Discovery

Unaudited Interim Results

and cash dividend declaration for the six months ended 31 December 2023

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Results commentary

Discovery Group delivered a robust performance for the period ended 31 December 2023, demonstrating resilience and strong underlying growth dynamics in a complex operating environment. At a Group level, normalised operating profit increased 13% to R5 622 million; headline earnings were largely unchanged at R3 260 million; normalised headline earnings increased 11% to R3 320 million; and new business annual premium income (API) increased 28% to R14 197 million.

GROUP OVERVIEW AND SALIENT GROUP RESULTS

The period under review was characterised by continued macroeconomic complexities. Global inflation rates declined from the prior-period highs, but remained elevated, and cumulative interest rate increases heightened consumer pressures in many regions constraining economic growth. Many markets in Asia experienced post-COVID-19 relief, however, China continued to face significant macroeconomic and growth constraints.

The Group's focus in the period centred on the following:

01 **Delivering strong growth, cash generation and capital resilience across all three composites.**

02 **Establishing platforms to accelerate future growth by scaling Discovery Bank and Vitality Global through evolving the Vitality Shared-value Insurance model.**

03 **Transitioning to the new IFRS 17 Insurance Contracts accounting standard.**

Salient Group results

for the period ended 31 December 2023 (IFRS 17 reporting)

	Unit	December 2023	December 2022	% Change
Group earnings				
Normalised profit from operations	R million	**5 622**	4 973	13%
Normalised headline earnings	R million	**3 320**	3 004	11%
Headline earnings	R million	**3 260**	3 276	0%
Basic earnings per share	Cents	**492.9**	487.9	1%
Basic headline earnings per share	Cents	**493.8**	498.4	-1%
Basic normalised headline earnings per share	Cents	**502.8**	457.0	10%
Group net asset value and embedded value				
Net asset value	R million	**52 206**	43 524	20%
Embedded value	R million	**103 480**	92 459	12%
Annualised RoEV	%	**12.1%**	14.4%	
Basic embedded value per share	R	**156.29**	140.43	11%
Financial leverage and capital management				
Financial leverage ratio (FLR)[1]	%	**19.7%**	22.1%	
Shareholder free cash increase, before ordinary dividend	R million	**350**	(62)	
Dividend per share	Cents	**65**	n/a	
Business volume				
Total income from non-insurance lines[2]	R million	**2 942**	2 554	15%
New business annualised premium income	R million	**14 197**	11 106	28%

1 FLR allowing for the inclusion of 50% of the contractual service margin (CSM) net of reinsurance and net of tax.
2 Not included in new business API.

Results commentary *continued*

01 Delivering strong growth, cash generation and capital resilience across all three composites

The Group generated normalised operating profit growth of 13% with positive contributions from each composite, as South Africa (SA) increased 9%, United Kingdom (UK) increased 13%, and Vitality Global (VG) increased 71%. The UK and VG results benefitted from a weaker rand compared with the prior period. New business API for the Group increased by 28% as a result of robust growth across the composites, with Discovery Health's new business augmented by the successful take-on of Sasolmed closed medical scheme. Excluding Discovery Health, new business for the Group increased 11%, with particularly pleasing trends for Discovery Individual Life business, Ping An Health Insurance and VitalityHealth; while VitalityLife's growth was modest in sterling and Group Life declined.

Normalised headline earnings grew 11% while headline earnings were largely unchanged. The difference is 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 are normalised for this.

The Group demonstrated continued financial resilience over the period. Organic cash generation increased with cash conversion now at 66% of after-tax normalised operating profit and central liquidity remained strong. The financial leverage ratio (FLR) improved to 19.7% and capital ratios remained strong across each business.

The Group's embedded value increased to R103.5 billion, which represents an 12.1% annualised return on embedded value (RoEV), with a positive contribution from experience variances over the period, reflecting the positive dynamics of the Vitality Shared-value Insurance model.

02 Establishing platforms to accelerate future growth by scaling Discovery Bank and Vitality Global through evolving the Vitality Shared-value Insurance model

The strong operating performance reflects the continued investment and focus on delivering growth and ensuring financial discipline. This was enabled through diligent capital allocation, growing cash generation, and balance sheet strength. Growth in core businesses remained robust over the period, and the focused investment in Discovery Bank and Vitality Global manifested in exceptional performance, with these businesses being positioned as strong platforms for continued growth.

Discovery Bank achieved its stated target of monthly operational break-even before acquisition costs during the period, ahead of plan, and is growing rapidly through the acquisition of quality clients on a scalable platform. The Bank's rapid scaling and exceptional customer engagement position it to play a central role in advancing the SA Composite through integrated ecosystems.

Vitality Global delivered exceptional growth over the period. Ping An Health Insurance has emerged as a specialist health insurer of scale in China, delivering high-quality operating metrics, with a robust balance sheet. Vitality Network's strong growth demonstrates the global adoption of the Vitality Shared-value Insurance model with key partners. The results also demonstrate the emerging operational leverage inherent within the business, with the evolving model creating opportunities for further growth and even greater impact and global relevance.

Summary of the earnings and new business performance by composite:

	Normalised profit from operations (Current period, in ZAR million)	% change (Current period vs prior period)	New business API (Current period, in ZAR million)	% change (Current period vs prior period)
Discovery Health	1 874	+7%	6 835	+52%
Discovery Life	2 267	+6%	1 519	+2%
Discovery Invest	620	+11%	1 629	+8%
Discovery Insure	20	>100%	666	+8%
Discovery Bank	(339)	-15%		
Other initiatives and central costs[1]	(87)	12%	451	-13%
SA Composite[1]	**4 355**	**+9%**	**11 100**	**+29%**
VitalityHealth	527	(20%)	1 135	+28%
VitalityLife	390	97%	935	+17%
Closure costs of VitalityInvest	(57)	(48%)		
Other initiatives and central costs	(48)	85%		
UK Composite	**812**	**13%**	**2 070**	**+22%**
Vitality Network	296	+49%		
VHI – Ping An Health Insurance (PAHI)	344	>100%	1 027	+28%
VHI – Other	(173)	>100%		
Other initiatives and central costs	(12)	+33%		
Vitality Global	**455**	**+71%**		
Normalised profit from operations	**5 622**	**13%**		
Normalised headline earnings	**3 320**	**11%**		
Core new business API			**14 197**	**28%**

1 FLR allowing for the inclusion of 50% of the contractual service margin (CSM) net of reinsurance and net of tax, consistent with key credit rating agencies.

BUSINESS-SPECIFIC PERFORMANCE

South Africa, including new initiatives

The SA Composite's normalised operating profit increased by 9% to R4 355 million and new business by 29% to R11 100 million. Discovery Bank in particular continued to show excellent progress across all metrics, with the acquisition of quality clients accelerating, and the Bank reaching monthly operational break-even before acquisition costs during the period. Discovery Health's growth demonstrates the consistent performance across the business with new business increasing 52%, including the take-on of Sasolmed closed medical scheme. Discovery Individual Life delivered strong earnings growth with improving new business margins, while Group Life declined from the prior year's exceptional performance. Discovery Invest's performance was robust with revenues and profit benefitting from higher market levels. Discovery Insure recorded pleasing revenue growth, however, its profit recovery was constrained by two severe weather events.

Discovery Bank

	Unit	December 2023	December 2022	% Change
Net non-interest revenue (NIR)	R million	**567**	438	29%
Net interest income (NII)	R million	**366**	268	37%
Operating loss before new business acquisition costs	R million	**154**	256	(40%)
Normalised loss from operations	R million	**339**	398	(15%)
Retail deposits	R billion	**16.7**	12.7	31%
Advances	R billion	**5.7**	4.8	19%
Average interest-earnings assets (IEA)	R billion	**15 811**	12 585	26%
Credit loss ratio (CLR)	%	**3.7**	2.1	74%
Number of accounts	Number	**1 933 839**	1 312 970	47%
Number of clients	Number	**825 069**	581 457	42%

Discovery Bank's (DB) operating loss, before new business acquisition costs, improved by 40%, and the overall loss was 15% better than the prior year. Growth remains high with DB exceeding 825,000 clients in December 2023 and the total client base growing by 42% compared with the prior year. This momentum is indicative of DB's accelerated pace towards achieving its ambition of one million clients by 2026, which the Bank is well ahead of target to achieve.

In light of challenging macroeconomic conditions, DB has remained focused on high-quality growth with the Bank's shared-value behavioural banking model proving its efficacy. Deposits grew by 31%, reflecting that clients are increasingly using Discovery Bank as their primary account. Advances have grown steadily by 19% since December 2022, with the Bank maintaining materially lower credit loss ratios than the market, for equivalent products. Average interest-earnings assets increased by 26% and the net interest margin increased by 7% over the period, while NII grew by 37%.

Non-interest revenue continued to grow steadily, by 29% year-on-year, driven by the growth in interchange income and fee income per client. In line with the Bank's growth trajectory, client engagement levels grew, with a 56% increase in payment volumes and a 37% increase in spend values in December 2023 compared to the prior year.

DB expanded its lending suite by launching a Revolving Credit Facility in December 2023, which offers clients more flexibility. A revolutionary new home loan proposition will imminently be launched to the market, featuring a unique Shared-value interest rate reduction mechanism. Discovery Bank clients have c. R280 billion in existing home loan balances, which DB is well-positioned to cater for. The Bank is well-funded and positioned to continue to prudently grow advances in these target segments.

Discovery Health*

	Unit	December 2023	December 2022	% Change
Normalised profit from operations	R million	**1 874**	1 748	7%
New business API	R million	**6 835**	4 487	52%
Revenue	R million	**5 334**	4 924	8%
Non-scheme revenue as % of total revenue	%	**14.7%**	14.4%	2%
Lives under administration	R billion	**3.84**	3.81	1%

* *Including VHI Africa.*

Discovery Health (DH) maintained its solid revenue and profit delivery record, notwithstanding further investment in enhancing systems infrastructure and the digital health ecosystem, including the new Discovery Health app. The successful take-on of Sasolmed closed medical scheme administration significantly increased new business API, with c. 78,000 lives to be added.

Non-medical scheme products – Flexicare, Gap Cover and Healthy Company – continued to perform well with total non-scheme revenue now representing almost 15% of total DH revenue, validating the strategy to grow revenue and profits through adjacent opportunities. DH has fully incorporated Vitality Health International (VHI) Africa, which will continue to support the corporate membership base of DH's South African clients and more broadly.

Discovery Health Medical Scheme (DHMS) remains resilient, maintaining membership levels despite a relatively flat open medical scheme market and challenging macroeconomic environment. DHMS maintains its market share of 57.8% in the open medical scheme market and solvency remains strong at 30.6%, significantly higher than the 25% regulatory requirement.

