase in credit risk since initial recognition and are credit impaired or in default, the Group refers to these as Stage 3 financial assets. The Group recognises lifetime expected credit losses in measuring the loss allowance for Stage 2 and 3 financial assets

The Group measures expected credit losses on:

- Financial assets that are not credit-impaired at the reporting date as the present value of all cash shortfalls (i.e. The difference between the cash flows due to the entity in accordance with the contract and the cash flows that Discovery expects to receive)
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows, and
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive (adjusted using a credit conversion factor)

The Group measures assets that are trade receivables, contract assets, and lease receivables using the simplified approach, should there be no significant financing component. The simplified approach does not require the Group to track changes in credit risk but instead requires the entity to recognise a loss allowance based on lifetime expected credit loss at each reporting date.

The Group does not recognise expected credit losses on Treasury Bills issued by the South African Reserve Bank and cash and cash equivalents receivable on demand due to the assessment that they are immaterial.

Significant increase in credit risk (SICR)

At each reporting date, the Group assesses whether the credit risk on a financial asset has increased significantly since initial recognition. When making the assessment, the Group uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses.

Directors' responsibility statement | Group Chief Executive and Group Chief Financial Officer's internal financial control responsibility statement | Certificate by the Company Secretary | Report of the Discovery Limited Audit Committee | Independent auditors' report | Directors' report | Group statement of financial position | Group income statement | Group statement of other comprehensive income | Group statement of cash flows | Group statement of changes in equity | Notes to the Group annual financial statements | Company Annual Financial Statements | Annexures | Glossary

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

Summary of material accounting policies *continued*

8. FINANCIAL INSTRUMENTS *continued*

8.1 Financial assets *continued*

8.1.2 EXPECTED CREDIT LOSSES

UNSECURED

The Group considers the following factors:

Qualitative

- When contractual payments are in arrears, ie when the contractual payments are more than 30 days past due, Discovery applies the presumption that there was a significant increase in credit risk in conjunction with Discovery Risk Grade (DRG).
- Bureau population segment data which falls into one of the following categories:
  - Bureau debt review
  - Bureau deceased
  - Bureau notices
  - Bureau under administration
  - Bureau judgements
  - Bureau adverse
  - Bureau low score
- Clients that have been under debt review for 6 months and have kept to the revised payments schedule (i.e. is in an up-to-date state) will be moved out of Stage 3 into Stage 2: SICR

Quantitative

- The quantitative definition of SICR is based on a comparison of the Discovery Risk Decrements (DRD) at origination and the DRD at the reporting date. Origination is defined as the account origination date or a limit increase or limit decrease event, whichever is most recent relative to the reporting date. The following table summarises the quantitative triggers:

Origination DRD	Reporting DRD	Trigger SICR
Missing/Invalid	Valid DRD	Trigger if Reporting DRD >= 17
Valid DRD	Missing/Invalid	Trigger SICR
Missing/Invalid	Missing/Invalid	Trigger SICR
DRD 1- 16	>= DRD 17	Trigger SICR
DRD 17	>= DRD 18	Trigger SICR
DRD 18	>= DRD 19	Trigger SICR
DRD 19	>= DRD 20	Trigger SICR
DRD 20	>= DRD 20	Trigger SICR

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

Summary of material accounting policies *continued*

8. FINANCIAL INSTRUMENTS *continued*

8.1 Financial assets *continued*

8.1.2 EXPECTED CREDIT LOSSES *continued*

SECURED

The Group considers the following factors:

Qualitative	Quantitative
■ Loans are more than 1 month in arrears ■ Loans in debt counselling ■ Deceased estate unsecured ■ Rescheduled loans above their committed balance	■ The loan had deteriorated below a predetermined risk rating.

Credit impaired and default

The Group considers a financial instrument to be credit-impaired when current circumstances and economic conditions indicate that the expected future cash flows from a financial instrument may not be recoverable. These circumstances include but are not limited to evidence of financial or operational challenges for the debtor and missed contractual payments.

'Default' is defined on a facility level and considers both quantitative and qualitative factors, as provided in the Basel capital framework. The qualitative criterion require banks to identify credit deterioration before the exposure becomes delinquent, or "unlikeliness to pay" events, while the quantitative criterion require banks to look at the material delinquency status.

The Group considers the following factors as to what constitutes a default from a qualitative and quantitative perspective, which is in line with the South African Reserve Bank definition.

Qualitative	Quantitative
■ The borrower is placed in debt counselling/debt review ■ The borrower is deceased ■ The facility has undergone a distressed restructure/special arrangement ■ The facility has been transferred to charge-off/legal status ■ The client is insolvent ■ The facility is written off ■ It is considered unlikely that the borrower will pay its credit obligations to Discovery Bank in full, without recourse by Discovery Bank to actions such as realising security (if held)	■ The borrower more than 90 days past due on any material credit obligation to Discovery Bank. Overdrafts will be considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than current outstanding.

As mentioned, the Group regards default events as confirmed debt review and debt counselling cases. The exposure will remain in Default (Stage 3) for a minimum probation period of 6 months. The Group will cure the exposure to Stage 2: SICR if the exposure is in an up-to-date state (performing) after 6 months.

Write-off

The Group will reduce the gross carrying amount of a financial asset when it has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. Currently, Discovery Bank bases the write-off point at 15 payments in arrears and at least 12 months in default. This point of write-off is appropriate as the average recovery rate after 15 months is 0.7% of the balance at default. To ensure the appropriateness of the write-off point, Discovery Bank assesses the proposed write-off point on an annual basis. Discovery Bank considers both time in default and recency of repayments for the write-off point.

Discovery Bank categorises collections into early-stage collections and late-stage collections. Early-stage collections are identified as accounts in arrears that are less than 90 days past due, whereas late-stage collections are identified as debts with an arrears status greater than 90 days past due. Early-stage collections are subject to internal enforcement activities. Once the debt has reached 120 days in arrears, Discovery Bank appoints an external debt collection agency to collect outstanding payments on its behalf.

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

Summary of material accounting policies *continued*

8. FINANCIAL INSTRUMENTS *continued*

8.2 Financial liabilities

At initial recognition, the Group considers the appropriate classification as at Amortised cost (AC) or Fair value through profit or loss (FVTPL).

Financial liabilities are measured at FVTPL if:

- They are held for trading
- The financial liabilities are part of a group of financial assets and financial liabilities which are managed and performance evaluated on a fair value basis. These include financial liabilities held within the portfolios of unit-linked insurance and unit-linked investments

The Group measures all other financial liabilities that are within the scope of IFRS 9 at amortised cost.

	Subsequent measurement
Amortised cost (AC)	The Group measures these instruments at amortised cost using the effective interest method. Interest income and foreign exchange gains and losses are recognised in profit or loss.
Fair value through profit or loss (FVTPL)	The Group measures these instruments at fair value with gains and losses and any interest recognised in profit or loss.

The Group has investment contracts which have financial risk and are consequently recognised and measured in terms of IFRS 9 rather than IFRS 17. These contracts are classified at fair value through profit or loss. The Group links the policies to the return on underlying financial assets and are directly matched. The movement on the Group's own credit risk is considered immaterial. The Group measures the remaining financial liabilities at amortised cost.

The Group derecognises financial liabilities when the obligation is extinguished.

8.3 Offset

The Group offsets the financial assets and liabilities and it reports the net amount in the Statement of financial position when there is a legally enforceable right to set off the recognised amounts, and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the reporting entity or the counterparty.

8.4 Modifications

Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms or the terms of an existing financial asset or liability are substantially modified, the Group treats an exchange or modification as a derecognition of the original asset or liability and the recognition of a new asset or liability at fair value, including calculating a new effective interest rate, with the difference in the respective carrying amounts being recognised in other gains and losses on financial instruments within non-interest revenue. The Group consequently considers the date of recognition of a new asset to be the date of initial recognition for impairment calculation purposes.

If the terms are not substantially different for financial assets or financial liabilities, the Group recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate. The difference between the new gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or in other gains and losses on financial instruments (for all other modifications).

In assessing whether a financial liability has been substantially modified, the Group performs both a qualitative and quantitative (10% threshold) assessment to determine if the terms were substantially modified.

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

Summary of material accounting policies *continued*

8. FINANCIAL INSTRUMENTS *continued*

8.5 Interbank offered rates (IBOR) reforms

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some IBORs with alternative, nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposures to IBORs on its financial instruments, such as Libor and Jibar, that have been or will be replaced or reformed as part of these market-wide initiatives.

The United Kingdom has seen a change from the GBP Libor to the reformed Sterling Overnight Index Average (SONIA) and the South African Rand Overnight Index Average (ZARONIA) has been designated as the preferred alternative near risk-free rate to succeed Jibar. On 3 November 2023, the South African Reserve Bank (SARB) announced that ZARONIA may henceforth be used in financial contracts.

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

- For financial assets and liabilities measured at amortised cost, the Group will update the effective interest rate only if:
  - The change is necessary as a direct consequence of reform, and
  - The new basis for determining the contractual cash flows is economically equivalent to the previous basis

9. DERIVATIVE FINANCIAL INSTRUMENTS

The Group classifies derivative financial instruments as held for trading unless they are designated as effective hedging instruments.

The Group initially recognises derivative financial instruments in the Statement of financial position at fair value on the date on which a derivative contract is entered into (the best evidence of fair value on day one is the transaction price). The Group subsequently remeasures these instruments to fair value. The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. Fair values are obtained from quoted prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. The Group presents all derivatives as assets when the fair value is positive and as liabilities when the fair value is negative.

Under general hedge accounting, the Group has ensured that derivatives that qualify for cash flow hedge accounting are those derivatives designated as hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction. The Group applies hedge accounting when the hedging relationship meets the following requirements:

- There is an economic relationship between the hedged item and the hedging instrument
- The effect of credit risk does not dominate the value changes that result from that economic relationship, and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item

The Group documents, at the inception of the transaction, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedging relationships. The Group also documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the derivatives that are used in hedging transactions are expected to be and have been highly effective in offsetting changes in fair values or cash flows of hedged items.

9.1 Cash flow hedge

The Group recognises the effective portion of fair value changes of derivatives that are designated as cash flow hedges in the cash flow hedging reserve in the Statement of other comprehensive income. The Group recognises the gain or loss relating to the ineffective portion immediately in profit or loss, within net fair value gains on financial assets at fair value through profit or loss.

Amounts accumulated in the Statement of other comprehensive income are reclassified to profit or loss in the period in which the hedged item will affect profit or loss. Where the forecast transaction or a foreign currency firm commitment results in the recognition of a non-financial asset or liability, the gains and losses previously deferred are transferred from the Statement of other comprehensive income and included in the initial measurement of the cost of the non-financial asset or liability. Where the forecast transaction subsequently results in the recognition of a financial asset or liability, the Group transfers gains or losses deferred in equity from the Statement of other comprehensive income to the Income Statement when the financial asset or liability is sold or impaired.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

Summary of material accounting policies *continued*

9. DERIVATIVE FINANCIAL INSTRUMENTS *continued*

9.2 Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. The Group recognises changes in the fair value of all such derivative instruments immediately in profit or loss, within net fair value gains on financial assets at fair value through profit or loss.

9.3 Hedging reserve

The hedging reserve includes the cash flow hedge reserve. The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges. Amounts are subsequently reclassified to profit or loss as follows:

- For the effective portion reclassified for hedges relating to share-based payments as part of marketing and administration expenses (staff costs)
- For the effective portion recycled for hedges relating to interest rate risk, as part of finance costs

For the purpose of cash flow hedges (see accounting policy 9.1), in determining whether a forecast transaction is highly probable, an entity will assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of IBOR reforms. The Group anticipates that ZARONIA will impact some of its Jibar risk management and hedge accounting relationships in the longer term.

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

- Cash in hand
- Balances with banks, including bank overdrafts repayable on demand and that form an integral part of cash management process
- Deposits held at call and short notice, including short-term highly liquid investments that are readily convertible into known amounts of cash and subject to insignificant risk of changes in value, e.g. certain money market investments

Cash and cash equivalents only include items held for the purpose of meeting short-term cash commitments, rather than for investing or other purposes. Cash and cash equivalents have a maturity of less than three months from the date of acquisition. Cash and cash equivalents are carried at amortised cost (or, in specified instances, at fair value through profit or loss), which, due to their short-term nature, approximates fair value.

Due to the Group's sweeping arrangements with various financial institutions, positive and negative cash balances are presented on a net basis to represent cash and cash equivalents in the Statement of cash flows.

11. SHARE CAPITAL

The Group classifies shares as equity when there is no contractual obligation to transfer cash or other financial assets to the holder. Incremental costs directly related to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Where any company within the Group purchases Discovery Limited equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to Discovery Limited equity holders. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to Discovery Limited equity holders, net of any directly attributable incremental transaction costs and the related income tax effects.

The Group holds treasury shares through the Discovery Unit Trusts that the Group controls and consolidates. The Group elected, irrevocably to continue to account for the shares as outstanding equity and to account for the reacquired share as if the instrument was a financial asset measured at fair value through profit or loss under IFRS 9.

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

Summary of material accounting policies *continued*

12. INSURANCE CONTRACTS

12.1 Insurance contracts scope and grouping

12.1.1 DEFINITION AND CLASSIFICATION

Insurance contracts are contracts under which the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder should a specified uncertain future event adversely affect the policyholder. Reinsurance contracts are contracts under which the reinsurer accepts significant insurance risk from the Group. Even in situations where the contract does not expose the reinsurer to the possibility of a significant loss, the contract will still be deemed to be a reinsurance contract transferring significant risk if it transfers substantially all of the insurance risk resulting from the reinsured portions of the underlying reinsurance contracts.

The Group determines whether it has assumed significant insurance risk by comparing benefits payable after an insured event with benefits payable if the insured event had not occurred. Insurance and reinsurance contracts can also expose the Group to financial risk, which is not taken into account in the determination of significant insurance risk.