Results commentary *continued*

Discovery Life

	Unit	December 2023	December 2022	% Change
Normalised profit from operations	R million	**2 267**	2 145	6%
New business API	R million	**1 519**	1 485	2%
Premium income	R million	**18 211**	16 824	8%
Solvency ratio[1]	%	**180%**	177%	
RoEV (annualised)[1]	R million	**11.9%**	13.7%	
Total VNB margin	%	**4.3%**	4.5%	

1 Including Invest.

Discovery Individual Life delivered 12% earnings growth and 7% new business growth for the period. The growth rates were diluted by a reduction in Group Life, following an exceptional result in the prior period. Individual life claims experience improved significantly over the period, being offset by an elevated claims experience in Group Life. The improvement in Discovery Individual Life earnings was driven by strong underlying premium growth, improving claims experience and higher interest income.

Lapse experience remained ahead of expectation, but policy alterations were negatively impacted by consumer pressure due to elevated levels of inflation and interest rates. Overall non-economic experience variances were positive and the embedded value for Discovery Life (including Invest) delivered an annualised RoEV of 11.9%, despite negative economic variances from higher real yields.

The VNB margin for Discovery Individual Life has shown a significant increase to 5.6% at December 2023, primarily due to efficient expense controls and improved business mix over the last six months. Discovery Life maintained its leading position in the affluent retail protection market with an increase in market share to 27.5% for the 12 months to December 2023, with growth across all key retail distribution channels. The strong improvement in the Discovery Individual Life VNB margin was partially offset by weaker performance in Group Life, due to lower new business volumes versus the prior period.

Discovery Life's resilience is demonstrated by its strong solvency and liquidity positions, with a solvency ratio of 180% and liquidity coverage significantly above 100%. Cash flow for Discovery Life (including Invest) was strong at R771 million, with the cash conversion ratio in excess of 35%.

Discovery Invest

	Unit	December 2023	December 2022	% Change
Normalised profit from operations	R million	**620**	561	11%
Assets under administration	R billion	**144.8**	130.8	11%
Assets under management	R billion	**99.0**	88.2	12%
% linked assets in Discovery funds	%	**80%**	81%	(0.6)%
Net client cash flows	R billion	**1.1**	2.9	(62)%
New business API	R million	**1 629**	1 505	8%
Fee income	R million	**1 375**	1 194	15%

Discovery Invest's normalised operating profit increased 11%, following growth in underlying assets. Assets under management ended the period 12% higher, driven largely by positive market performance in the first half of the 2023 calendar year. Average assets under administration were 10.7% higher than the prior year, lifting asset-based revenues. New business improved by 8%, driven by higher sales of guaranteed endowments and linked investment business. Net flows were, however, impacted by higher maturities on guaranteed endowment plans.

Discovery Insure

	Unit	December 2023	December 2022	% Change
Normalised profit from operations	R million	**20**	8	>100%
Personal lines	R million	**2**	25	-92%
Equity accounted profits (/losses)	R million	**18**	(17)	n/a
Operating margin Personal lines	%	**0.1%**	0.9%	
New business API Personal lines	R million	**666**	616	8%
Gross written premiums	R million	**2 804**	2 579	9%

Discovery Insure (DI)'s personal lines business recorded pleasing revenue growth and continued its efforts to improve the operating margin, with various initiatives put in place to reduce claims costs and operating expenses. Claims due to loadshedding were successfully brought under control through various actions and the increased severity of vehicle thefts was managed using a combination of risk-based pricing, cover, and tracking device initiatives. However, the business faced unprecedented weather events with floods in the Western Cape in September 2023 and severe hailstorms in Gauteng in November 2023, resulting in a catastrophic event.

United Kingdom, including new initiatives

The UK Composite's normalised operating profit decreased by 2% to £34.7 million (increased 13% to R812 million). Earned premiums increased by 11% year-on-year to £536.8 million (up 27% to R12.6 billion), and total lives insured increased by 5% to 1.83 million. New business API increased 6% to £88 million (22% to R2 070 million). Solvency cover remains strong and was positively impacted by the risk margin reforms passed in UK.

The UK Composite is well-positioned with the now completed closure of VitalityInvest and the run-down of VitalityCar progressing ahead of plan. The business continues to focus on actions that position it for strong sustainable growth in the core health and life market, without recourse to funding from the Group, with VitalityLife now fully self-funding.

Vitality Health

	Unit	December 2023	December 2022	% Change
Normalised profit from operations	GBP million	**22.5**	32.3	(30%)
	R million	**527**	658	(20%)
Earned premiums	GBP million	**338.6**	304.4	11%
	R million	**7 933**	6 204	28%
New business API	GBP million	**48.4**	43.7	11%
	R million	**1 135**	890	28%
Lives covered	Number	**989 492**	903 404	10%

VitalityHealth (VH) experienced robust new business growth given increased demand for private medical insurance due to backlogs in the National Health Service (NHS). However, there was a concomitant increase in claims experience due to a change in claim patterns in respect of primary care demand, which impacted profit. Industry claims saw a sharp increase following an extended period of reduced utilisation, caused by the COVID-19 pandemic. Pressure in the NHS resulted in challenges in accessing care and treatment as NHS waiting times reached an all-time high, driving increased utilisation of private healthcare. VH claims authorisations per 1,000 lives per month, which are strongly correlated to NHS waiting times, increased materially, largely due to higher primary care-related authorisations. Increased utilisation was exacerbated by elevated medical and general inflation.

Management has taken various corrective actions, which include the implementation of pricing increases in line with the market. Emerging earned premiums are expected to offset the claims increase going forward, however, these take time to come through since increases are applied at policy anniversary. Alongside this, VH has continued to invest in its healthcare risk management capabilities resulting in lower costs per authorisation.

Excluding claims, performance across key metrics was strong. Lives covered increased by 10% and earned premiums grew by 11%, reflecting the strong new business and low lapse rates. Retention rates were strong, despite the cost-of-living crisis and higher renewal premium increases. VH continues to prioritise prevention through the Vitality programme, while investing in expansive primary care assets and digital servicing, to achieve cost efficiencies. The business is well-positioned to deliver sustainable growth going forward.

Vitality Life

	Unit	December 2023	December 2022	% Change
Normalised profit from operations	GBP million	**16.6**	9.7	71%
	R million	**390**	198	97%
Earned premium	GBP million	**196.6**	178.1	10%
	R million	**4 607**	3 647	26%
New business API	GBP million	**39.9**	39.3	2%
	R million	**935**	801	17%
Lives covered	Number	**782 296**	735 202	6%
VNB margin	%	**(2.8%)**	1.4%	n/a

VitalityLife's (VL) normalised operating profit grew by 71%. Earnings were boosted by one-off cashflow variances and increased investment income, in particular on the Prudential Assurance Company (PAC) book, given significantly higher UK interest rates.

New business grew modestly in a contracting UK market, with the business focusing on the quality of the portfolio through an improved business mix and an increase in the proportion of index-linked policies. Higher long-term interest rates and expense inflation negatively impacted new business margins. However, the business benefitted from GBP 13.8 million higher indexation on existing premiums given elevated inflation rates. This value is presented in other comprehensive income (OCI) and will emerge as profit in the future.

Underlying business performance was robust despite a challenging macroeconomic backdrop, with positive lapse and claims experience reflecting the continued engagement in Vitality – driving positive actuarial dynamics. Lives covered increased by 6%, while earned premiums increased by 10%, highlighting the strong retention performance and high indexation increases.

Results commentary *continued*

Vitality Global, including new initiatives

Vitality Global (VG) includes Vitality Network (VN), as well as Ping An Health Insurance (PAHI) within Vitality Health International (VHI). VG increased operating profits by 55% to US$24.4 million (71% to R455 million).

Vitality Network

	Unit	December 2023	December 2022	% Change
Revenue[1]	US$ million	**50.3**	43.4	16%
	R million	**942**	754	25%
Normalised profit from operations	US$ million	**15.8**	11.5	37%
	R million	**296**	199	49%
Integrated API by insurance partners	US$ million	**807**	696	16%
	R billion	**15.1**	12.1	25%
Number of lives:	Million	**4.3**	3.4	28%

1 *Includes VN solutions revenue.*

VN grew normalised operating profit 37% to US$15.8 million, following robust revenue and profit growth, with margin expansion. Strong sales, membership, and revenue growth in Asia drove a 16% growth in total revenues, despite continued US dollar strength relative to many Asian currencies, in particular relative to the yen. Revenues remain diversified across emerging and developed market currencies.

Total membership growth of 28%, driven largely by sales and growth in existing markets, demonstrates the expanding global relevance of the Vitality Shared-value Insurance model. This reporting period also saw strong growth in India, through Tata AIA Vitality, growing rapidly to over 290,000 members as at December 2023.

The business is appropriately scaled for further growth and the capital investment into the V1 Platform has now peaked. The profit margin, now above 30%, is expected to continue to expand through continued revenue growth and a flat US dollar cost base, given the cost bias to South African rand.

Vitality Health International

	Unit	December 2023	December 2022	% Change
PAHI (25%), after Discovery's costs	R million	**344**	85	305%
PAHI (25%), after Discovery's costs	US$ million	**18.4**	5.2	254%
Other VHI	US$ million	**(9.2)**	(0.5)	1740%
Normalised operating profit-total	US$ million	**9.2**	4.7	96%
PAHI				
New business PAHI own licence (100%)	RMB million	**1 591**	1 298	23%
New business PAHI Reinsurance	RMB million	**173**	157	11%
New business PAHI total (100%)	RMB million	**1 764**	1 455	21%
Written premium-own licence	RMB million	**6 535**	5 603	17%
Written premium-reinsurance	RMB million	**2 479**	2 603	-5%
Total written premium (100%)	RMB million	**9 014**	8 206	10%
Earned premiums – Total	RMB million	**7 524**	6 623	14%
Lives-own licence	Million	**26.2**	19.6	34%
Lives-reinsurance	Million	**6.1**	8.6	(29%)
Total lives	Million	**32.3**	28.0	15%
PAHI profit before income and gains (100%)	RMB million	**357**	118	203%
PAHI investment income and gains (100%)	RMB million	**202**	139	45%
PAHI pre-tax profit (100%)	RMB million	**559**	257	117%

VHI's profit increased 96% to US$9.2 million in the period, driven by the Group's share of PAHI's after-tax operating profit, less Discovery's costs, increasing 254% to US$18.4 million. PAHI delivered an excellent performance in a complex operating environment in China, with continued strong operating margins and consistently superior premium income growth compared to the industry. The effective tax rate on net investment income benefitted significantly from higher dividend income over the period. PAHI has maintained a robust balance sheet with a comprehensive solvency ratio of 306% driving increased investment income through a conservative investment strategy.

New business on the PAHI insurance licence increased by 23%, propelled by a substantial rise in new business through non-Ping An Life channels and a market shift towards higher-end products. Total written premiums increased by 10%, with premiums written on the PAHI licence increasing by 17%, given the gradual run-down of Ping An Life's business reinsured by PAHI, which was anticipated. Over the calendar year 2023, growth was just under 10 percentage points ahead of the market growth. This has been driven by an uptick in new business over the reporting period, as well as continued improvements to retention.

VHI is leveraging the deep data and unique assets of Discovery Group to take advantage of the rapidly evolving US market. The business is doing this by investing in the technology and capabilities of Vitality USA and is showing early signs of success. Amplify Health has made continued progress in the build of four solutions, with three key products already at the deployment stage with AIA markets. The sales traction has increased, with a pipeline emerging in AIA markets as well as with third-party clients in the region. Quantium Health continues to focus on seeking opportunities outside of its core market in Australia with some traction being shown in the UK and US.

03 Transitioning to the new IFRS 17 Insurance Contracts accounting standard

Earnings for the period are reported under the new IFRS 17 Insurance Contracts accounting standard for the first time and the earnings for the prior period have been restated. At the Group's June 2023 financial year results announcement, the Group highlighted that the transition to IFRS 17 would result in a reduction in shareholder equity, with a resulting increase in the contractual service margin (CSM), which should be seen as a store of value to be released as future profit. As such, the transition would not have any material impact on the Group's underlying economic value, solvency levels or cash flows, but would affect its incidence of profit recognition.

The restated normalised profit from operations under IFRS 17 for the prior period to 31 December 2022 was 16% lower than under the previously disclosed IFRS 4 Insurance Contracts accounting standard. The new IFRS 17 reporting disclosures are detailed in this announcement.

PROSPECTS AND DIVIDEND

Discovery's growth strategy is based on the efficacy, repeatability and scalability of its Vitality Shared-value Insurance model through organic growth and global partnerships. The performance during the period has enhanced the Group's confidence in this strategy. In addition to the robust growth expected from its core operations, Discovery has established strong platforms for growth after periods of investment, in particular, Discovery Bank and Vitality Global. These are expected to deliver strong revenue growth and operational leverage, supporting strong earnings growth and cash generation for the Group.

At the Group's June 2023 financial year results announcement, Discovery described its dividend policy under IFRS 17. The annual ordinary dividend is expected to be covered approximately five times by normalised headline earnings, with interim ordinary dividends expected to be paid in the range of 30%-40% of the expected total annual ordinary dividend, with the remainder of the dividend to be paid as a final dividend. The Group has declared its interim ordinary dividends for period at 65 cents per share.

NOTES TO ANALYSTS

Any forecast financial information contained in this announcement has not been reviewed or reported on by the Company's external auditors.

Discovery has published supplemental unaudited information on the website. For this and other results information, visit **https://www.discovery.co.za/corporate/financial-results** and go to Financial and annual reports.

On behalf of the Board

ME Tucker Chairperson	**A Gore** Group Chief Executive

Sandton
19 March 2024

Group statement of financial position

at 31 December 2023

R million	Notes	Group December 2023 Unaudited	Restated[1] Group June 2023 Unaudited	Restated[1] Group 1 July 2022 Unaudited
Assets				
Goodwill		**5 353**	5 406	4 912
Intangible assets		**7 094**	7 064	6 584
Property and equipment		**3 918**	3 910	3 811
Assets arising from insurance contracts issued	D.4.1.	**37 791**	32 914	30 863
Assets arising from reinsurance contracts held	D.4.1.	**791**	604	873
Deferred tax asset		**5 359**	6 320	5 688
Assets arising from contracts with customers		**2 473**	2 221	1 709
Investment in equity-accounted investees		**7 867**	7 398	6 338
Financial assets				
– Loans and advances to customers at amortised cost		**5 219**	4 702	3 944
– Investments at amortised cost		**10 257**	9 910	7 161
– Investments at fair value through profit or loss		**155 172**	155 426	141 494
– Derivative financial instruments at fair value through profit or loss		**157**	119	276
Contract receivables and other receivables		**5 755**	5 684	5 223
Non-current assets held for sale		**–**	–	171
Current tax asset		**211**	41	220
Cash and cash equivalents		**14 507**	16 260	13 787
TOTAL ASSETS		**261 924**	257 979	233 054
Equity				
Capital and reserves				
Ordinary share capital and share premium		**10 794**	10 351	10 178
Perpetual preference share capital		**779**	779	779
Other reserves		**3 860**	3 045	2 243
Retained earnings		**36 769**	34 209	27 617
Equity attributable to equity holders of the Company		**52 202**	48 384	40 817
Non-controlling interest		**4**	4	5
TOTAL EQUITY		**52 206**	48 388	40 822
Liabilities				
Liabilities arising from insurance contracts issued	D.4.1.	**99 527**	95 695	85 055
Liabilities arising from reinsurance contracts held	D.4.1.	**5 684**	4 843	5 207
Deferred tax liability		**6 687**	6 222	6 313
Contract liabilities to customers		**591**	656	944
Third-party interest in consolidated funds		**29 704**	28 346	24 320
Financial liabilities				
– Borrowings at amortised cost	A.5.	**20 491**	20 586	20 584
– Other financial payables at amortised cost		**6 834**	9 112	8 492
– Deposits from customers		**16 667**	14 333	10 881
– Investment contracts at fair value through profit or loss		**21 980**	28 903	28 955
– Derivative financial instruments at fair value through profit or loss		**35**	20	202
Other payables and provisions		**1 481**	710	752
Current tax liability		**37**	165	527
TOTAL LIABILITIES		**209 718**	209 591	192 232
TOTAL EQUITY AND LIABILITIES		**261 924**	257 979	233 054

1 *The comparative information has been restated for the initial application of IFRS 17, changes in the presentation of specified line items and the correction of prior period errors. Refer to section D, note D.1.1. – D.1.4. for more detail.*

Group income statement

for the six months ended 31 December 2023

R million	Notes	Group six months ended December 2023 Unaudited	Restated[1] Group six months ended December 2022 Unaudited	Restated[1] Group year ended June 2023 Unaudited
Insurance revenue	D.4.11.	**26 117**	22 532	47 208
Insurance service expenses		**(22 953)**	(19 663)	(41 634)
Net (expenses)/income from reinsurance contracts		**(609)**	13	(188)
Insurance service result		**2 555**	2 882	5 386
Net financial result from insurance finance income and expense	D.4.12.	**(2 892)**	(4 233)	(7 458)
– Net finance expense from insurance contracts		**(2 730)**	(4 085)	(7 172)
– Net finance expense from reinsurance contracts		**(162)**	(148)	(286)
Investment income using the effective interest rate method		**412**	248	616
Net fair value gains on financial assets at fair value through profit or loss		**6 670**	8 587	16 726
Fair value adjustment to liabilities under investment contracts		**(691)**	(1 092)	(2 593)
Third party interest: fair value adjustment to liabilities under investment contracts		**(1 149)**	(1 539)	(2 978)
Other gains on financial instruments		**5**	–	–
Net insurance and investment results		**4 910**	4 853	9 699
Fee income from administration businesses	A.4.	**6 903**	6 348	13 224
Vitality income	A.4.	**2 135**	1 943	3 891
Net banking fee and commission income		**581**	449	965
– Banking fee and commission income	A.4.	**845**	583	1 292
– Banking fee and commission expense		**(264)**	(134)	(327)
Net bank interest and similar income		**366**	268	574
– Bank interest and similar income using the effective interest rate		**869**	591	1 318
– Bank interest and similar expense using the effective interest rate		**(503)**	(323)	(744)
Other income		**779**	743	1 544
Non-insurance revenue and income		**10 764**	9 751	20 198
Net income		**15 674**	14 604	29 897
Acquisition costs		**(456)**	(423)	(880)
Expected credit losses		**(93)**	(43)	(139)
Marketing and administration expenses		**(9 573)**	(8 674)	(18 439)
Impairment of goodwill		**–**	–	(9)
Operating profit before integral equity-accounted investments		**5 552**	5 464	10 430
Loss on dilution and disposal of equity-accounted investments		**–**	–	(5)
Share of net profits from equity-accounted investments		**278**	55	525
Profit before finance costs and tax		**5 830**	5 519	10 950
Finance costs		**(1 025)**	(924)	(1 919)
Foreign exchange (losses)/gains		**(40)**	28	151
Profit before tax		**4 765**	4 623	9 182
Income tax expense		**(1 422)**	(1 385)	(2 516)
Profit for the period/year		**3 343**	3 238	6 666
Profit attributable to:				
– Ordinary shareholders		**3 304**	3 207	6 604
– Preference shareholders		**44**	31	69
– Non-controlling interest		**(5)**	–	(7)
		3 343	3 238	6 666
Earnings per share for profit attributable to ordinary shareholders of the Company during the period/year (cents):				
– Basic		**492.9**	487.9	986.5
– Diluted		**490.4**	480.9	981.6

1 The comparative information has been restated for the initial application of IFRS 17 as well as for changes in the presentation of equity-accounted investments to enhance the understandability of the Group income statement.