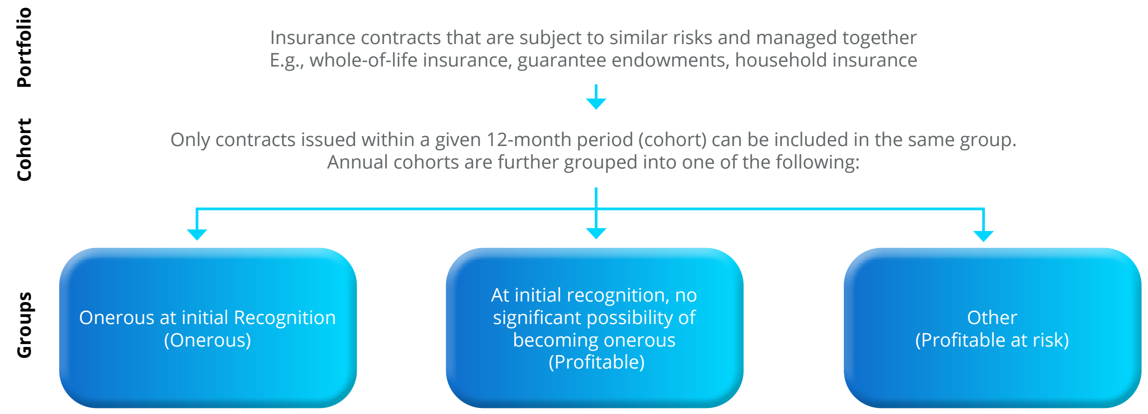
12.1.2 SEPARATING COMPONENTS WITHIN INSURANCE CONTRACTS

IFRS 17 requires an analysis of whether the contract contains components that should be separated from the insurance contract and accounted for under different IFRS Accounting Standards. IFRS 17 requires that cash flows relating to embedded derivatives, cash flows relating to distinct investment components and promises to transfer distinct goods or distinct services, other than insurance contract services, be accounted for separately.

The Group presently has no contracts requiring further separation of insurance contracts.

12.1.3 UNIT OF ACCOUNT, AGGREGATION AND RECOGNITION OF INSURANCE AND REINSURANCE CONTRACTS

Under IFRS 17, the unit of account is defined as a group of insurance contracts. The way insurance contracts are grouped affects the timing of profit recognition for insurance services but does not affect the measurement of the estimated cash flows to fulfil the insurance contracts. In terms of IFRS 17, the unit of account is determined by first establishing a portfolio of insurance contracts and then creating separate cohorts within the portfolio based on the date of origination. Each such cohort is further grouped into three groupings based on estimated profitability.



IFRS 17 Illustration of principles 1: Unit of account

At initial recognition, the Group recognises groups of insurance contracts issued from the earliest of the following:

- The beginning of the coverage period
- The date when the policyholder's first payment is due or received if there is no due date
- When the Group determines that a group of insurance contracts become onerous

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

Summary of material accounting policies *continued*

12. INSURANCE CONTRACTS *continued*

12.1 Insurance contracts scope and grouping *continued*

12.1.4 MEASUREMENT MODELS

IFRS 17 provides three possible measurement models

1. The default model is the General Measurement Model (GMM). The GMM is typically used for measuring long-term insurance risk and annuity contracts.
2. The GMM is supplemented by the Variable Fee Approach (VFA) for contracts where policyholders have purchased investment-linked insurance contracts integrated with insurance coverage (meaning insurance contracts with direct participating features)
3. The Premium Allocation Approach (PAA) is a simplified approach of the GMM for short-duration contracts such as group risk, personal lines and private medical insurance

Direct participating contracts are contracts for which, at inception:

- The contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items
- The Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items, the Group considers that a substantial share is a majority of returns, and
- The Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items. The Group considers that a substantial proportion is a majority proportion of change on a present value probability-weighted average of all scenarios

Within the Group, the unit-linked products and Discovery Optimiser products offered by Discovery Life are examples of insurance contracts with DPFs.

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

Summary of material accounting policies *continued*

12. INSURANCE CONTRACTS *continued*

12.2 Overview of the Group portfolios, measurement models and accounting policy elections

The table below summarises the material insurance contracts the Group issues and reinsurance contracts it holds. It sets out the measurement model applied and key assumptions and elections.

<table>
<tr><th></th><th>Measurement Model</th><th>Risk adjustment confidence level[1]</th><th>Elections on IFIE</th><th>PAA only – election for treatment of initial acquisition cash flows (IACF)</th></tr>
<tr><td colspan="5">Insurance contract issued and business lines</td></tr>
<tr><td>Individual life insurance contracts:
Discovery Life and VitalityLife</td><td rowspan="2">GMM</td><td rowspan="3">90%</td><td>Elected to present changes in IFIE in OCI and profit or loss</td><td rowspan="3">n/a</td></tr>
<tr><td>Insurance-linked investment contracts:
General endowments in Discovery Invest</td><td rowspan="2">Elected to present changes in IFIE in profit or loss</td></tr>
<tr><td>Investment contracts:
Unit-linked and DRO in Discovery Invest</td><td>VFA</td></tr>
<tr><td>Group life insurance contracts:
Discovery Life</td><td rowspan="3">PAA</td><td>90%</td><td>Elected to present changes in IFIE in OCI and profit or loss for long-tail claims.
Elected not to reflect the interest for cash flows less than 12 months</td><td>Elected to immediately expense IACF</td></tr>
<tr><td>Car, household and business insurance:
Discovery Insure</td><td rowspan="2">75%</td><td rowspan="2">Elected not to reflect interest for cash flows less than 12 months</td><td>Elected to immediately expense IACF</td></tr>
<tr><td>Health insurance:
VitalityHealth</td><td>Consistent with default IFRS 17 requirement, defer IACF and amortise over the initial and renewal periods</td></tr>
<tr><td colspan="5">Reinsurance contracts held</td></tr>
<tr><td>Individual life:
Quota share reinsurance for Discovery Individual Life and VitalityLife</td><td rowspan="2">GMM</td><td rowspan="2">90%</td><td rowspan="2">Elected to present changes in IFIE in OCI and profit or loss</td><td rowspan="2">n/a</td></tr>
<tr><td>Individual life:
Excess of loss reinsurance</td></tr>
<tr><td>Group life insurance contracts:
Catastrophe, group continuation and mass lapse treaties</td><td rowspan="3">PAA</td><td>90%</td><td rowspan="3">Elected not to reflect interest for cash flows less than 12 months</td><td rowspan="3">Elected to immediately expense IACF</td></tr>
<tr><td>Car, household and business insurance:
Quota share reinsurance and excess of loss insurance</td><td rowspan="2">75%</td></tr>
<tr><td>Health insurance:
Quota share reinsurance</td></tr>
</table>

1 Risk adjustment was determined using the confidence level technique unless otherwise stated.

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

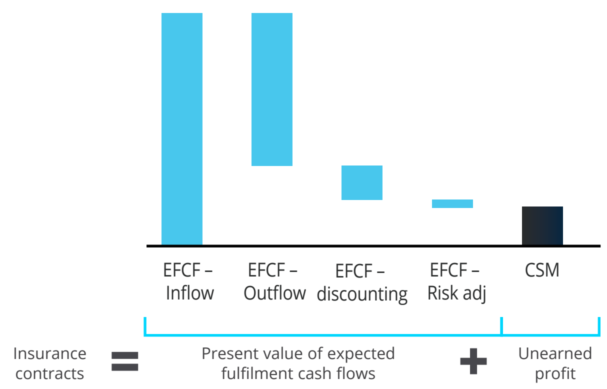
Summary of significant accounting policies *continued*

12. INSURANCE CONTRACTS *continued*

12.3 Contracts measured under the GMM and VFA

Under IFRS 17, any company that issues insurance contracts must report those contracts on the Statement of financial position as the total of:

- The expected fulfilment cash flows (EFCF): the current estimates of amounts that the company expects to collect from premiums net of the payout for claims, benefits, and expenses, including an adjustment for the timing and risk of those amounts, and
- The CSM: the expected profit for providing insurance coverage recognised in profit or loss over the period of insurance coverage.



Under IFRS 17, *Insurance Contracts* are measured as the sum of:

the expected fulfilment cash flows (EFCF), representing the present value of current estimates of amounts that the insurer expects to collect from premiums net of the pay out for claims, benefits and expenses, including an adjustment for the risk of those cash flows.

Those cash flows for future services is known as "liability for remaining coverage" (LRC) and those cash flows for services already incurred constitutes "liability for insurance claims" (LIC)

+

the contractual service margin (CSM) —, i.e. represents the remaining inherent value of the cohort and is similar to unearned profit for providing future insurance coverage. On initial recognition, for profitable contract, the CSM is the equal and opposite amount of the net cash inflow, resulting in no income or expense arising on initial recognition.

IFRS 17 Illustration of principles 2: General Measurement Model (GMM)

12.3.1 EXPECTED FULFILMENT CASH FLOWS (EFCF)

The measurement of a group of insurance contracts includes all future cash flows expected to arise within the contract boundary of each contract in the group. Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and any investment services).

EFCF include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs incurred in fulfilling contracts. Other costs incurred to fulfil a group of contracts include direct costs and an allocation of fixed and variable overheads directly attributable to fulfilling the group of insurance contracts.

The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Group estimates which cash flows are expected and the probability that they will occur as at the measurement date. When estimating, the Group uses information about past events, current conditions and forecasts of future conditions.

Insurance acquisition cash flows arise from activities of selling, underwriting and commencing a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs.

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

Summary of material accounting policies *continued*

12. INSURANCE CONTRACTS *continued*

12.3 Contracts measured under the GMM and VFA *continued*

12.3.2 REFLECTING THE TIME VALUE OF MONEY AND DISCOUNT RATES

Discounting adjusts the estimates of expected cash flows to reflect the time value of money and the financial risks associated with those cash flows to the extent that the financial risks are not already included in the cash flow estimates.

The following table shows which discount rate to apply throughout measuring a group of insurance contracts and the general objective of determining that discount rate.

Element of measurement model	
Fulfilment cash flows	Current discount rates
CSM interest accretion for contracts without direct participation features (i.e. portfolios under GMM).	Discount rates are determined on initial recognition of the group, i.e. locked-in at inception.
Adjustments to the CSM for changes in the fulfilment cash flows for contracts without direct participation features (i.e. portfolios under GMM).	Discount rates are determined on initial recognition of the group, i.e. locked-in at inception.
Adjustments to the CSM for changes in the fulfilment cash flows for DPF contracts that do not vary based on the returns on underlying items (i.e. portfolios under VFA), excluding the change in the effect of the time value of money and financial risks.	Current discount rates.

The bottom-up approach is used to derive the discount rate for the cash flows. Under this approach, the Group determines the discount rate as the risk-free yield, adjusted for differences in liquidity characteristics of the insurance contracts sold. For portfolios of contracts where the insurance contract liability is materially matched with assets, a top-down approach is used to derive the discount rate for the cash flows.

For the Group, the risk-free yield curve will be 'current' and reflect the risk-free yield curve derived on the last day of the reporting period. The nominal risk-free yield curve is used to discount nominal cash flows, while real cash flows are discounted using the real risk-free yield curve.

12.3.3 RISK ADJUSTMENT

The risk adjustment for non-financial risk for a group of insurance contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arise from non-financial risk as the Group fulfils insurance contracts. It measures the compensation that the entity would require to make it indifferent between:

- Fulfilling a liability that has a range of possible outcomes arising from non-financial risk and
- Fulfilling a liability that will generate fixed cash flows with the same expected present value as the insurance contract

A lower risk adjustment would be observed for those insurance contracts with shorter durations, high frequency and low severity type products and narrow probability of distribution. A higher risk adjustment would be observed for insurance contracts that are longer in duration, have a low frequency and high severity and have a wide probability of distribution.

IFRS 17 does not prescribe methods for determining the risk adjustment for non-financial risk. Therefore, management's judgement is necessary to determine an appropriate risk adjustment technique.

When applying a confidence level technique, the first step in the process is to calculate the best estimate reserve, where there is an equal chance that the actual amount needed to pay future claims will be higher or lower than the calculated best estimate. The risk adjustment is then calculated such that there is a specified percentage probability that the reserves will be sufficient to cover future claims. For the specified percentages applied, refer to section 12.2.

12.3.4 CONTRACTUAL SERVICE MARGIN (CSM)

The CSM represents the future unearned profit. On initial recognition of a group of insurance contracts, if the total of the fulfilment cash flows, including insurance acquisition cash flows:

- Is a net inflow, then the group is profitable. In this case, the Group measures as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition
- Is a net outflow, then the group is onerous. In this case, the Group recognises the net outflow immediately as a loss in profit or loss. The Group creates a loss component to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

Summary of material accounting policies *continued*

12. INSURANCE CONTRACTS *continued*

12.3 Contracts measured under the GMM and VFA *continued*

12.3.5 SUBSEQUENT MEASUREMENT

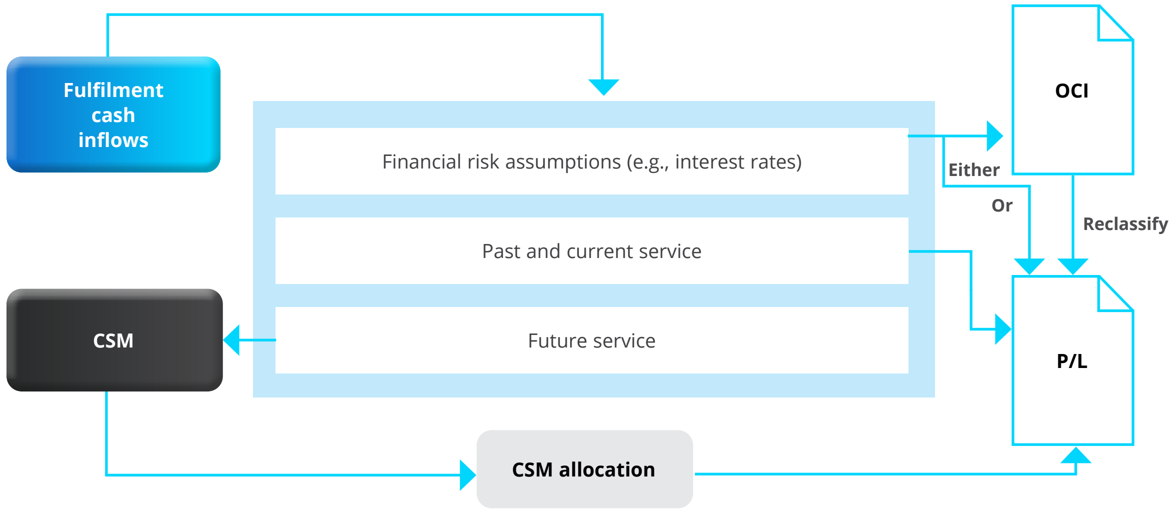
The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC).