Group statement of other comprehensive income

for the six months ended 31 December 2023

R million	Notes	Group six months ended December 2023 Unaudited	Restated[1] Group six months ended December 2022 Unaudited	Restated[1] Group year ended June 2023 Unaudited
Profit for the period/year		**3 343**	3 238	6 666
Items that are or may be subsequently reclassified to profit or loss:				
Currency translation differences		**(344)**	444	3 172
– Unrealised (losses)/gains		**(356)**	444	3 287
– Tax on unrealised losses/(gains)		**12**	–	(115)
Cash flow hedges		**(70)**	32	76
– Unrealised (losses)/gains		**(72)**	36	76
– Gains/(losses) reclassified to profit or loss		**2**	(5)	(1)
– Tax on reclassified gains		**–**	1	1
Net finance income/(expense) from insurance contracts issued	D.4.12.	**1 805**	(1 423)	(3 712)
– Unrealised income/(expense)		**2 413**	(1 925)	(5 072)
– Tax on unrealised (income)/expense		**(608)**	502	1 360
Net finance (expense)/income from reinsurance contracts held	D.4.12.	**(455)**	298	433
– Unrealised (expense)/income		**(608)**	400	589
– Tax on unrealised expense/(income)		**153**	(102)	(156)
Share of other comprehensive income/(loss) from equity-accounted investments		**18**	(36)	433
– Change in fair value of debt instruments at fair value through other comprehensive income		**(1)**	(12)	(10)
– Currency translation differences		**19**	(24)	443
Items that may not be reclassified to profit or loss:				
Share of other comprehensive (loss)/income from equity-accounted investments		**(2)**	2	8
– Change in fair value of equity instruments at fair value through other comprehensive income		**(2)**	2	8
Other comprehensive income/(loss) for the period/year, net of tax		**952**	(683)	410
Total comprehensive income for the period/year		**4 295**	2 555	7 076
Attributable to:				
– Ordinary shareholders		**4 251**	2 523	7 014
– Preference shareholders		**44**	31	69
– Non-controlling interest		**–**	1	(7)
Total comprehensive income for the period/year		**4 295**	2 555	7 076

1 *The comparative information has been restated for the initial application of IFRS 17. Refer to section D, notes D.1.1. – D.1.4. for detail.*

Group statement of cash flows

for the six months ended 31 December 2023

R million	Group six months ended December 2023 Unaudited	Restated[1] Group six months ended December 2022 Unaudited	Restated[1] Group year ended June 2023 Unaudited
Cash flows from operating activities	**(1 009)**	1 163	5 293
Cash (utilised)/generated by operations	**(1 042)**	5 876	11 052
Purchase of investments held to back policyholder liabilities	**(31 756)**	(35 314)	(62 773)
Proceeds from disposal of investments held to back policyholder liabilities	**30 931**	30 303	55 908
Cash (utilised)/generated from operating activities	**(1 867)**	865	4 187
Dividends received	**367**	186	728
Interest received	**2 085**	2 086	3 718
Interest paid	**(802)**	(932)	(1 501)
Taxation paid	**(792)**	(1 042)	(1 839)
Cash flows from investing activities	**556**	(740)	(2 236)
Purchase of financial assets	**(14 243)**	(16 295)	(30 966)
Proceeds from disposal of financial assets	**16 020**	16 567	30 932
Purchase of property and equipment	**(246)**	(210)	(551)
Proceeds from disposal of property and equipment	**–**	2	2
Purchase of intangible assets	**(800)**	(751)	(1 760)
Acquisition of business net of cash	**–**	–	(3)
Additional investment in equity-accounted investments	**(176)**	(109)	(182)
Proceeds from sale of non-current asset held for sale	**–**	–	184
Dividends from equity-accounted investments	**1**	56	108
Cash flows from financing activities	**(1 150)**	(651)	(1 234)
Dividends paid to ordinary shareholders	**(739)**	–	–
Dividends paid to preference shareholders	**(44)**	(31)	(69)
Proceeds from borrowings	**500**	3 856	7 442
Repayment of borrowings	**(867)**	(4 476)	(8 607)
Net (decrease)/increase in cash and cash equivalents	**(1 603)**	(228)	1 823
Cash and cash equivalents at beginning of the period/year	**16 227**	13 631	13 631
Effects of exchange rate changes on cash and cash equivalents	**(117)**	94	773
Cash and cash equivalents at end of the period/year	**14 507**	13 497	16 227
Reconciliation to statement of financial position			
Cash and cash equivalents	**14 507**	13 497	16 260
Bank overdraft included in borrowings at amortised cost	**–**	–	(33)
Cash and cash equivalents at end of the period/year	**14 507**	13 497	16 227

1 *The comparative information has been restated for the initial application of IFRS 17. Refer to section D, notes D.1.1. – D.1.4. for detail.*

Group statement of changes in equity

for the six months ended 31 December 2023

	Attributable to equity holders of the Company				Attributable to equity holders of the Company						
R million	Share capital and share premium	Perpetual preference share capital	Share-based payment reserve	Investment reserve[1]	Insurance finance reserve	Foreign currency translation reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total
Period ended 31 December 2023											
At beginning of the period – July 2023	**10 351**	**779**	**1 190**	**19**	**(4 685)**	**6 480**	**41**	**34 209**	**48 384**	**4**	**48 388**
Total comprehensive income for the period	**–**	**44**	**–**	**(3)**	**1 350**	**(330)**	**(70)**	**3 304**	**4 295**	**–**	**4 295**
Profit for the period	**–**	**44**	**–**	**–**	**–**	**–**	**–**	**3 304**	**3 348**	**(5)**	**3 343**
Other comprehensive income	**–**	**–**	**–**	**(3)**	**1 350**	**(330)**	**(70)**	**–**	**947**	**5**	**952**
Transactions with owners	**443**	**(44)**	**(132)**	**–**	**–**	**–**	**–**	**(744)**	**(477)**	**–**	**(477)**
Share issue	**432**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**432**	**–**	**432**
Increase in treasury shares	**(432)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(432)**	**–**	**(432)**
Delivery of treasury shares	**443**	**–**	**(438)**	**–**	**–**	**–**	**–**	**(5)**	**–**	**–**	**–**
Employee share option schemes:											
– Value of employee services, net of tax	**–**	**–**	**306**	**–**	**–**	**–**	**–**	**–**	**306**	**–**	**306**
Dividends paid to preference shareholders	**–**	**(44)**	**–**	**–**	**–**	**–**	**–**	**–**	**(44)**	**–**	**(44)**
Dividends paid to ordinary shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(739)**	**(739)**	**–**	**(739)**
At end of the period	**10 794**	**779**	**1 058**	**16**	**(3 335)**	**6 150**	**(29)**	**36 769**	**52 202**	**4**	**52 206**
Period ended 31 December 2022											
At beginning of the period – July 2022	10 178	779	798	35	–	2 823	(35)	38 972	53 550	5	53 555
– New IFRS transitional adjustment[2]	–	–	–	(14)	(1 406)	–	–	(11 150)	(12 570)	–	(12 570)
– Prior period error adjustments	–	–	–	–	–	42	–	(205)	(163)	–	(163)
Restated balance at beginning of the period	10 178	779	798	21	(1 406)	2 865	(35)	27 617	40 817	5	40 822
Total comprehensive income for the period	–	31	–	(10)	(1 125)	419	32	3 207	2 554	1	2 555
Profit for the period	–	31	–	–	–	–	–	3 207	3 238	–	3 238
Other comprehensive income	–	–	–	(10)	(1 125)	419	32	–	(684)	1	(683)
Transactions with owners	172	(31)	22	–	–	–	–	(16)	147	–	147
Share issue	514	–	–	–	–	–	–	–	514	–	514
Increase in treasury shares	(514)	–	–	–	–	–	–	–	(514)	–	(514)
Delivery of treasury shares	172	–	(156)	–	–	–	–	(16)	–	–	–
Employee share option schemes:											
– Value of employee services	–	–	178	–	–	–	–	–	178	–	178
Dividends paid to preference shareholders	–	(31)	–	–	–	–	–	–	(31)	–	(31)
At end of the period	10 350	779	820	11	(2 531)	3 284	(3)	30 808	43 518	6	43 524

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 application of IFRS 17.*

A Notes to the summarised financial statements

DISCLOSURE
for the six months ended 31 December 2023

A. NOTES TO THE SUMMARISED FINANCIAL STATEMENTS

A.1. Segment information

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

An operating segment is a component of an entity:

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

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

(c) For which discrete financial information is available.

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

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

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

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

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

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

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

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

A. NOTES TO THE SUMMARISED FINANCIAL STATEMENTS *continued*

A.1. Segment information *continued*

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

Discovery

SA Health

- Administers and provides managed care services to medical schemes in South Africa.
- Renders administration services to other business segments within the Group.
- Together with Medical Services Organisation International (MSO), a subsidiary company, deliver health insurance, healthcare risk management and third-party administration services within rest of Africa markets.

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.

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'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 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, UK Invest which is currently in Other initiatives and central costs.
- **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.

A.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 and comparative information has been restated accordingly.
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 R67 million for the six months ended 31 December 2022 (30 June 2023: R186 million) while investment income earned on shareholder investments and cash decreased by the same amount. For the six months ended 31 December 2023, as a result of the increases in interest rate and increasing insurance book, the consistently applied reallocation amounted to R177 million of interest earned being included in normalised profit from operations rather than investment income earned on shareholder investments and cash. These reallocations had no effect on total investment income nor total earnings.

A. NOTES TO THE SUMMARISED FINANCIAL STATEMENTS *continued*

A.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
31 December 2023											
Income statement											
Insurance revenue	193	8 595	1 866	2 792	–	7 960	4 368	343	26 117	–	26 117
– Contracts measured under the General measurement model/Variable fee approach	–	6 859	1 866	–	–	–	4 368	–	13 093	–	13 093
– Contracts measured under Premium allocation approach	193	1 736	–	2 792	–	7 960	–	343	13 024	–	13 024
Insurance service expenses	(139)	(7 489)	(1 174)	(2 810)	–	(7 197)	(3 768)	(376)	(22 953)	–	(22 953)
– Claims and benefits	(77)	(5 700)	(202)	(1 838)	–	(4 297)	(2 281)	(236)	(14 631)	–	(14 631)
– Insurance service expense and other	(62)	(819)	(525)	(452)	–	(2 051)	(209)	(140)	(4 258)	–	(4 258)
– Insurance acquisition cash flows	–	(970)	(447)	(520)	–	(849)	(1 278)	–	(4 064)	–	(4 064)
Insurance service result (pre-reinsurance)	54	1 106	692	(18)	–	763	600	(33)	3 164	–	3 164
Net (expense)/income from reinsurance contracts	–	(410)	–	19	–	(5)	(214)	1	(609)	–	(609)
– Reinsurance expense	–	(1 800)	–	(249)	–	(5)	(2 675)	(135)	(4 864)	–	(4 864)
– Insurance claims recovered from reinsurers	–	1 390	–	268	–	–	2 461	136	4 255	–	4 255
Insurance service result	54	696	692	1	–	758	386	(32)	2 555	–	2 555
Net financial result from insurance finance income and expense	–	1 318	(3 939)	–	–	–	76	–	(2 545)	(347)	(2 892)
– Net finance income/(expense) from insurance contracts	–	1 414	(3 939)	–	–	–	142	–	(2 383)	(347)	(2 730)
– Net finance expense from reinsurance contracts	–	(96)	–	–	–	–	(66)	–	(162)	–	(162)
Investment income earned on assets backing policyholder liabilities	–	10	26	103	–	83	41	10	273	139	412
Net fair value (losses)/gains on financial instruments at fair value through profit or loss	(4)	520	3 911	4	–	56	–	424	4 911	1 759	6 670
Fair value adjustments to liabilities under investment contracts	–	(1)	(260)	–	–	–	–	(430)	(691)	–	(691)
Third party interest: fair value adjustments to liabilities under investment contracts	–	–	–	–	–	–	–	–	–	(1 149)	(1 149)
Intersegment funding	–	(121)	121	–	–	–	–	–	–	–	–
Other gains on financial instruments	–	–	–	–	5	–	–	–	5	–	5
Net insurance and investment results	50	2 422	551	108	5	897	503	(28)	4 508	402	4 910
Fee income from administration businesses	4 452	–	812	4	–	25	–	1 610	6 903	–	6 903
Vitality income	–	–	–	–	–	301	131	1 703	2 135	–	2 135
Net banking fee and commission income	–	–	–	–	567	–	–	14	581	–	581
– Banking fee and commission income	–	–	–	–	845	–	–	–	845	–	845
– Banking fee and commission expense	–	–	–	–	(278)	–	–	14	(264)	–	(264)
Net bank interest and similar income	–	–	–	–	366	–	–	–	366	–	366
– Bank interest and similar income using the effective interest rate	–	–	–	–	869	–	–	–	869	–	869
– Bank interest and similar expense using the effective interest rate	–	–	–	–	(503)	–	–	–	(503)	–	(503)
Other income	689	1	–	11	–	12	–	66	779	–	779
Non-insurance revenue and income	5 141	1	812	15	933	338	131	3 393	10 764	–	10 764
Net income	5 191	2 423	1 363	123	938	1 235	634	3 365	15 272	402	15 674
Acquisition costs	–	–	(402)	–	–	–	–	(54)	(456)	–	(456)
Expected credit losses	–	–	–	–	(93)	–	–	–	(93)	–	(93)
Marketing and administration expenses											
– depreciation and amortisation	(79)	–	(7)	(35)	(175)	(228)	(23)	(409)	(956)	(84)	(1 040)
– derecognition of intangible assets and property and equipment	–	–	–	(3)	–	(1)	–	(4)	(8)	–	(8)
– other expenses	(3 238)	(156)	(334)	(84)	(1 009)	(480)	(221)	(2 917)	(8 439)	(86)	(8 525)
Share of net profits from equity-accounted investments	–	–	–	19	–	1	–	282	302	(24)	278
Normalised profit/(loss) from operations	1 874	2 267	620	20	(339)	527	390	263	5 622	208	5 830
Investment income earned on shareholder investments and cash	54	13	6	–	–	–	–	66	139	(139)	–
Intercompany investment income	–	–	–	–	–	–	–	823	823	(823)	–
Net fair value gains/(losses) on financial assets at fair value through profit or loss	–	29	27	–	–	–	–	–	56	(56)	–
Amortisation of intangibles from business combinations	–	–	–	(24)	–	–	–	(28)	(52)	52	–
Market rentals related to Head Office building adjusted for finance costs and depreciation	–	–	–	–	–	–	–	(59)	(59)	59	–
Restructuring costs	–	–	–	–	–	–	–	(20)	(20)	20	–
Finance costs	(11)	(1)	–	–	–	(8)	(112)	(749)	(881)	(144)	(1 025)
Intercompany finance costs	(201)	–	–	–	–	–	(227)	(395)	(823)	823	–
Foreign exchange gains/(losses)	1	(4)	(12)	–	–	–	–	(25)	(40)	–	(40)
Profit/(loss) before tax	1 717	2 304	641	(4)	(339)	519	51	(124)	4 765	–	4 765
Income tax expense	(470)	(612)	(228)	(1)	108	(152)	(26)	(41)	(1 422)	–	(1 422)
Profit/(loss) for the period	1 247	1 692	413	(5)	(231)	367	25	(165)	3 343	–	3 343
Profit attributable to:											
– Ordinary shareholders	1 252	1 692	413	(5)	(231)	367	25	(209)	3 304	–	3 304
– Preference shareholders	–	–	–	–	–	–	–	44	44	–	44
– Non-controlling interest	(5)	–	–	–	–	–	–	–	(5)	–	(5)

A. NOTES TO THE SUMMARISED FINANCIAL STATEMENTS *continued*

A.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
31 December 2022											
Income statement											
Insurance revenue	136	8 221	1 504	2 536	–	6 425	3 458	252	22 532	–	22 532
– Contracts measured under the General measurement model/Variable fee approach	–	6 591	1 504	–	–	–	3 458	–	11 553	–	11 553
– Contracts measured under Premium allocation approach	136	1 630	–	2 536	–	6 425	–	252	10 979	–	10 979
Insurance service expense	(103)	(7 255)	(993)	(2 461)	–	(5 415)	(3 101)	(335)	(19 663)	–	(19 663)
– Claims and benefits	(65)	(5 585)	(156)	(1 629)	–	(3 200)	(1 938)	(210)	(12 783)	–	(12 783)
– Insurance service expense and other	(38)	(799)	(447)	(421)	–	(1 573)	(176)	(125)	(3 579)	–	(3 579)
– Insurance acquisition cash flows	–	(871)	(390)	(411)	–	(642)	(987)	–	(3 301)	–	(3 301)
Insurance service result (pre-reinsurance)	33	966	511	75	–	1 010	357	(83)	2 869	–	2 869
Net income/(expense) from reinsurance contracts	–	40	–	(22)	–	(4)	(19)	18	13	–	13
– Reinsurance expense	(1)	(1 680)	–	(206)	–	(787)	(1 670)	(100)	(4 444)	–	(4 444)
– Insurance claims recovered from reinsurers	1	1 720	–	184	–	783	1 651	118	4 457	–	4 457
Insurance service result	33	1 006	511	53	–	1 006	338	(65)	2 882	–	2 882
Net financial result from insurance finance income and expense	–	1 003	(5 028)	–	–	–	(82)	–	(4 107)	(126)	(4 233)
– Net finance income/(expense) from insurance contracts	–	1 114	(5 028)	–	–	–	(45)	–	(3 959)	(126)	(4 085)
– Net finance expense from reinsurance contracts	–	(111)	–	–	–	–	(37)	–	(148)	–	(148)
Investment income earned on assets backing policyholder liabilities	–	3	20	62	–	29	26	6	146	102	248
Net fair value (losses)/gains on financial instruments at fair value through profit or loss	(12)	394	5 244	(6)	–	(10)	–	709	6 319	2 268	8 587
Fair value adjustments to liabilities under investment contracts	–	(3)	(383)	–	–	–	–	(706)	(1 092)	–	(1 092)
Third party interest: fair value adjustments to liabilities under investment contracts	–	–	–	–	–	–	–	–	–	(1 539)	(1 539)
Intersegment funding	–	(102)	102	–	–	–	–	–	–	–	–
Net insurance and investment results	21	2 301	466	109	–	1 025	282	(56)	4 148	705	4 853
Fee income from administration businesses	4 121	–	746	9	–	18	–	1 454	6 348	–	6 348
Vitality income	–	–	–	–	–	185	113	1 645	1 943	–	1 943
Net banking fee and commission income	–	–	–	–	438	–	–	11	449	–	449
– Banking fee and commission income	–	–	–	–	583	–	–	–	583	–	583
– Banking fee and commission expense	–	–	–	–	(145)	–	–	11	(134)	–	(134)
Net bank interest and similar income	–	–	–	–	268	–	–	–	268	–	268
– Bank interest and similar income using the effective interest rate	–	–	–	–	591	–	–	–	591	–	591
– Bank interest and similar expense using the effective interest rate	–	–	–	–	(323)	–	–	–	(323)	–	(323)
Other income	667	2	–	6	–	13	–	55	743	–	743
Non-insurance revenue and income	4 788	2	746	15	706	216	113	3 165	9 751	–	9 751
Net income	4 809	2 303	1 212	124	706	1 241	395	3 109	13 899	705	14 604
Acquisition costs	–	–	(374)	–	–	–	–	(49)	(423)	–	(423)
Expected credit losses	–	–	–	–	(43)	–	–	–	(43)	–	(43)
Marketing and administration expenses											
– depreciation and amortisation	(70)	–	(5)	(32)	(157)	(207)	(28)	(371)	(870)	(84)	(954)
– derecognition of intangible assets and property and equipment	–	–	–	(4)	–	(60)	(18)	(5)	(87)	–	(87)
– other expenses	(2 991)	(158)	(272)	(64)	(904)	(316)	(151)	(2 724)	(7 580)	(53)	(7 633)
Share of net profits from equity-accounted investments	–	–	–	(16)	–	–	–	93	77	(22)	55
Normalised profit/(loss) from operations	1 748	2 145	561	8	(398)	658	198	53	4 973	546	5 519
Fair value losses on VitalityLife interest rate derivatives	–	–	–	–	–	–	391	–	391	(391)	–
Investment income earned on shareholder investments and cash	34	7	13	–	–	–	–	48	102	(102)	–
Intercompany investment income	–	–	–	–	–	–	–	530	530	(530)	–
Net fair value (losses)/gains on financial assets at fair value through profit or loss	–	(2)	34	–	–	–	–	(2)	30	(30)	–
Amortisation of intangibles from business combinations	–	–	–	(22)	–	–	–	(28)	(50)	50	–
Market rentals related to Head Office building adjusted for finance costs and depreciation	–	–	–	–	–	–	–	(73)	(73)	73	–
Finance costs	–	–	–	–	–	(4)	(77)	(697)	(778)	(146)	(924)
Intercompany finance costs	(166)	–	–	–	–	–	(129)	(235)	(530)	530	–
Foreign exchange gains/(losses)	1	5	6	–	–	–	(2)	18	28	–	28
Profit/(loss) before tax	1 617	2 155	614	(14)	(398)	654	381	(386)	4 623	–	4 623
Income tax expense	(441)	(581)	(214)	(7)	110	(143)	(57)	(52)	(1 385)	–	(1 385)
Profit/(loss) for the period	1 176	1 574	400	(21)	(288)	511	324	(438)	3 238	–	3 238
Profit attributable to:											
– Ordinary shareholders	1 176	1 574	400	(21)	(288)	511	324	(469)	3 207	–	3 207
– Preference shareholders	–	–	–	–	–	–	–	31	31	–	31
– Non-controlling interest	–	–	–	–	–	–	–	–	–	–	–