- The LRC comprises the fulfilment cash flows related to services that will be provided under the contracts in future periods and any remaining CSM at that date
- The LIC includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported

IFRS 17 requires a company to update the EFCF at each reporting date, using current estimates of the amount, timing, and uncertainty of cash flows and discount rates. The Group:

- accounts for changes to estimates of future cash flows from one reporting date to another, either as an amount in profit or loss or as an adjustment to the expected profit for providing insurance coverage, depending on the type of change and the reason for it, and
- chooses where to present IFIE either:
  - All in profit or loss, or
  - Include IFIE in profit or loss using systematic allocation. The remainder of IFIE is recognised in OCI

The treatment can be summarised as follows:



IFRS 17 Illustration of principles 3: Subsequent measurement

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

Summary of Material accounting policies *continued*

12. INSURANCE CONTRACTS *continued*

12.3 Contracts measured under the GMM and VFA *continued*

12.3.6 CHANGES IN EFCF

Changes in expected fulfilment cash flows from the estimates at the previous reporting date or inceptions of the contracts are recognised as follows:

Nature of change	Treatment
Changes relating to current or past services	Recognised in the insurance service result in profit or loss.
Changes relating to future services	Adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous).
Effects of the time value of money, financial risk and changes therein on estimated future cash flows	Recognised as insurance finance income or expenses.
Changes in the obligation to pay policyholders an amount equal to the fair value of the underlying items for a group of direct participating contracts (VFA)	Recognised in the insurance service result in profit or loss.

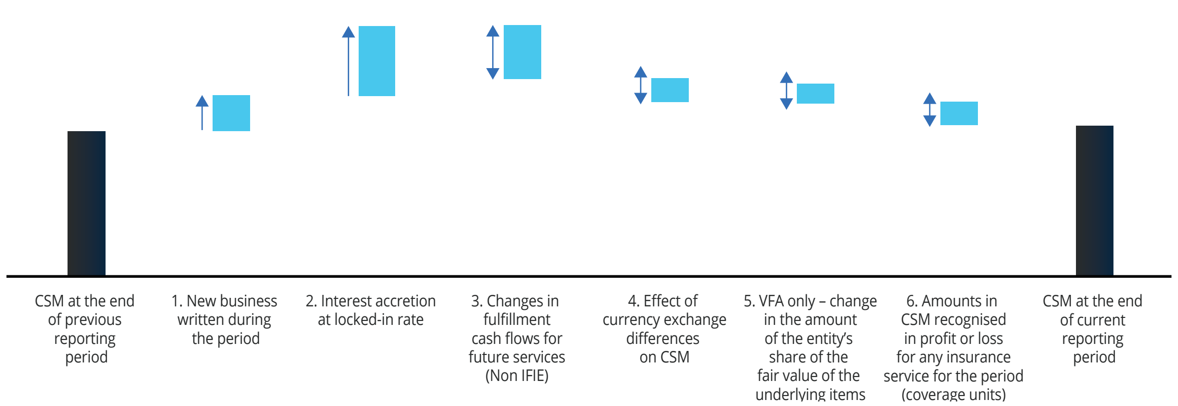
Accounting policy election: Presentation of IFIE

The Group has elected to disaggregate IFIE for the period in OCI and present in profit or loss IFIE using a systematic allocation on its long-term life insurance business lines in Discovery Life, VitalityLife and associated reinsurance contracts and long-tail claims in its GroupLife business. For the remainder of business lines, the IFIE and changes therein relating to insurance contracts are presented in profit or loss, offset by the changes in the value of assets backing the insurance contracts.

Changes in CSM

As noted in 12.2.3.4, the CSM represents the future unearned profit. The movement in the CSM during a financial reporting period can be summarised as follows:

Movement in CSM during reporting period



IFRS 17 Illustration of principles 4: Subsequent changes in CSM

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

Summary of material accounting policies *continued*

12. INSURANCE CONTRACTS *continued*

12.3 Contracts measured under the GMM and VFA *continued*

12.3.6 CHANGES IN EFCF *continued*

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the financial year, adjusted for:

1. The CSM of any new contracts added to the group in the year
2. Interest accreted on the carrying amount of the CSM during the year. As noted in 12.2.3.2, discount rates are determined on initial recognition of the group, meaning locked-in at inception. As noted in 12.2.3.2., the CSM for group of insurance contracts in VFA is not locked-in
3. Changes in fulfilment cash flows that relate to future services, except to the extent that:
   a. Any increases in the fulfilment cash outflows exceed the carrying amount of the CSM, in which case the excess is recognised immediately in profit or loss
   b. Any decreases in the fulfilment cash outflows are allocated to the loss component, reversing losses previously recognised in profit or loss
4. Reflects changes in exchange rates for those contracts denominated in different currency than the functional currency of the insurer that issued the policy
5. For contracts measured using the VFA, the change in the amount of the insurer's share of the fair value of the underlying item
6. The amount recognised as insurance revenue because of the services provided in the year, meaning release of CSM using coverage units. In determining the coverage units, Discovery has elected to reflect the time value of money in the coverage units using a real rate of return for insurance contracts measured using the GMM. For insurance contracts measured using the VFA, Discovery has elected to reflect the time value of money in the coverage units using a nominal rate of return

12.4 Contracts measured under the PAA

As permitted in IFRS 17, the Group has elected to apply the premium allocation approach (PAA) to measure a group of insurance contracts issued or reinsurance contracts held if, at the inception of the group:

- The coverage period of each contract in the group of insurance contracts is one year or less, or
- The Group reasonably expects that the PAA would produce a measurement of the LRC for a group of insurance contracts that would not differ materially from the measurement achieved by applying the GMM.

The PAA simplifies the general measurement model. At initial recognition, the insurance contract is measured as:

- The premiums, if any, received at initial recognition
- Minus any insurance acquisition cash flows (applicable only if the group has elected to defer the insurance acquisition cash flows), and
- Plus/minus non-acquisition assets or liabilities previously recognised for cash flows related to the group of insurance contracts

Where insurance acquisition cash flows are directly attributable to a group of contracts, the Group allocates costs to that group and the groups that will include renewals of those contracts. The Group expects to recover part of the related insurance acquisition cash flows through renewals of these contracts. The allocation to renewals is based on how the Group expects to recover those cash flows.

At each reporting date, the Group revises the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. The Group does not revise amounts allocated to a group once all contracts have been added to the group.

At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, The Group:

- Recognises an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group, and
- If the asset relates to future renewals, the Group recognises an impairment loss in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals, and this excess has not already been recognised as an impairment loss

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

Summary of material accounting policies *continued*

12. INSURANCE CONTRACTS *continued*

12.4 Contracts measured under the PAA *continued*

The Group reverses any impairment losses in profit or loss and increases the asset's carrying amount to the extent that the impairment conditions have improved.

IFRS 17 permits an accounting policy election on a group-by-group basis:

- Not to adjust the components of the insurance contracts and onerous contracts for the time value of money (i.e. no discounting)
- An entity may elect to immediately expense insurance acquisition cash flows when incurred

Accounting policy elections

For those contracts that apply the PAA, the Group has elected not to reflect the time value of money in the measurement of the LRC and the LIC when:

- LRC: On initial recognition of the contract, the time between the insurance service and the related premium is less than a year
- LIC: The cash flows are expected to be paid or received in less than one year from the date the claim is incurred. In some instances, claims might be disputed. If the claim is expected to be disputed and settlement deferred beyond 12 months, the exception would not apply

The Group has elected to immediately expense insurance acquisition cash flows for the following material portfolios:

- Group Life
- Discovery Insure – Discovery Insure has the following portfolios: Personal lines for motor and household, Business insurance, Medical gap, trauma cover and travel insurance
- AfricaHealth portfolios

12.4.1 RISK ADJUSTMENT

Refer to section 12.3.3 for the detailed accounting policy on risk adjustment. For the specified percentages applied, refer to section 12.2.

12.5 Reinsurance contracts

Groups of reinsurance contracts are established such that each treaty is allocated to the applicable group of reinsurance contracts, which differs from the group in which the underlying insurance contract is included. The Group concludes that the reinsurance contract's legal form as a single contract reflects the substance of the Group's contractual rights and obligations.

A group of reinsurance contracts is recognised, as required under IFRS 17, on the following dates.

- Reinsurance contracts initiated by the Group that provide proportionate coverage: The date on which any underlying insurance contract is initially recognised. This applies to the Group's quota share reinsurance contracts
- Other reinsurance contracts initiated by the Group: The beginning of the coverage period of the group of reinsurance contracts. Where the Group recognises an onerous group of underlying insurance contracts on an earlier date, and the related reinsurance contract was entered into before that earlier date, in that case, the group of reinsurance contracts is recognised on that earlier date. This applies to the Group's excess of loss and stop-loss reinsurance contracts
- Reinsurance contracts acquired: The date of acquisition:
  The Group applies the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of the underlying insurance contracts. When a loss-recovery component is created for a group of reinsurance contracts measured under the PAA, the Group will adjust the asset's carrying amount for remaining coverage instead of adjusting the CSM.

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

Summary of material accounting policies *continued*

12. INSURANCE CONTRACTS *continued*

12.6 Derecognition and modifications

The Group derecognises a contract when it is extinguished, meaning when the specified obligations in the contract expire or are discharged, the contract is cancelled.

The Group also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, the Group treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

On derecognition of a contract from within a group of contracts not measured under the PAA:

- The fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised
- The CSM of the group is adjusted for the change in the fulfilment cash flows, except where such changes are allocated to a loss component
- The number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group

If a contract is derecognised because it is transferred to a third party, then the Group adjusts the CSM for the premium charged by the third party unless the group is onerous.

13. INVESTMENT CONTRACTS

Investment contracts transfer financial risk without significant insurance risk. Financial risk refers to the risk of a possible future change in the value of an asset or financial instrument due to a change in interest rate, commodity price, index of prices (e.g. consumer price index and retail price index), foreign exchange rate, or other measurable variables.

The Group issues investment contracts without fixed benefits (e.g. unit-linked and structured products) and investment contracts with fixed and guaranteed benefits (e.g. term certain annuity)

Valuation of policyholder liabilities

Investment contracts without fixed benefits are financial liabilities whose fair value is dependent on the fair value of the underlying financial assets and derivatives (unit-linked), which are classified at fair value through profit or loss. The Group designates these investment contracts to be measured at fair value through profit or loss because the Group manages and evaluates the performance of the group of financial instruments on a fair value basis. For financial assets backing these liabilities, please refer to accounting policy note 8.1

The Group's main valuation techniques incorporate all factors that market participants would consider and are based on observable market data. The fair value of a unit-linked financial liability is determined using the current unit price that reflects the fair values of the financial assets contained within the Group's unitised investment funds linked to the financial liability. The Group determines the fair value of the financial liabilities by multiplying the number of units attributed to each policyholder at the reporting date by the unit price for the same date.

For investment contracts with fixed and guaranteed terms, valuation techniques are used to establish the fair value at inception and at each reporting date. Valuation techniques include discounted cash flow analysis using current market rates of interest and reference to other instruments that are substantially the same.

Premium revenue

All premiums received under investment contracts are recorded as deposits to investment contract liabilities, and claims incurred on investment contracts are recorded as deductions from investment contract liabilities.

Fees on investment contracts

- The Group recognises service fee income on investment management contracts over time as and when the related performance obligation is satisfied. For service fee income, please refer to accounting policy note 19. Fees on investment contracts are included in fee income from administrative business.

The Group charges regular fees to the customer monthly either directly or by making a deduction from invested funds.

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

Summary of material accounting policies *continued*

13. INVESTMENT CONTRACTS *continued*

Costs of obtaining contracts

The costs of obtaining contracts represent the contractual customer relationship and the right to receive future investment management fees. Incremental costs directly attributable to securing rights to receive policy fees for services sold with investment contracts are recognised as an asset where they can be identified separately and measured reliably, and it is probable that they will be recovered. An incremental cost is one that would not have been incurred if the Group had not secured the investment contract.

The asset represents the Group's contractual right to benefit from providing asset management services and is amortised over the expected life of the contract as the entity recognises the related revenue.

14. BORROWINGS

The Group recognises borrowings initially at fair value, net of transaction costs incurred.

Subsequently, the Group measures borrowings at amortised cost. Any difference between the proceeds and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs against the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in profit or loss as finance costs using the effective interest method.

15. INCOME TAXES, DIRECT AND INDIRECT TAXES

15.1 Current tax

The Group calculates and measures current tax at the amount expected to be paid to or recovered from the taxation authorities. The Group uses the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

15.2 Deferred tax

The Group calculates deferred tax on all temporary differences using the Statement of financial position approach. The Group calculates deferred tax liabilities or assets by applying corporate tax rates that have been substantively enacted to the temporary differences between the tax values of assets and liabilities and their carrying amount, where such temporary differences are expected to result in taxable or deductible amounts in determining taxable income for future periods when the carrying amount of the assets or liabilities are recovered or settled.

The Group recognises deferred tax assets if its directors consider it probable that future taxable income will be available against which the tax losses can be utilised.

Temporary differences arise primarily from the difference between accounting and tax balances arising from:

- Insurance contracts
- Property and equipment
- The effect of accounting for lease liabilities and right-of-use assets
- The revaluation of financial assets and liabilities at fair value through profit or loss
- Provisions for leave pay
- Liabilities for share-based payments, and
- Tax losses carried forward

Deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable income. Deferred tax related to cash flow hedges, which are charged or credited directly to the statement of other comprehensive income, is also credited or charged directly to the Statement of other comprehensive income and is subsequently recognised in profit or loss when the gain or loss is realised.

The Group offsets deferred tax assets and liabilities when:

- There is a legally enforceable right to offset current tax assets against current tax liabilities, and
- When the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis

If offsetting does not apply, the Group separately discloses the deferred tax asset and deferred tax liability.

The Group reviews the carrying amount of the deferred tax asset at each reporting date and it is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. The Group reassesses unrecognised deferred tax assets at each reporting date and recognises them to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

Summary of Material accounting policies *continued*

15. INCOME TAXES, DIRECT AND INDIRECT TAXES *continued*

15.3 Direct and indirect taxes

Direct taxes include South African and foreign jurisdiction corporate tax payable and are disclosed as taxation in profit or loss.