A. NOTES TO THE SUMMARISED FINANCIAL STATEMENTS *continued*

A.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											
Income statement											
Insurance revenue	303	16 758	3 231	5 176	–	13 670	7 535	535	47 208	–	47 208
– Contracts measured under the General measurement model/Variable fee approach	–	13 464	3 231	–	–	–	7 535	1	24 231	–	24 231
– Contracts measured under Premium allocation approach	303	3 294	–	5 176	–	13 670	–	534	22 977	–	22 977
Insurance service expense	(234)	(14 699)	(2 050)	(4 993)	–	(12 178)	(6 819)	(661)	(41 634)	–	(41 634)
– Claims and benefits	(152)	(11 282)	(331)	(3 246)	–	(7 341)	(3 891)	(409)	(26 652)	–	(26 652)
– Insurance service expense and other	(82)	(1 632)	(957)	(831)	–	(3 435)	(827)	(252)	(8 016)	–	(8 016)
– Insurance acquisition cash flows	–	(1 785)	(762)	(916)	–	(1 402)	(2 101)	–	(6 966)	–	(6 966)
Insurance service result (pre-reinsurance)	69	2 059	1 181	183	–	1 492	716	(126)	5 574		5 574
Net (expense)/income from reinsurance contracts	–	(225)	–	(70)	–	(9)	92	24	188	–	188
– Reinsurance expense	(1)	(3 549)	–	(413)	–	(1 846)	(3 464)	(221)	(9 494)	–	(9 494)
– Insurance claims recovered from reinsurers	1	3 324	–	343	–	1 837	3 556	245	9 306	–	9 306
Insurance service result	69	1 834	1 181	113	–	1 483	808	(102)	5 386	–	5 386
Net financial result from insurance finance income and expense	–	2 225	(9 815)	–	–	–	(89)	–	(7 679)	221	(7 458)
– Net finance income/(expense) from insurance contracts	–	2 450	(9 815)	–	–	–	(28)	–	(7 393)	221	(7 172)
– Net finance expense from reinsurance contracts	–	(225)	–	–	–	–	(61)	–	(286)	–	(286)
Investment income earned on assets backing policyholder liabilities	–	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	–	–	–	–	1 282	12 940	3 786	16 726
Fair value adjustments to liabilities under investment contracts	–	(3)	(1 326)	–	–	–	–	(1 264)	(2 593)	–	(2 593)
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	258	–	1 573	790	(69)	8 454	1 245	9 699
Fee income from administration businesses	8 575	–	1 566	17	–	46	–	3 020	13 224	–	13 224
Vitality income	–	–	–	–	–	462	238	3 191	3 891	–	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	1 381	3	–	14	–	48	–	98	1 544	–	1 544
Non-insurance revenue and income	9 956	3	1 566	31	1 517	556	238	6 331	20 198	–	20 198
Net income	10 019	4 721	2 687	289	1 517	2 129	1 028	6 262	28 652	1 245	29 897
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	(6 173)	(346)	(622)	(133)	(1 831)	(790)	(373)	(5 726)	(15 994)	(106)	(16 100)
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	589	164	10 039	925	10 964
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)	–
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	–
Finance costs	(2)	(1)	–	–	–	(8)	–	(1 617)	(1 628)	(291)	(1 919)
Intercompany finance costs	(348)	–	–	–	–	–	(316)	(520)	(1 184)	1 184	–
Foreign exchange (losses)/gains	(4)	33	36	–	–	1	–	85	151	–	151
Profit/(loss) before tax	3 436	4 452	1 424	22	(767)	627	789	(801)	9 182	–	9 182
Income tax expense	(941)	(1 192)	(377)	(24)	226	(141)	(95)	28	(2 516)	–	(2 516)
Profit/(loss) for the year	2 495	3 260	1 047	(2)	(541)	486	694	(773)	6 666	–	6 666
Profit attributable to:											
– Ordinary shareholders	2 502	3 260	1 047	(2)	(541)	486	694	(842)	6 604	–	6 604
– Preference shareholders	–	–	–	–	–	–	–	69	69	–	69
– Non-controlling interest	(7)	–	–	–	–	–	–	–	(7)	–	(7)

A. NOTES TO THE SUMMARISED FINANCIAL STATEMENTS *continued*

A.2. Normalised profit from operations

The following table shows the main components of the normalised profit from operations for the six months ended 31 December 2023:

R million	**Group December 2023 Unaudited**	Restated Group December 2022 Unaudited	% Change	Restated Group June 2023 Unaudited
Discovery Health	**1 874**	1 748	7	3 698
Discovery Life	**2 267**	2 145	6	4 375
Discovery Invest	**620**	561	11	1 273
Discovery Insure – Personal lines	**20**	8	>100	73
Discovery Bank	**(339)**	(398)	(15)	(767)
Other initiatives and central costs*	**(87)**	(78)	12	(281)
– Discovery Vitality	**22**	21		16
– Other initiatives and central costs	**(109)**	(99)		(297)
Normalised profit from SA composite	**4 355**	3 986	9	8 371
VitalityHealth	**527**	658	(20)	634
VitalityLife	**390**	198	97	589
Closure costs of VitalityInvest in rundown*	**(57)**	(109)	(48)	(266)
Group other initiatives and central costs*	**(48)**	(26)	85	(79)
Normalised profit from UK composite	**812**	721	13	878
Vitality Health International – Ping An Health Insurance*	**344**	85	>100	609
Vitality Health International – Other*	**(173)**	(9)	>100	(195)
Vitality Network*	**296**	199	49	411
Group other initiatives and central costs*	**(12)**	(9)	33	(35)
Normalised profit from Vitality Global composite	**455**	266	71	790
Normalised profit from operations	**5 622**	4 973	13	10 039

* *Presented in 'All other segments' on the Segment information disclosure note A.1.*

A.3. Earnings, headline earnings and normalised headline earnings

	Group six months ended December 2023 Unaudited	Restated Group six months ended December 2022 Unaudited	Restated Group year ended June 2023 Unaudited
Number of shares used in calculation			
Weighted average number of shares in issue ('000)	**660 270**	657 288	658 045
Diluted weighted number of shares ('000)	**663 670**	666 964	661 328
Earnings per share (cents):			
– basic	**492.9**	487.9	986.5
– diluted	**490.4**	480.9	981.6
Headline earnings per share (cents):			
– basic	**493.8**	498.4	1 035.3
– diluted	**491.2**	491.2	1 030.2
Normalised headline earnings per share (cents):			
– basic	**502.8**	457.0	1 011.3
– diluted	**500.2**	450.3	1 006.2

Weighted average number of shares

	Group six months ended December 2023 Unaudited	Group ended December 2022 Unaudited	Group year ended June 2023 Unaudited
Issued ordinary shares at 1 July	**658 424**	656 957	656 957
Effect of treasury shares vested	**1 834**	310	1 052
Effect of share options exercised and vesting of share awards	**12**	21	36
Weighted average number of ordinary shares (basic)	**660 270**	657 288	658 045
Effect of share options exercised and vesting of share awards	**3 400**	9 676	3 283
Weighted average number of ordinary shares (diluted)	**663 670**	666 964	661 328

Earnings reconciliation

R million	Group six months ended December 2023 Unaudited	Restated Group six months ended December 2022 Unaudited	Restated Group year ended June 2023 Unaudited
Profit attributable to ordinary shareholders adjusted for:	**3 304**	3 207	6 604
– Profit attributable to non-forfeitable dividend share plan	**(50)**	–	(113)
Profit attributable to ordinary shareholders of the Company (basic)	**3 254**	3 207	6 491

A. NOTES TO THE SUMMARISED FINANCIAL STATEMENTS *continued*

A.3. Earnings, headline earnings and normalised headline earnings *continued*

Headline earnings reconciliation

Headline earnings per share is disclosed per the Johannesburg Stock Exchange (JSE) Limited Listings Requirements and is calculated in accordance with the circular titled: *Headline Earnings*, issued by the South African Institute of Chartered Accountants (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 six months ended 31 December 2023 Unaudited			Restated Group six months ended 31 December 2022 Unaudited			Restated Group year ended 30 June 2023 Unaudited
R million	**Gross**	**Tax**	**Net**	Gross	Tax	Net	Net
Profit attributable to the ordinary shareholders			**3 254**			3 207	6 491
Adjusted for:							
– Loss on derecognition of intangible assets	**5**	**(1)**	**4**	82	(17)	65	230
– Loss on derecognition of property and equipment	**3**	**(1)**	**2**	5	(1)	4	27
– Loss on disposal of property and equipment	**–**	**–**	**–**	–	–	–	7
– Impairment of goodwill	**–**	**–**	**–**	–	–	–	9
– Impairment of property and equipment	**–**	**–**	**–**	–	–	–	45
Adjustments attributable to equity-accounted investments:							
– Loss on dilution and disposal of equity-accounted investments	**–**	**–**	**–**	–	–	–	4
Headline earnings (basic and diluted)			**3 260**			3 276	6 813

Normalised headline earnings reconciliation

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

	Group six months ended 31 December 2023 Unaudited			Restated Group six months ended 31 December 2022 Unaudited			Restated Group year ended 30 June 2023 Unaudited
R million	**Gross**	**Tax**	**Net**	Gross	Tax	Net	Net
Headline earnings			**3 260**			3 276	6 813
Adjusted for:							
– Gain on fair value changes in respect of swaption contract in VitalityLife	**–**	**–**	**–**	(391)	80	(311)	(248)
– Amortisation of intangible assets arising from business combinations	**28**	**(7)**	**21**	27	(5)	22	44
– Restructuring cost	**20**	**(5)**	**15**	–	–	–	–
Adjustments attributable to equity-accounted investments:							
– Amortisation of intangible assets arising from business combinations	**24**	**–**	**24**	17	–	17	46
Normalised headline earnings (basic and diluted)			**3 320**			3 004	6 655

A.4. Revenue from non-insurance activities

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

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

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

R million	Group December 2023 Unaudited	Restated Group December 2022 Unaudited
Fee income from administration business	**6 903**	6 348
– Over time	**6 886**	6 330
– Point-in-time	**17**	18
Vitality Income	**2 135**	1 943
– Over time	**1 362**	1 317
– Point-in-time	**773**	626
Banking fee and commission income	**845**	583
– Over time	**471**	249
– Point-in-time	**374**	334

A.5. Borrowings at amortised cost

R million	Reference	December 2023 Unaudited	June 2023 Audited
Borrowing from banks and listed debt		**16 226**	16 328
– UK borrowings	A.5.1.	**3 621**	3 682
– South African borrowings	A.5.2.	**12 605**	12 646
Bank overdraft in underlying liabilities of consolidated Unit Trusts		**–**	33
Lease liabilities		**4 265**	4 225
– 1 Discovery Place (1 DP)		**3 294**	3 326
– Other lease liabilities		**971**	899
Total borrowings at amortised cost		**20 491**	20 586

A.5.1 UK borrowings

Facility amount GBP million	Variable rate	Capital repayment and maturity date	Carrying value GBP/Rand million December 2023 Unaudited GBP	December 2023 Unaudited R	June 2023 Audited GBP	June 2023 Audited R
25	SONIA + 2.75%[1]	At maturity – 23 December 2025	**25**	**587**	25	597
75	SONIA + 3.00%[1]	At maturity – 21 December 2025	**75**	**1 762**	75	1 793
55	SONIA + 2.85%[1]	At maturity – 12 December 2025	**54**	**1 272**	54	1 292
Total UK borrowings at amortised cost			**154**	**3 621**	154	3 682

1 *Interest payable quarterly in arrears.*

Total finance costs in respect of the UK borrowings for the period ended 31 December 2023 was £6.5 million (R153 million) (31 December 2022: £4.3 million (R88 million)).

A. NOTES TO THE SUMMARISED FINANCIAL STATEMENTS *continued*

A.5. Borrowings at amortised cost *continued*

A.5.2 South African borrowings

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.

A5.2.1 DISCOVERY LIMITED

Facility amount R million	Variable rate	Interest rate per annum	Capital repayment and maturity date	Carrying value R million December 2023 Unaudited	Carrying value R million June 2023 Audited
Listed DMTN[1]					
500	3-month Jibar + 205 bps	4.25%[2,3]	At maturity – 21 August 2023	**–**	505
200	–	10.46%[4]	At maturity – 21 November 2024	**202**	202
800	3-month Jibar + 191 bps	8.40%[2,3]	At maturity – 21 November 2024	**809**	808
1 200	3-month Jibar + 191 bps	7.30%[2,3]	At maturity – 21 November 2024	**1 217**	1 218
700	3-month Jibar + 180 bps	8.49%[2,3]	At maturity – 21 August 2026	**707**	707
300	3-month Jibar + 180 bps	7.60%[2,3]	At maturity – 21 August 2026	**304**	304
792	3-month Jibar + 173 bps	7.98%[3,5]	At maturity – 21 May 2027	**800**	799
226	3-month Jibar + 180 bps	7.98%[3,5]	At maturity – 21 May 2029	**228**	228
Unlisted DMTN					
2 500	–	9.62%[3]	At maturity – 22 February 2025	**2 524**	2 522
1 650	–	9.55%[3]	At maturity – 10 March 2026	**1 658**	1 658
Other					
1 000	3-month Jibar + 190 bps	8.38%[2]	At maturity – 2 March 2028	**996**	997
500	3-month Jibar + 190 bps		At maturity – 2 March 2028	**499**	–
Total Discovery Limited borrowings				**9 944**	9 948

1 DMTN refers to the R10 billion Discovery Domestic Medium Term Note (DMTN) program registered in 2017.
2 The interest rate has been fixed through interest rate swaps.
3 Interest is payable quarterly in arrears.
4 Interest is payable semi-annually in arrears.
5 The interest rate has been fixed through interest rate swaps and/or subject to interest rate caps.

A5.2.2 DISCOVERY CENTRAL SERVICES

Facility amount R million	Interest rate per annum	Capital repayment and maturity date	Carrying value R million December 2023 Unaudited	Carrying value R million June 2023 Audited
1 400	9.97%[1,2]	At maturity – 20 December 2028	**1 404**	1 408
650	11.56%[3]	At maturity – 29 October 2027	**412**	445
691	3-month Jibar + 1.9%	At maturity – 30 June 2027	**694**	694
1 500	3-month Jibar + 1.45%	At maturity – 8 June 2024	**151**	151
Total Discovery Central Services borrowings			**2 661**	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 +2.05% to a fixed interest rate of 9.97% due to refinancing of the loan during the current financial period.
3 Instalments of interest and capital are monthly.

Total finance costs in respect of South African borrowings and related hedges for the six months ended 31 December 2023 was R640 million (31 December 2022: R615 million).

A.6. Fair value hierarchy of financial instruments

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

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

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

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

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

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

	December 2023			
R million (unaudited)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments mandatorily at fair value through profit or loss:				
– Equity portfolios	61 141	6 917	–	68 058
– Debt portfolios	44 380	1 367	–	45 747
– Money market portfolios	–	17 707	–	17 707
– Multi-asset portfolio	–	23 660	–	23 660
Derivative financial instruments at fair value:				
– used as cash flow hedges	–	20	–	20
– not designated as hedging instruments	–	137	–	137
Total financial assets	**105 521**	**49 808**	**–**	**155 329**
Financial liabilities				
Third-party interest in consolidated funds	–	29 704	–	29 704
Investment contracts at fair value through profit or loss	–	21 980	–	21 980
Derivative financial instruments at fair value:				
– used as cash flow hedges	–	35	–	35
Total financial liabilities	**–**	**51 719**	**–**	**51 719**

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

A. NOTES TO THE SUMMARISED FINANCIAL STATEMENTS *continued*

A.6. Fair value hierarchy of financial instruments *continued*

	June 2023			
R million (unaudited)	Level 1	Restated Level 2	Level 3	Restated Total
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	–	22 656	–	22 656
– 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	64 489	–	155 545
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

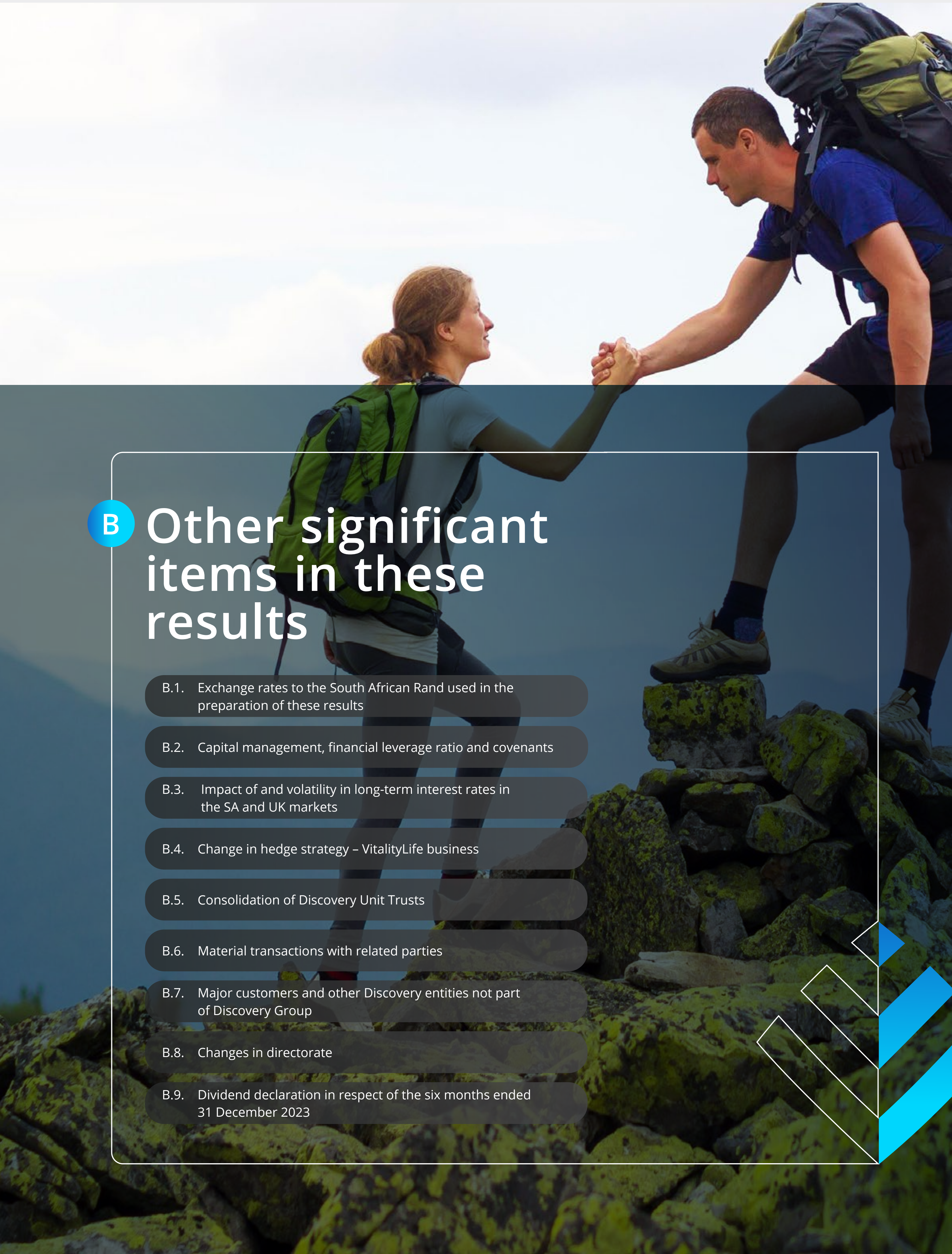
Specific valuation techniques used to value financial instruments in level 2

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.

A.6. Fair value hierarchy of financial instruments *continued*

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 items
Within equity portfolios, Equity-linked notes	The calculation of the daily value of the equity-linked investments is made by the provider of the note. Discovery has procedures in place to ensure that these prices are correct. Aside from the daily reasonableness checks versus similar funds and movement since the prior day's price, the fund values are calculated with reference to a specific formula or index, disclosed to the policyholders, which is recalculated by Discovery in order to check if the price provided by the provider is correct.	– discount rate – spot price of the underlying
Debt portfolios and Money market instruments	Money market instruments are valued by discounting the future cash flows using a risk-adjusted discount rate.	– discount rate, credit spread
Multi-assets	The fair values of 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 accounted for by the Group. The investment contract obliges the Group to use these assets to settle these liabilities. Therefore, the fair value of third-party interest in consolidated funds and investment contract liabilities is determined with reference to the fair value of the underlying assets (i.e. amount payable on surrender of the policies). Annuity: certain discounted cash flow models are used to determine the fair value of the stream of future payments.	– discount rate – spot price of the underlying
Derivatives	Standard derivative contracts are valued using market accepted models and quoted parameter inputs. More complex derivative contracts are modelled using more sophisticated modelling techniques applicable to the instrument. Techniques include: ▪ Discounted cash flow model ▪ Black-Scholes model ▪ Combination technique models	– discount rate – spot price of the underlying – correlation factors – volatilities – earnings yield – valuation multiples



B Other significant items in these results

B. OTHER SIGNIFICANT ITEMS IN THESE RESULTS

B.1. Exchange rates to the South African Rand used in the preparation of these results

Exchange rate to SA rand	Closing rates December 2023	Closing rates June 2023	Closing rates Change %	Closing rates June 2022	Average rates December 2023	Average rates December 2022	Average rates June 2023
US dollar	**18.54**	18.87	(2)	16.47	**18.71**	17.35	17.79
Pound sterling	**23.57**	23.99	(2)	20.00	**23.43**	20.38	21.43
Chinese Yuan	**2.61**	2.60	–	2.46	**2.58**	2.48	2.55

B.2. Capital management, financial leverage ratio and covenants

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

- To comply with the statutory capital requirements required by the regulators of the insurance markets in which the Group operates;
- To maintain a capital buffer in excess of the statutory capital requirements in order to reduce the risk of breaching the statutory requirements 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 ultimately overseen by the Board.