Indirect taxes include various other taxes paid to central and local governments, including value-added tax and skills development levies. The Group includes those indirect taxes which it cannot reclaim directly as part of marketing and administration expenses in profit or loss. Alternatively, if the indirect taxes qualify to be capitalised, they are included as part of the cost of property, equipment, or intangible assets.

16. EMPLOYEE BENEFITS

16.1 Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

16.2 Post-employment benefits

The Group operates defined contribution schemes, the assets of which are held in separate private trustee-administered funds. The Group pays contributions to these funds on a mandatory basis. These funds are registered in terms of the Pension Funds Act of 1956, and membership is compulsory for all Discovery employees. Qualified actuaries perform annual valuations. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

16.3 Share-based compensation

The Group operates equity-settled and cash-settled share-based compensation plans.

EQUITY-SETTLED SHARE-BASED COMPENSATION PLANS

The Group expenses the fair value of the employee services received in exchange for the grant of the options, over the vesting period of the awards, as employee costs, with a corresponding credit to a share-based payment reserve in the Statement of changes in equity. The total value of the services received is calculated with reference to the fair value of the options on the grant date.

The fair value of the options are determined, excluding non-market vesting conditions. These vesting conditions are included in the assumptions of the number of options expected to vest. At each reporting date, the Group revises its estimate of the number of options expected to vest. Any changes to the estimated number of options are recognised in profit or loss immediately.

CASH-SETTLED SHARE-BASED COMPENSATION PLANS

The Group recognises employee services received in exchange for cash-settled share-based payments at the fair value of the liability incurred and expenses these services over the vesting period of the benefits, as employee costs.

The Group remeasures the liability at each reporting period to its fair value and recognises all changes immediately in profit or loss.

COMPANY ACCOUNTING POLICY:

Two of the schemes that the Group operates, namely the BEE staff share trust and Discovery long-term incentive plan (LTIP) (equity-settled), are both equity-settled share-based payment arrangements in accordance with the requirements of IFRS 2 *Share-based Payment*. In these schemes, Discovery Limited grants the awards to the employees within the Discovery Group. The Company classifies the share-based payment transaction according to whether the entity has the obligation to settle. As Discovery Limited's shares are being awarded to employees, the Company classifies the transaction as equity-settled.

Under the IFRS Accounting Standards, the Group does not consider any repayment or recharge arrangements in determining the classification of these group share-based payments. Any recharge payments the Group receives from its subsidiaries are treated as a return on capital from the subsidiary. Any excess of recharges above the carrying amount of investment in subsidiary is recognised immediately as dividend income.

Discovery Limited manages two share trusts. Discovery Limited treats the share trusts set up to facilitate the share-based payment arrangements as an agent, i.e. an extension of Discovery Limited. In other words, shares held by the Trust are treated as treasury shares of Discovery Limited.

- BEE Staff Share Trust: Shares and options to acquire shares have been allocated to senior black employees based on their level of seniority and length of past service. The trust will hold shares until the date of vesting of the shares to the employee or the exercise date of the option
- Discovery LTIP Trust: Participants will receive Discovery Limited shares subject to performance criteria and if the participant is employed on each vesting date. The trust will hold shares until the date of vesting of the shares to the employee. Per the LTIP Trust deed, the LTIP Trust recharges the costs of the shares acquired for the employees to the relevant subsidiary whose employees are awarded the shares

The Company expenses the fair value of the employee services received in exchange for the grant of the options, over the vesting period of the awards as employee costs, with a corresponding credit to a share-based payment reserve in the Statement of changes in equity. The total value of the services received is calculated with reference to the fair value of the options on grant date.

The fair values of the options are determined excluding non-market vesting conditions. These vesting conditions are included in the assumptions of the number of options expected to vest.

At each reporting date, the Company revises its estimate of the number of options expected to vest. Any changes to the estimated number of options are recognised in profit or loss immediately.

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

Summary of material accounting policies *continued*

16. EMPLOYEE BENEFITS *continued*

16.4 Profit share and bonus plan

The Group operates several other profit-sharing and bonus compensation arrangements and recognises these when a constructive obligation has been created by past practice. These are calculated with reference to predetermined formulae.

The Group has other deferred compensation schemes in place where employees are incentivised based on a variable other than the share price of Discovery Limited, such as embedded value, value of in-force and earnings multiples. The Group recognises a liability and the related expense is included in employee costs in profit or loss.

17. OTHER PAYABLES AND PROVISIONS

17.1 Other payables

Other payables consist of VAT payables, premiums and fees received in advance. These are not financial liabilities and are, accordingly, not measured at amortised cost.

The Group measures as management's best estimate of the amount required to settle VAT obligations and the present value of the cash consideration received in advance on premiums and fees.

17.2 Provisions

The Group recognises provisions when it has a present legal or constructive obligation of uncertain timing or amount, as a result of past events and it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The Group measures provisions as the present value of management's best estimate of the amount required to settle the obligation at the reporting date. The pre-tax discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as finance costs.

18. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Group does not recognise contingent liabilities, but it discloses a contingent liability when:

- It has a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or
- It has a present obligation that arises from past events but is not recognised because:
  - It is not probable that an outflow of resources will be required to settle an obligation, or
  - The amount of the obligation cannot be measured with sufficient reliability

19. REVENUE RECOGNITION

A primary source of revenue for the Group arises from the sale of insurance contracts, which are accounted for under IFRS 17 and are excluded from the scope of IFRS 15 *Revenue from Contracts with Customers* is applicable to the Group's revenue from administration business, Vitality income and banking fee and commission income.

IFRS 15 requires that once the Group identifies contracts, it identifies the performance obligations in the contract. The Group determines this on the basis of whether the customer can benefit from the promised good or service individually or together with other readily available resources and whether the performance obligation is distinct in the context of the contract. For the Group, most contracts contained a single performance obligation.

The timing of revenue recognition is dependent on whether the Group transfers control over the good or service over time or at a point in time. In determining the appropriate timing for revenue recognition, the Group considers whether the customer benefits as the entity performs. For most revenue types, the Group provides stand-ready services to customers, where customers benefit as the entity's services are consumed. In limited instances where revenue is not recognised over time, the Group recognises revenue at a point in time when control transfers. For revenue the Group recognises over time, the stand-ready service is recognised in a straight line over the term of the contract.

In determining the amount of revenue to recognise, the Group considers any uncertainty created through variable consideration contained in the contract and constrains the recognition of revenue in order to recognise revenue only to the extent that it is highly probably that a significant reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty is resolved. The Group also considers the impact of the timing of receiving payments for revenue transactions and determines whether a significant financing component should be taken into account in the measurement of the transaction price. As the Group's contracts routinely include single performance obligations, there is limited complexity in allocating transaction prices to performance obligations. Payment terms vary across the different revenue types earned by the Group.

Where contracts with customers involve a third party, the Group considers whether it is acting as the principal or the agent in the delivery of the promised goods or services to the customer. This assessment is based on whether the Group controls the goods or services before it is transferred to the customer.

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

Summary of material accounting policies *continued*

19. REVENUE RECOGNITION *continued*

For certain contracts with customers, the Group receives income in advance of discharging the related performance obligation. In these instances, the amount is recognised as a contract liability incurred in the acquisition or fulfilment of a contract. The Group considers whether there are costs incurred for the acquisition or fulfilment of a contract. The Group recognises these costs as an asset and amortises the costs over the expected period over which performance obligations under the contract are satisfied. The Group expenses contract costs it incurs which are considered to be of a general and administrative nature and that are not explicitly recovered from the customer, as it incurs the cost.

Where the transaction price included in a contract is payable less than 12 months from the date of satisfying the related performance obligation, the practical expedient is applied in that a significant financing component is not recognised. Similarly, where the costs of obtaining a contract would be amortised over 1 year or less, the costs are not recognised as a separate asset.

	Fee income from administration business	Vitality Income	Banking fee and commission income
Nature of performance obligations	The Group recognises fee income on health administration and managed care services it renders. Fee income is also generated on asset administration and fees earned on the use of intellectual property. For Discovery Telematic Services fee income is generated from the Vitality Drive device activation In the respective businesses, the Group considers these as revenue and they are seen as single performance obligations in the respective legal entities. These revenues are separated by the underlying reported entity in the segmental information shown in Section 1.	Vitality income includes the fee income that Vitality members pay to access the Vitality benefit and various activation fees for activating additional benefits. The performance obligation relates to access to the Vitality rewards programme and partner benefits the Group provides to its members.	Banking fee and commission income include banking service fees for banking services. The performance obligation relates to access to banking and banking services rendered. Commission income relates to the interchange fees Discovery Bank earns on transactions using debit or credit cards.
When does control pass – Point in time (PIT) vs over time	Performance obligations to provide administration services are considered stand-ready services, the customer obtains control over the service as the entity makes its services available on an "as and when" basis. As a result, the Group recognises revenue over time, as the respective entity makes the services available based on the passage of time.	Performance obligations to provide access to the benefits are considered stand-ready services as the customers obtain benefits over the duration of the contract and when required by the customers. As a result, the Group recognises revenue over time based on the passage of time.	The performance obligation associated with the banking fee and commission income is satisfied over time because the client obtains substantially all of the remaining benefits from the service over the period of the month for which the banking fee was charged.
When are amounts payable?	Amounts are billed for health administration and managed care business at the end of the respective month, with amounts paid within 30 days. For fees on asset administration business, the Group disinvests amounts for the units held at the end of the related month. Certain fees, such as advisor fees, are received upfront but are deferred as a contract liability over the expected term of the entity's performance.	Amounts are billed either monthly, payable within 30 days, or billed on activation of the benefit, payable immediately.	Banking fees are charged monthly, and payment is immediate. Interchange income is charged at the point of payment and settled daily in batch format.

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

Summary of material accounting policies *continued*

19. REVENUE RECOGNITION *continued*

	Fee income from administration business	Vitality Income	Banking fee and commission income
Variable consideration and estimates	There is no potential for amounts of revenue to vary relating to discounts or rebates on the health administration business. For the asset administration business, fees are determined based on assets under management at a point in time. There are no benchmark performance-based fees. The nature of the integrated products that the Group sells related to the investment business allows for fee discounts and rebates to be determined based on client behaviour. Revenue is estimated and recognised in line with the constraint on variable consideration, only to the extent that it is highly probable that there will not be a significant reversal of revenue already recognised once the uncertainty is resolved. The fee discounts and rebates are determined according to a fixed methodology incorporating policyholder specific information including Vitality status. The Group has experience in estimating these amounts, which are based on a limited number of outcomes. There is no financing component.	There are no adjustments to the transaction price as a result of any variable consideration. There is no significant financing component.	There are no adjustments to the transaction price as a result of any variable consideration. There is no significant financing component.
Costs to capitalise	Where costs are incurred directly to secure a new health administration customer, and the contract is expected to exceed 12 months, the Group capitalises and amortises costs over the expected term of the contract. Costs are routinely incurred on the asset administration business related to commission and other incremental costs of entering into the contract. The Group defers and recognises these over the expected duration of the customer relationship. The Group tests these assets for impairment to the extent that the carrying amount of the asset exceeds the expected remaining net cash inflows from the customer contract.	In respect of the Apple Watch benefit, the Group incurs costs upfront to purchase the device and provide it to the customer. These costs are deferred and recognised over the two-year term of the benefit.	Discovery Bank incurs direct costs attributable to card production, delivery costs, and commission fees. The incremental costs of obtaining the contracts and cost to fulfil contracts are capitalised. Discovery Bank amortises these costs over the expected life of the contract.

The Group presents any unconditional rights to consideration separately as a receivable. The Group assesses a contract asset for impairment in accordance with IFRS 9. An impairment of a contract asset is measured, presented and disclosed on the same basis as a financial asset that is within the scope of IFRS 9. Any impairment losses the Group recognises on any receivables or contract assets arising from its contracts with customers are disclosed separately from impairment losses from other contracts.

Costs of obtaining contracts

The Group defers and recognises the incremental costs of acquiring new contracts, which are expected to be recovered out of future revenue margins as an expense over the period in which the related performance obligations are satisfied and recognised as an asset arising from its contracts with customers in the Statement of financial position.

20. OTHER NON-REVENUE INCOME

20.1 Investment income

Investment income comprises dividends as well as the interest the Group receives from assets held at amortised cost and cash and cash equivalents.

The Group recognises dividends when its right-to-receive payment is established. This is on the "last day to trade" for listed shares and on the "date of declaration" for unlisted shares. Dividend income includes scrip dividends, irrespective of whether there is an option to receive cash instead of shares.

Interest is accounted for on an accrual basis using the effective interest method.

20.2 Net fair value gains/(losses) on financial assets at fair value through profit or loss

Net fair value gains/(losses) on financial assets at fair value through profit or loss include gains and losses arising from interest, dividends and net realised and unrealised gains or losses on financial assets held at fair value through profit or loss.

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

Summary of material accounting policies *continued*

21. LEASES

Identification of a lease

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16 *Leases*.

Contracts where the service provider has a substantive right to substitute the asset for an alternative asset during the lease term are not regarded as a lease but instead a service contract. Accordingly, the Group does not account for these contracts under IFRS 16. For the Group, such contracts include items such as vending machines.

21.1 As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for property leases, the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The Group presents right-of-use assets in 'Property and equipment' and lease liabilities in 'Borrowings at amortised cost' in the Statement of financial position.

The Group leases the following assets with a range of lease terms:

Qualitative	Subsequent measurement
Large offices	5 – 15 years
Small offices/Franchise offices (SA only)	1 – 3 years
Computer equipment (e.g. servers) (SA only)	3 – 4 years
Motor vehicles (UK only)	3 years

MEASUREMENT

LEASE LIABILITY

The Group measures the lease liability at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased. The incremental borrowing rates were calculated for each legal entity within the Group that entered into lease arrangements. The incremental borrowing rate considers a base interest rate reflective of the jurisdiction in which the legal entity operates (South Africa, United Kingdom and United States of America), the term of the lease arrangement and the nature of the assets.

Lease payments the Group includes in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable under a residual value guarantee, and
- The exercise price under a purchase option that Discovery is reasonably certain to exercise, lease payments in an optional renewal period if Discovery is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless Discovery is reasonably certain not to terminate early

Extension or termination options are included in a number of the building leases across Discovery. These terms are used to maximise operational flexibility in terms of managing contracts. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The Group considers extension options (for periods after termination options) in the lease term when there is reasonable certainty that those options will be exercised.

The Group measures the lease liability at amortised cost using the effective interest method. The Group remeasures the liability when there is a change in future lease payments arising from a change in an index or rate, if there is a change in its estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the Group remeasures the lease liability in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

Summary of material accounting policies *continued*

21. LEASES *continued*

21.1 As a lessee *continued*

MEASUREMENT *continued*

RIGHT-OF-USE ASSET

The Group initially measures right-of-use asset at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease incentives received. The Group receives incentives such as reimbursements for installations or rent-free periods.

The Group subsequently depreciates the right-of-use asset using the straight-line method from the commencement date to the end of the lease term unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option.

In that case, the Group depreciates the right-of-use asset over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

SHORT-TERM LEASES AND LOW VALUE ITEMS

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases of low-value assets relate to those categories of assets which, at the inception of the lease, typically have a value, if bought new, of no more than approximately R70 000. For the Group, these categories include computer equipment such as desktops, laptops, monitors and related IT peripherals.

Short-term leases are those leases with a lease term of less than 12 months.

21.2 As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

CLASSIFICATION

To classify the lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers indicators such as whether the lease is for the major part of the economic life of the asset, the specialised nature of the asset and the present value of lease payments.

The Group leases out portions of its leased property in the form of subleases. The Group has classified these leases as operating leases.

MEASUREMENT

As the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying leased asset.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'Other income'.

22. MARKETING AND ADMINISTRATION EXPENSES

Marketing and administration expenses include marketing and development expenditures, all other non-acquisition-related expenditures, and benefits paid under the Vitality programme. These costs are expensed in profit or loss as incurred.

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

Summary of material accounting policies *continued*

23. INTEREST EXPENSE ON BORROWINGS AND LEASE LIABILITIES

Interest expenses (net of investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets) directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The Group recognises all other interest as an expense in profit or loss on an accrual basis using the effective interest method.

In addition, interest expense includes any reclassified gains or losses from other comprehensive income arising from cash flow hedges of interest rates, amortisation of financing-related fees such as loan commitment fees and letter of credit fees, and modification gains and losses on borrowings.

24. DIVIDEND DISTRIBUTION

Dividend distribution to the Group's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved.

25. NORMALISED HEADLINE EARNINGS

The Group assesses its performance using normalised headline earnings, an alternative profit measure not under the IFRS Accounting Standards, alongside its IFRS Accounting Standards profit measures. Management considers that Normalised Headline Earnings Per Share (NHEPS) is an appropriate alternative performance measure to enhance the comparability and understanding of the financial performance of the Group.

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

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

- Once-off transactions – for example, restructuring costs, transaction costs related to interest rate derivatives and initial deferred tax assets raised on previously unrecognised assessed losses
- Unusual items – the Group considers items to be unusual when they have limited predictive value, or it is reasonable that items of a similar nature would not necessarily arise for several future reporting periods
- Income or expenses not considered to be part of the Group's normal operations – for example, amortisation of intangibles from business combinations and fair value gains or losses on foreign exchange contracts not designated as hedges

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

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

Summary of material accounting policies *continued*

25. NORMALISED HEADLINE EARNINGS *continued*

Discovery has made the following adjustments in the determination of NHEPS

Adjustment	Explanation
Intrinsic fair value changes on specified derivatives to offset changes in the interest rates as well as currency exchange rates	Long-term insurance business lines, for example VitalityLife enter into interest rate derivative instruments to offset the impact of changes in interest rates as well as currency exchange rates. The adjustment reflects the intrinsic value of fair value gains or losses on these derivative instruments. The intrinsic value of fair value gains or losses on these derivative instruments are excluded from NHEPS. These derivatives were disposed off by 30 June 2023.
Fair value (gains)/losses on foreign exchange contracts not designated as a hedge	The adjustment reflects fair value gains or losses on foreign exchange contracts entered in anticipation of future capital injections in foreign operations. These derivative instruments are not designated as a hedge and as a result, the fair value adjustments are recognised in profit or loss. The fair value adjustments of these derivative instruments can result in volatility in profit or loss and is therefore excluded in assessing the normal business operations of the Group as it relates specifically to a future once-off transaction.
Amortisation of intangibles from business combinations	The adjustment reflects the amortisation of intangible assets which arose from the purchase of various subsidiaries within the Group and were recognised in accordance with IFRS 3 *Business Combinations*. Intangible assets recognised from business combinations provide little predictive value of the earnings from the business, as these assets will not be reacquired, renewed, or replaced once depleted. Discovery also infrequently acquires businesses. The amortisation of these assets is therefore excluded in assessing the normal business operations of the Group.
Deferred tax assets raised on assessed losses	The adjustment reflects the initial recognition of deferred tax assets in respect of assessed losses in prior financial periods, after evaluating that there is future taxable income that will arise in the respective business. The initial recognition of this deferred tax asset results in a once-off income recognised in profit or loss. It provides no predictive value in assessing the normal business operations of the Group.
Restructuring Costs	The adjustment reflects restructuring costs which are once-off costs incurred to restructure specified business areas. These transaction costs are infrequent and therefore excluded in assessing the normal business operations of the Group.
Transaction costs related to interest rate derivatives	Transaction costs paid to acquire specified derivative instruments to offset changes in interest rates as well as currency exchange rates are excluded from NHEPS. These transaction costs are infrequent and therefore excluded in assessing the normal business operations of the Group and have been disposed off by 30 June 2023.
Changes in tax balances as a result of use of different tax rates	The adjustments reflect the changes in current and deferred tax balances resulting from the use of different tax rates that related to items that were excluded from normalised headline earnings in the current or prior periods.
Gain on disposal of intangible assets – Vitality Group International	The adjustments include those gains on disposal of intangible assets, e.g. in the AmplifyHealth deal, where Vitality Group International monetised a specified regional right to an initial component of its intellectual property rights via sale as opposed to a licensing arrangement. These gains are considered part of normal operations for assessing the normal business operations of the Group.

ANNEXURE B – GROUP ACCOUNTING POLICIES *continued*

for the year ended 30 June 2024

Accounting polices that are infrequent and relate to special transactions

26. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once the Group classifies a non-current asset as held-for-sale, intangible assets, property, and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity-accounted. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised. Non-current assets and liabilities classified as held for sale are presented separately from the other assets and liabilities in the balance sheet.

ANNEXURE C – DIRECTORATE

Remuneration and fees

Payment to directors and prescribed officers for the year ended 30 June 2024 for services rendered are set out in the table below. It should be noted that these payments reflect cash payments made to directors and prescribed officers during the financial year and therefore all variable pay components are reflective of performance measurements relating to previous periods. The variable pay components relating to the current year under review are physically paid in the following financial year and are analysed in detail in the Group's annual remuneration report and are more reflective of the performance of the period under review.

Payments to directors and prescribed officers for the year ended 30 June 2024 for services rendered are as follows

R'000	Services as directors	Basic salary	Perfor-mance bonus	LTIP[1]	Provident fund contri-butions	Other benefits[2]	Total
Executive							
A Gore	–	8 436	9 151	11 363	1 264	489	30 703
B Swartzberg	–	5 860	12 151	3 503	621	347	22 482
DM Viljoen	–	6 838	7 103	7 950	1 078	352	23 321
HD Kallner[3]	–	8 197	22 743	18 399	410	298	50 047
NS Koopowitz[4]	–	24 202	47 989	5 633	236	620	78 680
Sub-total	–	53 533	99 137	46 848	3 609	2 106	205 233
Non-executive							
ME Tucker[5]	8 350	–	–	–	–	53	8 403
R Farber[6]	3 791	–	–	–	–	4 268	8 059
L Chiume[9]	912	–	–	–	–	–	912
M Hlahla	1 647	–	–	–	–	–	1 647
FN Khanyile	2 131	–	–	–	–	–	2 131
D Macready	2 441	–	–	–	–	–	2 441
Dr TV Maphai[7]	635	–	–	–	–	–	635
T Mboweni	1 724	–	–	–	–	–	1 724
KC Ramon[9]	1 165	–	–	–	–	–	1 165
M Schreuder	2 618	–	–	–	–	–	2 618
B Van Kralingen[8]	2 354	–	–	–	–	108	2 462
SV Zilwa[7]	1 821	–	–	–	–	–	1 821
Sub-total	29 589	–	–	–	–	4 429	34 018
Total	29 589	53 533	99 137	46 848	3 609	6 535	239 251
Less: paid by subsidiaries	(29 589)	(53 533)	(99 137)	(46 848)	(3 609)	(6 535)	(239 251)
Paid by holding company	–	–	–	–	–	–	–

1 "LTIP" comprises cash-settled and equity-settled incentives.
2 "Other benefits" comprise medical aid contributions, travel, other allowances and fees from group subsidiaries.
3 Transitioned from Group Executive Director to Prescribed Officer with effect from 1 March 2023. The remuneration presented above is for the full financial year.
4 Salary and incentive are paid in GBP. Transitioned from Group Executive Director to Prescribed Officer with effect from 1 March 2023.
5 Director's fees for services rendered are paid in GBP.
6 Director's fees for services and fees for other consulting services rendered by R Farber were paid in AUD. Director's fees for consulting services are included as part of other benefits.
7 Retired as Non-Executive Directors effective 16 November 2023.
8 Director's fees for services rendered are paid in USD.
9 Appointed as Non-Executive Directors effective 18 September 2023.

ANNEXURE C – DIRECTORATE *continued*

Remuneration and fees *continued*

Payment to directors and prescribed officers for the year ended 30 June 2023 for services rendered are set out in the table below. It should be noted that these payments reflect cash payments made to directors and prescribed officers during the financial year and therefore all variable pay components are reflective of performance measurements relating to previous periods. The variable pay components relating to the current year under review are physically paid in the following financial year and are analysed in detail in the Group's annual remuneration report and are more reflective of the performance of the period under review.

Payments to directors and prescribed officers for the year ended 30 June 2023 for services rendered are as follows:

R'000	Services as directors	Basic salary	Perfor-mance bonus	LTIP[1]	Provident fund contri-butions	Other benefits[2]	Total
Executive							
A Gore	–	7 987	9 603	8 692	1 198	422	**27 902**
B Swartzberg	–	5 592	13 032	2 522	586	265	**21 997**
DM Viljoen	–	5 995	6 358	4 417	945	303	**18 018**
HD Kallner[3]	–	7 472	7 062	23 823	374	228	**38 959**
NS Koopowitz[4]	–	21 255	22 734	10 816	118	563	**55 486**
Dr A Ntsaluba[5]	–	4 999	5 811	4 961	375	316	**16 462**
A Pollard[6]	–	8 968	9 368	6 677	225	388	**25 626**
Sub-total	–	62 268	73 968	61 908	3 821	2 485	**204 450**
Non-executive							
ME Tucker[7]	7 541	–	–	–	–	–	**7 541**
HL Bosman[8]	1 033	–	–	–	–	–	**1 033**
R Farber[9]	3 713	–	–	–	–	4 010	**7 723**
M Hlahla	1 411	–	–	–	–	–	**1 411**
FN Khanyile	1 964	–	–	–	–	–	**1 964**
D Macready	2 087	–	–	–	–	–	**2 087**
Dr TV Maphai	1 651	–	–	–	–	–	**1 651**
T Mboweni	1 391	–	–	–	–	–	**1 391**
M Schreuder	2 033	–	–	–	–	–	**2 033**
B Van Kralingen[10]	1 901	–	–	–	–	108	**2 009**
SV Zilwa	2 687	–	–	–	–	–	**2 687**
Sub-total	27 412	–	–	–	–	4 118	**31 530**
Total	27 412	62 268	73 968	61 908	3 821	6 603	**235 980**
Less: paid by subsidiaries	(27 412)	(62 268)	(73 968)	(61 908)	(3 821)	(6 603)	**(235 980)**
Paid by holding company	–	–	–	–	–	–	**–**

1 "LTIP" comprises cash-settled and equity-settled incentives.
2 "Other benefits" comprise medical aid contributions, travel, other allowances and fees from group subsidiaries.
3 Transitioned from Group Executive Director to Prescribed Officer with effect from 1 March 2023. The remuneration presented above is for the full financial year.
4 Salary and incentive are paid in GBP. Transitioned from Group Executive Director to Prescribed Officer with effect from 1 March 2023.
5 Stepped down as Executive Director with effect from 1 March 2023. Group Executive 1 March to 30 June 2023. The remuneration presented above is for the full financial year.
6 Salary and incentive are paid in USD. Stepped down as Executive Director with effect from 1 March 2023. Group Executive 1 March to 30 June 2023.
7 Director's fees for services rendered are paid in GBP.
8 Director's fees for services rendered by HL Bosman (retired effective 1 December 2022) were paid to Rand Merchant Insurance Holdings Limited.
9 Director's fees for services and fees for other consulting services rendered by R Farber were paid in AUD. Director's fees for consulting services are included as part of other benefits.
10 Director's fees for services rendered are paid in USD.

ANNEXURE C – DIRECTORATE *continued*

Directors' participation in Long-term incentive schemes

Discovery's directors and prescribed officers participate in the various long-term incentive schemes offered by the Group and their participation is disclosed below. Refer to Group section 4.5 for a detailed description of the various schemes offered.

DISCOVERY LIMITED PHANTOM SHARE SCHEME

Directors and prescribed officers participation as at 30 June 2024:

Directors and prescribed officers	Outstanding shares	Date granted	Final vesting date	Value at 30 June 2024 R
B Swatzberg	8 075	30 11 2022	30 09 2027	**1 087 622**
	79 416	20 05 2024	30 09 2026	**10 696 541**

DISCOVERY LIMITED LONG-TERM INCENTIVE PLAN

Directors and prescribed officers participation as at 30 June 2024:

Directors and prescribed officers	Outstanding shares	Date granted	Final vesting date	Value at 30 June 2024 R
A Gore	19 100	30 09 2019	30 09 2024	**2 572 579**
	46 472	30 09 2020	30 09 2025	**6 259 314**
	68 786	30 09 2021	30 09 2026	**9 264 786**
HD Kallner	12 810	30 09 2019	30 09 2024	**1 725 379**
	31 168	30 09 2020	30 09 2025	**4 198 018**
	46 135	30 09 2021	30 09 2026	**6 213 923**
B Swartzberg	3 843	30 09 2019	30 09 2024	**517 614**
	15 584	30 09 2020	30 09 2025	**2 099 009**
	23 068	30 09 2021	30 09 2026	**3 107 029**
	16 017	30 11 2023	30 09 2028	**2 157 330**
DM Viljoen	12 085	30 09 2019	30 09 2024	**1 627 729**
	29 404	30 09 2020	30 09 2025	**3 960 425**
	45 197	30 09 2021	30 09 2026	**6 087 584**

THE VITALITYHEALTH AND VITALITYLIFE PHANTOM SHARE SCHEMES

Directors and prescribed officers participation as at 30 June 2024:

Directors and prescribed officers	Outstanding shares	Date granted	Exercise price GBP	Final vesting date	Value at 30 June 2024 GBP
NS Koopowitz	27 430	05 01 2022	–	2024	**1 156 723**
	37 824	01 10 2023	–	2025	**1 698 676**

Directors' participation in single incentive plan

DISCOVERY LIMITED SINGLE INCENTIVE PLAN

Directors and prescribed officers participation as at 30 June 2024:

Directors and prescribed officers	Outstanding shares	Date granted	Final vesting date	Value at 30 June 2024 R
A Gore	92 223	30 11 2022	30 09 2027	**12 421 516**
	64 244	30 11 2023	30 09 2028	**8 653 024**
HD Kallner	67 823	30 11 2022	30 09 2027	**9 135 080**
	159 659	30 11 2023	30 09 2026	**21 504 471**
B Swartzberg	67 999	30 11 2022	30 09 2027	**9 158 785**
	46 453	30 11 2023	30 09 2028	**6 256 755**
DM Viljoen	61 054	30 11 2022	30 09 2027	**8 223 363**
	49 864	30 11 2023	30 09 2028	**6 716 182**

ANNEXURE C – DIRECTORATE *continued*

Directors’ interest in shares

According to the Register of Directors’ Interests, maintained by Discovery in accordance with the provisions of section 30(4)(d) of the Companies Act, directors and prescribed officers of Discovery have disclosed the following interest in the ordinary shares of the Company at 30 June 2024.

Directors and prescribed officers	Direct beneficial	Indirect beneficial	Total	Indirect beneficial-Unvested shares	Total 2024	Direct beneficial	Indirect beneficial	Total	Indirect beneficial-Unvested shares	Total 2023
Executive										
A Gore[1]	31 372	48 311 559	48 342 931	290 825	48 633 756	31 372	48 561 559	48 592 931	299 350	48 892 281
B Swartzberg[2]	3 146 461	22 635 115	25 781 576	172 964	25 954 540	3 146 461	22 635 115	25 781 576	133 630	25 915 206
DM Viljoen	80 273	–	80 273	197 604	277 877	44 850	–	44 850	199 323	244 173
HD Kallner[3]	100 398	–	100 398	317 595	417 993	100 398	–	100 398	285 315	385 713
NS Koopowitz	–	775 037	775 037		775 037	–	792 004	792 004	–	792 004
Dr A Ntsaluba[4]	–	–	–	–	–	89 455	–	89 455	178 313	267 768
A Pollard[4]	–	–	–	–	–	1 073 099		1 073 099	146 216	1 219 315
Non-executive										
R Farber	52 500	–	52 500	–	52 500	55 076	–	55 076	–	55 076
FN Khanyile	1 300	–	1 300	–	1 300	1 300	–	1 300	–	1 300
L Chiume[5]	–	–	–	–	–	1 919	196 505	198 424	–	198 424
KC Ramon[5]	1 326	4 529	5 855	–	5 855	–	680	680	–	680
Total	3 413 630	71 726 240	75 139 870	978 988	76 118 858	4 543 930	72 185 863	76 729 793	1 242 147	77 971 940

1 Includes 41 300 000 (2023: 39 300 000) ordinary shares which are subject to security.
2 Includes 11 500 000 (2023: 11 500 000) ordinary shares which are subject to security.
3 Transitioned from Group Executive Director to Prescribed Officer with effect from 1 March 2023.
4 Stepped down as Executive Director with effect from 1 March 2023.
5 Appointed as Non-Executive Director with effect from 18 September 2023.

There has been no change in the directors’ interests in Discovery Limited’s shares between 30 June 2024 and the date of publication of this annual report.

ANNEXURE D – UNAUDITED ANALYSIS OF SHAREHOLDERS

at 30 June 2024

Ordinary shareholders

	Number of shareholders	% of total shareholders	Number of shares	% of issued capital
Shareholder spread				
1 – 1 000 shares	37 637	86.70	5 611 252	0.83
1 001 – 10 000 shares	4 412	10.16	12 239 795	1.81
10 001 – 100 000 shares	976	2.25	31 592 735	4.67
100 001 – 1 000 000 shares	295	0.68	95 404 673	14.11
1 000 001 shares and over	93	0.21	531 525 637	78.58
	43 413	100.00	676 374 092	100.00
Public/non-public shareholders				
Non-public shareholders				
– Directors of the Company, including their associates[1]	8	0.02	76 118 858	11.25
– Employee share trusts[2]	2	0.00	12 948 690	1.92
– Own holdings	1	0.00	680 268	0.10
– Key management personnel and trustees of pension funds[1]	11	0.03	1477 939	0.22
– Strategic holdings (more than 10%)	1	0.00	87 450 306	12.93
Public shareholders	43 390	99.95	497 698 031	73.58
	43 413	100.00	676 374 092	100.00

1 Includes shares held by directors and prescribed officers in share trusts.
2 Excludes shares held by directors and prescribed officers in share trusts.

	Number of shares	%
Beneficial shareholders' holding of 5% or more		
Government Employees Pension Fund (including shares managed by Public Investment Corporation)	87 450 306	12.93
Remgro Limited	51 254 365	7.58
Adrian Gore[1]	48 633 756	7.19

1 Includes shares held in share trusts.

B preference shareholders

	Number of shareholders	% of total shareholders	Number of shares	% of issued capital
Shareholder spread				
1 – 1 000 shares	2 821	77.06	314 708	3.93
1 001 – 10 000 shares	714	19.50	2 225 083	27.82
10 001 – 100 000 shares	115	3.14	2 851 205	35.64
100 001 – 1 000 000 shares	11	0.30	2 609 004	32.61
	3 661	100.00	8 000 000	100.00
Public/non-public shareholders				
Public shareholders	3 661	100.00	8 000 000	100.00

	Number of shares	%
Beneficial shareholders' holding of 5% or more		
PSG Diversified Income Fund	671 917	8.4
OUTsurance Insurance Company Ltd	500 000	6.25

ANNEXURE E – EMBEDDED VALUE STATEMENT

Independent auditors' report on the review of the Embedded Value Statement of Discovery Limited and its subsidiaries

TO THE DIRECTORS OF DISCOVERY LIMITED

Introduction

We have reviewed the Embedded Value Statement of Discovery Limited and its subsidiaries (together "the Discovery Group") for the year ended 30 June 2024 (the Report). The Report is prepared for the purpose of determining the embedded value and performance of the Discovery Group. The directors of Discovery Limited are responsible for the preparation and presentation of the Report in accordance with the embedded value basis set out in the Basis of Preparation section of the Report as set out in Table 8, and for determining that the basis of preparation is acceptable in the circumstances. Our responsibility is to express a conclusion on this Report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Report is not prepared, in all material respects, in accordance with the embedded value basis set out in the Basis of Preparation section of the Report as set out in Table 8.

Basis of accounting and restriction on use

Without modifying our conclusion, we draw attention to the Basis of Preparation section of the Report as set out in Table 8, which describes the basis of accounting. The Report is prepared for the purpose of determining the embedded value and performance of the Discovery Group. As a result, the Report may not be suitable for another purpose. Our report is intended solely for the directors of Discovery Limited and should not be used by any other parties. We agree to the publication of our report in the Discovery Reviewed Annual Financial Results and cash dividend declaration and the Discovery Annual Financial Statements for the year ended 30 June 2024, provided it is clearly understood by the recipients of the Discovery Reviewed Annual Financial Results and cash dividend declaration and the Discovery Annual Financial Statements for the year ended 30 June 2024 that they enjoy such receipt for information only and that we accept no duty of care to them in respect of our report.

KPMG Inc.
Registered Auditor

Per: Mark Danckwerts
Chartered Accountant (SA)
Registered Auditor
Director

19 September 2024

Deloitte & Touche
Registered Auditors

Per: Stephen Munro
Chartered Accountant (SA)
Registered Auditor
Partner

19 September 2024

ANNEXURE E – EMBEDDED VALUE STATEMENT *continued*

for the year ended 30 June 2024

The embedded value of the Discovery Group consists of the following components:

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

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

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

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

The embedded value includes the insurance and administration profits of the covered business in the Discovery Group. Covered business includes business written in South Africa through Discovery Life ("Life"), Discovery Invest ("Invest"), Discovery Health ("Health") and Discovery Vitality ("Vitality"), and in the United Kingdom through VitalityLife and VitalityHealth. For Vitality Group, Ping An Health Insurance, Discovery Insure, Discovery Bank and Umbrella Funds, no published value has been placed on the current in-force business.

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

IFRS 17 Insurance Contracts became effective for the Discovery Group from 1 July 2023, with comparative restatement of the preceding year, namely the financial year ended 30 June 2023, including a restatement of the opening Group statement of financial position as at 1 July 2022. The change in the accounting standard does not have a material impact on the embedded value for covered businesses, other than second order impacts relating to the modelling of taxable income and minor modelling updates identified as part of the transition. In respect of non-covered businesses which were impacted by the transition to IFRS 17, such as Discovery Insure and Ping An Health Insurance, transitional impacts to the Group's shareholder funds were experienced which would serve to change previously disclosed embedded values. These changes are immaterial in aggregate, and so the disclosure of the prior period in the embedded value statement has not been restated. The cumulative effect of the changes was recognised in the period for the twelve months ended 30 June 2024.

The 30 June 2024 embedded value results and disclosures were subjected to an external review.

ANNEXURE E – EMBEDDED VALUE STATEMENT *continued*

for the year ended 30 June 2024

Table 1: Group embedded value

R million	30 June 2024	30 June 2023	% change
Shareholders' funds[1]	**57 719**	63 974	(10)
Adjustment to shareholders' funds from published basis[2]	**(38 431)**	(45 688)	(16)
Adjusted net worth[3]	**19 288**	18 286	5
Value of in-force covered business before cost of required capital	**94 258**	83 906	12
Cost of required capital	**(3 192)**	(4 016)	(21)
Discovery Group embedded value	**110 354**	98 176	12
Number of shares (millions)	**661.0**	658.4	
Embedded value per share	**166.95**	149.11	12
Diluted number of shares (millions)	**665.0**	661.3	
Diluted embedded value per share[4]	**165.94**	148.45	12

1 Shareholders' funds and the adjustment to shareholders' funds from the published basis for the year ended 30 June 2024 are on an IFRS 17 basis, whereas for the comparative period they are on an IFRS 4 basis. The key differences in the adjustment to shareholders' funds from the published basis between an IFRS 17 and IFRS 4 basis include the change to the net assets under insurance contracts for Life and VitalityLife and the recapture of the FinRe liability and allowance for a deferred acquisition cost asset for VitalityHealth.

2 A breakdown of the adjustment to shareholders' funds is shown in the table below. Note that where relevant, adjustments have been converted using the closing exchange rate of R23.07/GBP (June 2023: R23.99/GBP).

R million	***30 June 2024***	*30 June 2023*
Life net assets under insurance contracts	***(19 865)***	*(25 491)*
Vitality Life Limited net assets under insurance contracts	***(11 314)***	*(12 051)*
VitalityHealth and Vitality Health Insurance Limited deferred acquisition costs (net of deferred tax)	***(4 351)***	*(5 001)*
VitalityLife receivable relating to the Unemployment Cover benefit (net of deferred tax)	***(8)***	*(13)*
Goodwill relating to the acquisition of Standard Life Healthcare and the PAC joint venture	***(2 855)***	*(2 969)*
Intangible assets (net of deferred tax) in covered businesses	***(803)***	*(893)*
Net preference share capital	***(779)***	*(779)*
Reversal of 1 Discovery Place IFRS 16 financial lease accounting	***1 462***	*1 333*
Equity settled share based payment mark-to-market adjustment	***82***	*176*
	(38 431)	*(45 688)*

In respect to the table directly above:

- *Prior to 30 June 2024, the adjustment for "VitalityHealth and Vitality Health Insurance Limited deferred acquisition costs (net of deferred tax)" also included the adjustment for the FinRe liability which has since been recaptured.*
- *The "equity settled share based payment mark-to-market adjustment" reflects the difference between the provision in the IFRS equity and the mark-to-market value of the equity settled share based payments.*

ANNEXURE E – EMBEDDED VALUE STATEMENT *continued*

for the year ended 30 June 2024

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

R million	*30 June 2024*	*30 June 2023*
Shareholders' funds	*57 719*	*63 974*
Adjustment to shareholders' funds	*(38 431)*	*(45 688)*
Adjusted net worth	*19 288*	*18 286*
Excess of available capital over adjusted net worth	*48 318*	*40 336*
Available capital	*67 606*	*58 622*
Required capital	*44 610*	*41 987*
Excess available capital	*22 996*	*16 635*

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

- *The net preference share capital of R779 million which is included as available capital.*
- *The difference between Vitality Life Limited's Solvency UK Pillar 1 Own Funds and its adjusted net worth.*
- *The difference between Life's Pillar 1 Own Funds and its adjusted net worth.*

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

R million	*30 June 2024*	*30 June 2023*
Health and Vitality	*1 238*	*1 108*
Life and Invest	*27 935*	*26 011*
VitalityHealth	*4 138*	*4 238*
VitalityLife	*11 299*	*10 630*
Total required capital	*44 610*	*41 987*

- *For Health and Vitality, the required capital was set equal to two times the monthly renewal expense and Vitality benefit cost.*
- *For Life and Invest, the required capital was set equal to 1.25 times the SAM Pillar 1 Solvency Capital Requirement.*
- *For VitalityHealth, prior to 30 June 2024, the required capital was set equal to 1.35 times the Solvency UK Pillar 1 Solvency Capital Requirement. Regulatory approval for the adoption of internally derived risk factors for calculating premium and reserve risk capital was received, and as a consequence the level of risk appetite capital held in excess of the regulatory minimum was recalibrated. From 30 June 2024 the required capital is set equal to 1.55 times the Solvency UK Pillar 1 Solvency Capital Requirement.*
- *For the VitalityLife business on the PAC licence, prior to 30 June 2024, the required capital was set equal to 1.5 times the UK Solvency I long-term insurance capital requirement, with an allowance for the diversification of risk, as per the agreement with PAC following the long-term delay of the Part VII transfer. From 30 June 2024 the VitalityLife business on the PAC licence is classified as an insurance contract under IFRS 17. In line with the terms of the contract, the 1.5 times the UK Solvency I long-term insurance capital requirement is now reserved for. As a result, this amount no longer contributes to required capital in the embedded value, reducing the cost of required capital, and the release of the reserve is included in the value of in-force. For the business sold on the Vitality Life Limited licence, the required capital was set equal to 1.4 times the Solvency UK Pillar 1 Solvency Capital Requirement. For the period under review, the increase in the required capital for the business sold on the Vitality Life Limited licence exceeded the removal of the required capital previously held for the VitalityLife business on the PAC licence, and therefore the overall required capital for VitalityLife increased.*

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

ANNEXURE E – EMBEDDED VALUE STATEMENT *continued*

for the year ended 30 June 2024

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 2024			
Health and Vitality	**27 441**	**(527)**	**26 914**
Life and Invest[1]	**37 570**	**(1 757)**	**35 813**
VitalityHealth[2]	**14 353**	**(449)**	**13 904**
VitalityLife[2,3]	**14 894**	**(459)**	**14 435**
Total	**94 258**	**(3 192)**	**91 066**
at 30 June 2023			
Health and Vitality	25 985	(512)	25 473
Life and Invest[1]	33 301	(1 665)	31 636
VitalityHealth[2]	12 797	(698)	12 099
VitalityLife[2]	11 823	(1 141)	10 682
Total	83 906	(4 016)	79 890

1 *Included in the Life and Invest value of in-force covered business is R2 318 million (June 2023: R2 005 million) in respect of investment management services provided on off balance sheet investment business. The net assets of the investment service provider are included in the adjusted net worth.*
2 *The value of in-force has been converted using the closing exchange rate of R23.07/GBP (June 2023: R23.99/GBP).*
3 *The reduction in the cost of required capital for VitalityLife is largely driven by the removal of the required capital from the VitalityLife business on the PAC licence, which no longer contributes to the embedded value cost of required capital calculation.*

Table 3: Group embedded value earnings

	Year ended	
R million	30 June 2024	30 June 2023
Embedded value at end of period	**110 354**	98 176
Less: embedded value at beginning of period	**(98 176)**	(86 258)
Increase in embedded value	**12 178**	11 918
Dividends paid	**1 269**	69
Employee share option schemes	**(683)**	(553)
Net change in capital	**131**	–
Transfer to hedging reserve	**61**	(76)
Acquisition of subsidiaries with non-controlling interest	**(6)**	(6)
IFRS 17 impact on non-covered businesses[1]	**(2)**	–
Embedded value earnings	**12 948**	11 352
Annualised return on opening embedded value	**13.2%**	13.2%

1 *The embedded value for prior periods has not been restated for the transition to IFRS 17. This item represents the difference between IFRS 4 and IFRS 17 equity on non-covered business, such as Discovery Insure (decrease in equity at 30 June 2023) and Ping An Health Insurance (increase in equity at 30 June 2023), and an opening IFRS balance sheet restatement as a result of prior period errors (decrease in equity at 30 June 2023). These impacts largely offset as at 30 June 2023. These impacts have not been included in the embedded value earnings and so a minor adjustment is required to reconcile the change from the embedded value at the beginning of the period.*

ANNEXURE E – EMBEDDED VALUE STATEMENT *continued*

for the year ended 30 June 2024

Table 4: Components of Group embedded value earnings

R million	Year ended 30 June 2024				Year ended 30 June 2023
	Net worth	**Cost of required capital**	**Value of in-force covered business**	**Embedded value**	Embedded value
Total profit from new business (at point of sale)	**(4 513)**	**(264)**	**6 609**	**1 832**	1 440
Profit from existing business					
– Expected return	**7 696**	**(72)**	**2 716**	**10 340**	8 589
– Change in methodology and assumptions[1]	**218**	**1 117**	**1 050**	**2 385**	(4 854)
– Experience variances	**(485)**	**–**	**1 049**	**564**	3 204
Impairment, amortisation and fair value adjustment[2]	**(60)**	**–**	**–**	**(60)**	(67)
Increase in goodwill and intangibles	**(308)**	**–**	**–**	**(308)**	(263)
Non-covered businesses[3]	**1 064**	**–**	**24**	**1 088**	24
Non-recurring expenses	**(96)**	**–**	**–**	**(96)**	(193)
Acquisition costs[4]	**(32)**	**–**	**(1)**	**(33)**	(48)
Finance costs[5]	**(2 796)**	**–**	**–**	**(2 796)**	(2 848)
Foreign exchange rate movements[6]	**(503)**	**43**	**(1 095)**	**(1 555)**	5 070
Other[7]	**2**	**–**	**–**	**2**	90
Return on shareholders' funds[5,8]	**1 585**	**–**	**–**	**1 585**	1 208
Embedded value earnings	**1 772**	**824**	**10 352**	**12 948**	11 352

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

2 This item reflects the amortisation of the intangible assets reflecting the banking costs, Cambridge Mobile Telematics system spend and capital expenditure in Discovery Group Europe Limited.

3 This item includes the profits of non-covered businesses (including Discovery Insure, Vitality Group and Ping An Health Insurance) and costs of start-up businesses (including Discovery Bank and an Umbrella Fund offering in Invest). Head office costs which relate to non-covered business are included in this item, as well as cR160 million of expenses which are currently incurred by the covered businesses but will be met by non-covered businesses in due course, and hence have not been included in the relevant covered businesses' embedded value expense analysis.

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

5 Finance costs and return on shareholders' funds are shown gross of intercompany charges (R1 046 million at 30 June 2024 and R1 198 million at 30 June 2023).

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

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

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

ANNEXURE E – EMBEDDED VALUE STATEMENT *continued*

for the year ended 30 June 2024

Table 5: Experience variances

R million	Health and Vitality		Life and Invest		VitalityHealth		VitalityLife		Year ended 30 June 2024	Year ended 30 June 2023
	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**	Total
Renewal expenses	103	–	(24)	(1)	(160)	–	27	–	**(55)**	(8)
Lapses and surrenders[1,2]	(24)	(296)	50	93	–	673	–	12	**508**	537
Mortality and morbidity[3]	–	–	25	66	(884)	–	112	–	**(681)**	(8)
Policy alterations[2]	–	27	(676)	104	–	–	(41)	(83)	**(669)**	(387)
Backdated cancellations	–	–	–	–	–	–	–	–	**–**	–
Premium and fee income[3,4]	183	–	(27)	351	389	–	(58)	(84)	**754**	682
Inflation-linked indexation	–	–	(22)	(214)	–	–	–	84	**(152)**	745
Economic[5]	–	–	117	(35)	186	–	1	–	**269**	606
Commission	–	–	–	–	–	–	–	–	**–**	(36)
Tax[6]	115	–	222	(193)	14	–	(11)	–	**147**	121
Reinsurance[7]	–	–	–	–	(3)	–	(155)	(26)	**(184)**	24
Maintain modelling term[8]	–	325	–	117	–	104	–	–	**546**	589
Vitality benefits	(181)	–	–	–	–	–	(5)	–	**(186)**	(37)
Other[9]	177	–	(41)	48	(14)	–	120	(23)	**267**	376
Total	**373**	**56**	**(376)**	**336**	**(472)**	**777**	**(10)**	**(120)**	**564**	**3 204**

1 For VitalityHealth, the lapse and surrender experience reflects improved retention rates. For Health and Vitality, the lapse and surrender experience was driven by an increase in the number of employer groups who have widened the eligible schemes that employees can join beyond the Discovery Health Medical Scheme. Better than expected lapse experience has been observed for the other covered businesses.

2 For Life and Invest, the policy alterations experience relates mainly to persistent pressures within the economic environment. This is partially offset by positive experience on lapses as well as premium and fee income.

3 For VitalityHealth, high claims experience persists in the UK private medical insurance market as the challenges facing the NHS, since late 2022, continue to drive usage of private medical insurance for services previously accessed in the NHS. Higher than expected premium increases were realised in line with this usage and is reflected as a positive variance under premium and fee income.

4 Other than higher than expected premium and fee income, this experience variance item includes the impact of positive integration experience for individual life business in Life.

5 For VitalityHealth, investment return continued to contribute to profitability as interest rates in the UK remain high.

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

7 For VitalityLife, the reinsurance experience includes an increase in reinsurance premium provisions related to prior periods, and the greater than expected cost of financing reinsurance.

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

9 The key Other experience relates to cash flow timing variances in Life and Invest and profits/losses from companies within the Health and VitalityLife segments which are not part of covered business.

ANNEXURE E – EMBEDDED VALUE STATEMENT *continued*

for the year ended 30 June 2024

Table 6: Methodology and assumption changes

R million	Health and Vitality Net worth	Health and Vitality Value of in-force	Life and Invest Net worth	Life and Invest Value of in-force	VitalityHealth Net worth	VitalityHealth Value of in-force	VitalityLife Net worth	VitalityLife Value of in-force	Year ended 30 June 2024 Total	Year ended 30 June 2023 Total
Modelling changes[1]	–	–	46	1 172	–	313	(1 052)	1 810	**2 289**	(20)
Expenses	–	340	(21)	(353)	–	–	–	–	**(34)**	(623)
Lapses[2]	–	–	17	(297)	–	–	(423)	51	**(652)**	(1 285)
Mortality and morbidity[3]	–	–	(154)	(347)	–	–	–	–	**(501)**	(138)
Benefit changes	–	(57)	–	–	–	–	–	–	**(57)**	(18)
Vitality	–	–	–	–	–	–	–	–	**–**	–
Tax	–	–	–	–	–	–	–	–	**–**	(13)
Economic assumptions[4]	–	(1 114)	9	(720)	–	275	47	1 092	**(411)**	(4 680)
Premium and fee income	–	44	33	121	–	–	–	–	**198**	1 646
Reinsurance and financing[5]	–	–	1 476	(1 088)	–	–	(9)	25	**404**	195
Other[6]	–	–	228	357	–	–	21	543	**1 149**	82
Total	–	(787)	1 634	(1 155)	–	588	(1 416)	3 521	**2 385**	(4 854)

1 For Life and Invest, this item includes a refinement to the value of in-force calculation to align the assumed cash flow timing with that assumed in the IFRS reserving calculation. For VitalityHealth, the item represents the combined impact of a reduction in required capital following the adoption of regulatory approved internally derived risk factors for calculating premium and reserve risk capital, an increase in the risk appetite capital held in excess of the regulatory minimum and a methodology update that more accurately reflects those assets that are restricted from distribution in the cost of required capital calculations. For VitalityLife, the item reflects the reduction in cost of required capital due to the implementation of the Solvency UK Risk Margin Reforms, a correction to the modelled investment income on swap collateral assets and a reallocation of the capitalised impact of deferred tax relief on future earnings between adjusted net worth and value of in-force.

2 For Life and Invest, the individual life lapse and policy alterations basis was strengthened (including an allowance for lapse and policy alterations experience to remain elevated in the short term) and various management actions were introduced which partially offset the impact. For VitalityLife, the lapse and cancelled-from-inception basis was updated to reflect recent experience.

3 For Life, various updates to the mortality and morbidity basis were introduced to bring assumptions in line with updated estimates of future claims.

4 For Health and Vitality, and Life and Invest, the item includes the impact of transitioning to internally derived yield curves, which are consistent with the IFRS 17 reporting basis, as at 30 June 2024. However, this impact is minor and the driver for this experience item relates to the cost of updating the underlying real yield curve rate assumptions. For VitalityLife, this item includes the impact of updating the assumptions relative to the Solvency UK yield curves and the IFRS interest rates. Note that for VitalityLife, following the implementation of IFRS 17, the risk-free rate assumption is based on the Solvency UK yield curves instead of a single interest rate derived from the curves, and the inflation assumption is based on a market inflation curve instead of a long-term view of market inflation. For VitalityHealth, the impact of updating the assumptions relative to the Solvency UK yield curves results in an increase to the annuity factor.

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

6 For Life and Invest, this item includes a once-off tax timing gain that will be phased in over several years as a result of the impact of the IFRS 17 transition. For VitalityLife, this once-off item reflects the value of the deferral of tax resulting from the OCI unwind into taxable future earnings.

ANNEXURE E – EMBEDDED VALUE STATEMENT *continued*

for the year ended 30 June 2024

Table 7: Embedded value of new business

R million	Year ended 30 June 2024	Year ended 30 June 2023	% Change
Health and Vitality			
Gross profit from new business (at point of sale)	**1 103**	954	
Cost of required capital	**(52)**	(39)	
Present value of future profits from new business (at point of sale) after cost of required capital	**1 051**	915	15
New business annualised premium income[1]	**7 716**	4 959	56
Life and Invest			
Present value of future profits from new business (at point of sale)[2]	**560**	516	
Cost of required capital	**(79)**	(87)	
Present value of future profits from new business (at point of sale) after cost of required capital	**481**	429	12
New business annualised premium income[3]	**3 214**	2 965	8
Annualised profit margin[4]	**2.0%**	1.8%	
Annualised profit margin excluding Invest business	**3.8%**	2.5%	
VitalityHealth[5]			
Present value of future profits from new business (at point of sale)	**491**	269	
Cost of required capital	**(63)**	(87)	
Present value of future profits from new business (at point of sale) after cost of required capital	**428**	182	135
New business annualised premium income[6]	**2 443**	2 001	22
Annualised profit margin[4]	**2.6%**	1.4%	
VitalityLife			
Present value of future profits from new business (at point of sale)	**(58)**	3	
Cost of required capital	**(70)**	(89)	
Present value of future profits from new business (at point of sale) after cost of required capital	**(128)**	(86)	49
New business annualised premium income[7]	**1 462**	1 124	30
Annualised profit margin[4]	**(1.3%)**	(1.0%)	

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 2024. The total Health and Vitality new business annualised premium income written over the period, inclusive of Sasolmed, was R11 481 million (June 2023: R9 133 million).

2 Included in the Life and Invest embedded value of new business is R15 million (June 2023: R21 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 R3 214 million (June 2023: R2 965 million) (single premium APE:R1 545 million (June 2023: R1 430 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 R2 249 million (June 2023: R2 208 million) and servicing increases of R779 million (June 2023: R716 million), was R6 242 million (June 2023: R5 889 million) (single premium APE: R1 626 million (June 2023: R1 499 million)). Single premium business is included at 10% of the value of the single premium. Policy alterations and internal replacement policies, including Discovery Retirement Optimisers added to existing Life Plans, are shown in Table 5 as experience variances and not included as new business. Term extensions on existing contracts are not included as new business.

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

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

6 VitalityHealth new business is defined as individuals and employer groups which incepted during the reporting period. The new business annualised premium income shown above has been adjusted to exclude premiums in respect of members who join an existing employer group after the first month, as well as premiums in respect of new business written during the period but only activated after 30 June 2024.

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

ANNEXURE E – EMBEDDED VALUE STATEMENT *continued*

for the year ended 30 June 2024

BASIS OF PREPARATION

Table 8: Embedded value economic assumptions

	30 June 2024	30 June 2023
Beta coefficient	**0.75**	0.75
Equity risk premium (%)	**3.5**	3.5
Risk discount rate (%)		
– Health and Vitality[1]	**14.875**	15.125
– Life and Invest[1]	**15.375**	15.875
– VitalityHealth	**6.573**	7.000
– VitalityLife	**6.495**	7.042
Rand/GB Pound exchange rate		
– Closing	**23.07**	23.99
– Average	**23.55**	21.43
Margin over expense inflation to derive medical inflation (%)		
South Africa	**3.00**	3.00
Expense inflation (%)[2]		
South Africa – Health and Vitality	**6.87**	7.96
– Life and Invest	**7.05**	8.13
United Kingdom	**4.01**	3.75
Pre-tax investment return (%)		
South Africa – Cash[1]	**11.25**	11.75
– Life and Invest bonds[3]	**12.75**	13.25
– Health and Vitality bonds[3]	**12.25**	12.50
– Equity	**16.25**	16.75
United Kingdom – VitalityHealth risk-free rate	**3.95**	4.38
– VitalityLife risk-free rate	**3.87**	4.42
– VitalityLife IFRS interest rate return	**3.87**	3.98
– VitalityLife investment return	**4.91**	4.31
Long-term corporation tax rate (%)		
South Africa	**27**	27
United Kingdom	**25**	25
VitalityHealth margin assumptions		
– Margin (net of tax and cost of required capital) (%)	**12.35**	12.10
– Annuity Factor	**6.42**	6.28
Projection term		
– Health and Vitality	**20 years**	20 years
– Life – VIF	**40 years**	40 years
– Group Life	**20 years**	20 years
– VitalityLife	**No cap**	No cap
– VitalityHealth[4]	**20 years**	20 years

1 *Derived as a margin over (or below for cash) the respective pre-tax investment return for bonds.*
2 *The inflation assumption is derived as the difference between the nominal and real yield curve at each duration. As an indication, the cash flow weighted average inflation is shown in the table. For the United Kingdom, the expense inflation assumption is aligned with the long-term market view of inflation.*
3 *As indications, the cash flow weighted averages derived from the relevant yield curve(s) are shown.*
4 *The VitalityHealth projection term of 20 years is used in the derivation of the Annuity Factor.*

ANNEXURE E – EMBEDDED VALUE STATEMENT *continued*

for the year ended 30 June 2024

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

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

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

The VitalityHealth assumptions were derived from internal experience and augmented by future expectations.

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

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

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

The South African investment return assumptions for Life, Invest, Health and Vitality were set relative to an internally derived nominal yield curve, which is consistent with the IFRS 17 reporting basis.

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

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

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

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

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

ANNEXURE E – EMBEDDED VALUE STATEMENT *continued*

for the year ended 30 June 2024

BASIS OF PREPARATION

The risk discount rate uses the CAPM approach with specific reference to the Discovery Group beta coefficient. As beta values reflect the historic performance of share prices relative to the market, they may not allow fully for non-market related and non-financial risk. Investors may want to form their own view on an appropriate allowance for these risks which have not been modelled explicitly. The sensitivity of the embedded value and the embedded value of new business at 30 June 2024 to changes in the risk discount rate is included in the tables below.

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

Table 9: Embedded value sensitivity

	Discovery Group	Health and Vitality		Life and Invest		VitalityHealth		VitalityLife			
R million	Adjusted net worth	Value of in-force	Cost of required capital	Value of in-force	Cost of required capital	Value of in-force	Cost of required capital	Value of in-force	Cost of required capital	**Embedded value**	% change
Base	19 288	27 441	(527)	37 570	(1 757)	14 353	(449)	14 894	(459)	**110 354**	
Impact of:											
Risk discount rate + 1%	19 288	25 960	(569)	34 460	(1 853)	13 624	(588)	13 844	(519)	**103 647**	(6)
Risk discount rate – 1%	19 288	29 076	(479)	41 224	(1 642)	15 159	(293)	16 111	(363)	**118 081**	7
Lapses – 10%	19 062	28 314	(552)	40 746	(1 851)	16 710	(522)	15 721	(553)	**117 075**	6
Interest rates – 1%[1]	19 487	27 331	(508)	37 938	(1 729)	15 159	(474)	14 459	(581)	**111 082**	1
Equity and property market value – 10%	19 239	27 441	(527)	36 769	(1 746)	14 353	(449)	14 894	(459)	**109 515**	(1)
Equity and property return + 1%	19 288	27 441	(527)	37 967	(1 753)	14 353	(449)	14 894	(459)	**110 755**	–
Renewal expenses – 10%	19 404	30 074	(488)	38 283	(1 707)	15 526	(449)	15 170	(456)	**115 357**	5
Mortality and Morbidity – 5%	19 583	27 441	(527)	40 107	(1 610)	16 977	(449)	15 328	(448)	**116 402**	5
Projection term + 1 year	19 288	27 749	(531)	37 645	(1 760)	14 462	(452)	14 894	(459)	**110 836**	–

1 All economic assumptions were reduced by 1%.

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

Table 10: Value of new business sensitivity

	Health and Vitality		Life and Invest		VitalityHealth		VitalityLife			
R million	Value of in-force	Cost of required capital	Value of in-force	Cost of required capital	Value of in-force	Cost of required capital	Value of in-force	Cost of required capital	**Value of new business**	% change
Base	1 103	(52)	560	(79)	491	(63)	(58)	(70)	**1 832**	
Impact of:										
Risk discount rate + 1%	1 014	(57)	390	(83)	366	(81)	(156)	(78)	**1 315**	(28)
Risk discount rate – 1%	1 201	(47)	757	(74)	631	(41)	56	(56)	**2 427**	32
Lapses – 10%	1 177	(57)	741	(83)	786	(72)	112	(115)	**2 489**	36
Interest rates – 1%[1]	1 111	(50)	558	(77)	631	(67)	13	(76)	**2 043**	12
Equity and property return + 1%	1 103	(52)	584	(79)	491	(63)	(58)	(70)	**1 856**	1
Renewal expense – 10%	1 282	(50)	604	(77)	642	(63)	(20)	(64)	**2 254**	23
Mortality and morbidity – 5%	1 103	(52)	647	(72)	828	(63)	(25)	(64)	**2 302**	26
Projection term + 1 year	1 121	(53)	563	(79)	511	(63)	(58)	(70)	**1 872**	2
Acquisition costs – 10%	1 142	(52)	734	(79)	525	(63)	158	(70)	**2 295**	25

1 All economic assumptions were reduced by 1%.

ANNEXURE F – UNAUDITED FIVE-YEAR REVIEW

for the year ended 30 June 2024

Group[1]	2020	2021	2022	Restated[1] 2023	2024
Income statement extracts (R million)					
Operating profit	1 532	5 304	7 858	10 308	**11 137**
Headline earnings	296	2 986	5 204	6 720	**7 202**
Items adjusted for normalised headline earnings	3 451	420	612	(320)	**127**
Normalised headline earnings	3 747	3 406	5 816	6 400	**7 329**
Diluted normalised headline earnings per share (cents)	566.7	512.9	877.3	967.9	**1 102.1**
Statement of financial position extracts[1] (R million)					
Total assets	210 328	246 694	231 945	258 739	**284 111**
Shareholders' funds	44 549	46 415	40 819	49 724	**57 719**
Embedded value					
Embedded value (R million)	70 834	74 645	86 258	98 176	**110 354**
Diluted embedded value per share (R)	107.71	112.23	129.07	148.45	**165.94**
Key ratios					
Return on average equity (%)	0.4	7.1	12.6	14.5	**13.7**
Return on average assets (%)	0.1	1.4	2.2	2.7	**2.7**
Exchange rates					
Rand/USD					
– Closing	17.41	14.28	16.47	18.87	**18.26**
– Average	15.70	15.42	15.22	17.79	**18.71**
Rand/GBP					
– Closing	21.44	19.74	20.00	23.99	**23.07**
– Average	19.75	20.74	20.25	21.43	**23.55**
Share statistics					
Number of ordinary shares in issue					
– Weighted average (000's)	656 648	656 710	656 901	658 045	**661 071**
– Diluted weighted average (000's)	661 242	664 073	663 082	661 328	**665 016**
– End of period (000's)	658 291	665 769	668 963	673 146	**676 374**
Price/diluted headline earnings (times)	18.3	24.7	14.6	15.1	**12.2**
Share price (cents per share):					
– High	15 163	15 738	18 280	15 266	**15 878**
– Low	5 815	10 047	11 760	10 241	**10 721**
– Closing	10 455	12 667	12 810	14 585	**13 469**
Market capitalisation (R million)	68 824	84 333	85 694	98 172	**91 104**

1 IFRS 17 became effective 1 July 2023. Consistent with the requirements of IFRS 17, the comparative period 30 June 2023 was restated. In addition, the closing statement of financial position for 30 June 2022 was also restated. All other information for financial years 2020, 2021 and 2022 is consistent with information previously published under IFRS 4 and have not been restated.

GLOSSARY

Abbreviation	Meaning
AIAV	AIA Vitality Proprietary Limited
API	Annual Premium Income
CAE	Chief Audit Executive
CCIC	Capital, Currency and Investment Committee
CEO	Chief Executive Officer
CFC	Controlled Foreign Company
CFO	Chief Financial Officer
CGU	Cash generating unit
CIPC	Companies and Intellectual Property Commission
CMT	Cambridge Mobile Telematics
CODM	Chief Operating Decision-Maker
Companies Act	South African Companies Act, 71 of 2008
CRO	Chief Risk Officer
CSM	Contractual Service Margin (unearned profit)
DAC	Deferred Acquisition Costs
DHEL	Discovery Holdings Europe Limited
DHMS	Discovery Health Medical Scheme
Discovery	Discovery Limited Group
DLAC	Discovery Limited Audit Committee
DMTN	Domestic Medium Term Note
DPF	Direct Participation Features
DRG	Discovery Risk Grades
DRO	Discovery Retirement Optimiser
DVA	Discovery Vitality Australia Proprietary Limited
ECL	Expected credit losses
EFCF	Expected Fulfilment Cash Flows
ESG	Environmental, Social, and Corporate Governance
FCA	Finance Conduct Authority
FCC	Finance and Capital Committee
FEC	Foreign Exchange Contracts
FGC	Financial Guarantee Contracts
Financial risk	The risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, currency exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.
FinRe	Financial Reinsurance – with risk transfer
FLR	Financial Leverage Ratio
FRC	United Kingdom Financial Reporting Council
FSV	Financial Soundness Valuation
FVTPL	Fair value through profit or loss
GIA	Group Internal Audit
GMM	General Measurement Model
HAF	Head of Actuarial Function

Directors' responsibility statement
Group Chief Executive and Group Chief Financial Officer's internal financial control responsibility statement
Certificate by the Company Secretary
Report of the Discovery Limited Audit Committee
Independent auditors' report
Directors' report
Group statement of financial position
Group income statement
Group statement of other comprehensive income
Group statement of cash flows
Group statement of changes in equity
Notes to the Group annual financial statements
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Glossary

GLOSSARY *continued*

Abbreviation	Meaning
IACF	Initial Acquisition Cash Flows
IASB	International Accounting Standards Board
IBNR	incurred but not yet reported claims
ICA	Individual Capital Assessment
IFA	Insurance Fund Account
IFIE	Insurance finance income and expense comprises the change in the carrying amount of the group of insurance contracts arising from: ▪ the effect of the time value of money and changes in the time value of money, and ▪ the effect of financial risk and changes in financial risk
IFRS	International Financial Reporting Standards
IFRS 17 margins	IFRS 17 margins refers to the contractual service margin plus the risk adjustment
IFRS 17	IFRS 17 Insurance Contracts (effective for Discovery post 1 July 2023)
IFRS	IFRS Accounting Standards
INSPRU	The Prudential Sourcebook for Insurers
IRBA	South African Independent Regulatory Board of Auditors
ISE	Insurance Service Expenses
JSE	JSE Limited
KAM	Key Audit Matters
LIC	Liability for Incurred Claims
LRC	Liability for Remaining Coverage
LTICR	Long-term Insurance Capital Requirement
LTIP	Long-term Incentive Plan
MAFR	Mandatory audit firm rotation
Morbidity	Morbidity claims are claims which arise as a result of an impairment of life due to an illness or disability event insured by the policyholder
Mortality	Mortality claims are claims which arise from the death of an insured life
NCD	Negotiable certificates of deposits
OCI	Other Comprehensive Income
OCR	Outstanding Claims Reserve
ORSA	Own Risk and Solvency Assessment
PA	Prudential Authority (South Africa)
PAA	Premium Allocation Approach
PAC	Prudential Assurance Company
PAHI	Ping An Health Insurance Company of China Ltd
PRA	Prudential Regulatory Authority (United Kingdom)
ROEV	Return On Opening Embedded Value
SA	South Africa
SAICA	South African Institute of Chartered Accountants
SAM	Solvency Assessment and Management
SAP	Standard of Actuarial Practice
SCR	Solvency Capital Requirement
SME	Small and Medium-sized Enterprises

GLOSSARY *continued*

Abbreviation	Meaning
TCFD	Task Force on Climate-related Financial Disclosure
TRS	Total Return equity Swaps
UK	United Kingdom
VFA	Variable Fee Approach
VGI	Vitality Group International Inc.
WHT	Withholding Tax

Discovery

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