A range of capital raising options are available to manage the capital structure of the Group, which includes the issue of new shares, debt, 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, it appears that most ratings agencies the inclusion of at least 50% of the CSM into the equity denominator.

R million	December 2023 Unaudited	June 2023 restated Audited	1 July 2022 restated Unaudited
– Borrowings at amortised cost[1]	**16 226**	16 361	16 464
– Guaranteed deposit facilities	**–**	–	300
Total debt and guarantees[1]	**16 226**	16 361	16 764
Total equity	**52 206**	48 388	40 822
Total Contractual Service Margin (CSM)[2]	**27 838**	28 064	25 938
Financial leverage ratio % (no CSM factored in)[2]	**23.7%**	25.3%	29.1%
Financial leverage ratio % (50% CSM factored in)[2]	**19.7%**	20.8%	23.8%

1 Excluding all lease liabilities under IFRS 16 Leases of R4 265 million (30 June 2023: R4 225 million).
2 CSM net of reinsurance and net of tax.

The FLR at 31 December 2023 is within Discovery's risk appetite.

B. OTHER SIGNIFICANT ITEMS IN THESE RESULTS *continued*

B.2. Capital management, financial leverage ratio and covenants *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.

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

	December 2023		June 2023	
	Statutory capital requirements	**Cover**	Statutory capital requirements	Cover
Discovery Life[1]	**R22 173 million**	**1.8 times**	R20 814 million	1.9 times
Discovery Insure	**R1 191 million**	**1.5 times**	R1 113 million	1.6 times
VitalityHealth	**£135.5 million** **R3 194 million**	**1.4 times**	£130.8 million R3 139 million	1.4 times
VitalityLife	**£303.4 million** **R7 150 million**	**2.3 times**	£272.1 million R6 528 million	2.1 times

Debt covenants

As per JSE Limited Listings and Debt Listings disclosure requirements, the following are the key debt covenant ratios and their proximity to minimum requirements as per the contractual financial covenants.

Debt covenant	**Minimum requirement**	**December 2023**	June 2023 Restated
Group debt[1] to EBITDA Ratio[2]	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 above	Less than 30% of Group Embedded value	**16.7%**	17.6%
Discovery Life Statutory Capital Requirement (SCR)	SCR cover must be more than 1.1 times	**1.8 times**	1.9 times
Group embedded value	Greater than R30 billion	**R103 480 million**	R98 176 million
New business embedded value must not be negative	Positive value of new business for 3 consecutive 6-month periods	**December 2023: R684 million** **June 2023: R500 million** **December 2022: R940 million**	June 2023: R500 million December 2022: R940 million June 2022: R1 234 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.*

B.3. Impact of and volatility in long-term interest rates in the SA and UK markets

The long-term insurance businesses in South Africa (SA) and the United Kingdom (UK) are exposed to long-term nominal and real interest rates, given the impact of rates on the long-term assumptions applicable to the valuation of insurance contracts. Under IFRS 17, Discovery reflects the effects of financial risk, such as interest rates, as insurance finance income and expense (IFIE) in profit or loss and other comprehensive income (OCI). (Refer to section D for further discussion on accounting for financial risk under IFRS 17).

As communicated previously, the year ended 30 June 2023 was characterised by aggressive global monetary policy tightening by central banks following sustained inflationary pressures, which resulted in rapidly increasing global bond yields.

Economic and political pressures in SA further contributed to increasing SA bond yields. For Discovery Life, increasing long-term interest rates mainly manifest as a lower discounted value of future cash flows and, therefore, a lower valuation of those contracts. The significant increase in interest rates during the three preceding financial years resulted in Discovery Life recognising an accumulated IFIE expense in both profit or loss and OCI arising from changes in the valuation of insurance contracts. For the six months ended 31 December 2023, long-term interest rates have remained relatively stable against the levels at 30 June 2023, resulting in minor changes in the IFIE due to the valuation change. The IFIE expense within profit or loss for the six months includes the effect of the IFIE previously recognised in OCI reclassifying to profit or loss.

In the UK, as noted at the time, the UK bond markets experienced significant volatility following political changes and rising inflation levels resulting in interest rates increasing for the year ended 30 June 2023. For UK Life, within the PAC arrangement, the effect of interest rates is largely hedged, resulting in limited IFIE impact due to changes in the valuation of insurance contracts. For VitalityLife, increasing long-term interest rates manifest mainly as a lower discounted value of future cash flows and, therefore, a lower valuation of those contracts. The effect of higher inflation rates within the UK market reflected positively on the inflation-linked policies, resulting in a positive impact on valuation. For the six months ended 31 December 2023, long-term interest rates have decreased significantly, resulting in a significant IFIE income recognised in OCI, with some value also being realised in profit or loss due to the valuation change.

B.4. Change in hedge strategy – VitalityLife business

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. The net fair value gain on this swaption for the comparative six-month period ended 31 December 2022 of £15.3 million, net of tax, (R311 million) was excluded in the presentation of normalised profit from operations measure and other normalised measures. 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 now contracted on the balance sheet of the PAC and, therefore, deemed integral to the underlying insurance contracts entered into under IFRS17, and valuation movements are treated accordingly.

B. OTHER SIGNIFICANT ITEMS IN THESE RESULTS *continued*

B.5. Consolidation of Discovery Unit Trusts

Unit trusts which the Group controls in terms of IFRS 10 *Consolidated Financial Statements* are consolidated into Discovery's results for accounting purposes, which results in the recognition of the underlying assets and liabilities of each of the funds.

As these policies are linked, the consolidation of the Discovery Unit Trusts has no impact on the net asset value for shareholders. Assets and liabilities of these Discovery Unit Trusts however increased by R1 618 million, compared to the prior financial year ended 30 June 2023, with movements in the following line items on the Group's statement of financial position:

R million	December 2023	Restated June 2023	Movements
Investments at fair value through profit or loss	**27 306**	25 439	1 867
Contract receivables and other receivables	**669**	643	26
Cash and cash equivalents	**2 071**	2 435	(364)
Other assets	**89**	–	89
Total change in assets	**30 135**	28 517	1 618
Third-party interest in consolidated funds	**29 704**	28 346	1 358
Borrowings at amortised costs (bank overdraft)	**–**	33	(33)
Other payables and provisions	**431**	482	(51)
Liabilities arising from insurance contracts issued[1]	**–**	(346)	346
Other liabilities[1]	**–**	2	(2)
Total change in liabilities	**30 135**	28 517	1 618

1 *The comparative balances have been restated for the reclassification of balances between Liabilities arising from insurance contracts issued and Other liabilities.*

There are significant trade volumes in the underlying funds of Discovery Unit Trusts. The cash flow impact of the movement in policyholder investments for the period is included in the following line items on the Group's statement of cash flows:

- Purchase of investments held to back policyholder liabilities includes cash outflows of R16 626 million.
- Proceeds from the disposal of investments held to back policyholder liabilities includes cash inflows of R15 707 million.

B.6. Material transactions with related parties

Discovery Long-term Incentive Plan Trust

At the Annual General Meeting (AGM) held on 28 November 2019, the shareholders approved the establishment of the Discovery Long- term Incentive Plan Trust (Trust) with the purpose, inter alia, to subscribe, purchase and/or otherwise acquire and hold Discovery ordinary shares from time to time for the benefit of the share-based payment plan for employees, in accordance with the requirements of the Trust. During December 2023, 3 227 675 (31 December 2022: 4 182 946) new shares were issued by Discovery Limited to the Trust at a value of R432 million (31 December 2022: R514 million). In addition, during the six months ended 31 December 2023, shares of 3 650 844 vested with participants. In terms of IFRS Accounting Standards, while held in the Trust, these shares are treated as treasury shares and not treated as issued for accounting purposes.

B.7. Major customers and other Discovery entities not part of Discovery Group

Discovery Health Medical Scheme (DHMS)

Discovery Health administers DHMS and provides managed care services, for which it charges an administration fee and a managed healthcare fee, respectively. These fees are determined on an annual basis and approved by the trustees of DHMS. The fees totalled R3 857 million for the six months ended 31 December 2023 (31 December 2022: R3 546 million). Discovery offers the members of DHMS access to the Vitality programme.

B.8. Changes in directorate

Changes to the Board of Discovery Limited from 1 July 2023 to the date of this announcement are as follows:

- Ms L Chiume was appointed to the board as an independent non-executive director effective from 18 September 2023. She is a member of the Discovery Limited Audit Committee and the Group and South African Risk and Compliance Committees. She brings a wealth of financial services and investment experience.
- Ms KC Ramon was appointed to the board as an independent non-executive director effective from 18 September 2023 and as a member of the Discovery Limited Audit Committee and the Social and Ethics Committee. She brings diverse leadership and board experience in multiple sectors. Effective 17 November 2023, she was appointed as a member of both the Treating Customers Fairly and Remuneration Committees.
- Dr TV Maphai retired from the board as non-executive director effective 16 November 2023 at the conclusion of the AGM to pursue other external opportunities. He served on various committees in a range of capacities over his tenure. He also retired as a member of the Nominations Committee.
- Ms S Zilwa retired from the board as non-executive director effective 16 November 2023 at the conclusion of the AGM to pursue other external opportunities. She served as a non-executive director of the Company since 2003 and on various Committees in a range of capacities over the years. She also retired as a member and Chairperson of the Social and Ethics and a member of the Risk and Compliance Committees.
- Mr T Mboweni has been appointed as a member of the Nominations Committee effective 17 November 2023.
- Ms FN Khanyile has been nominated as the chairperson of the Social and Ethics Committee effective 17 November 2023.

B.9. Dividend declaration in respect of the six months ended 31 December 2023

B Preference share cash dividend declaration

On Wednesday, 28 February 2024 the Board of Directors declared an interim gross cash dividend of 592.32877 cents (473.86302 cents net of dividend withholding tax) per B preference share for the period 1 July 2023 to 31 December 2023, payable from the income reserves of the Company. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

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

The salient dates for the dividend will be as follows:

Last day of trade to receive a dividend	Monday, 18 March 2024
Shares commence trading “ex” dividend	Tuesday, 19 March 2024
Record date	Friday, 22 March 2024
Payment date	Monday, 25 March 2024

B preference share certificates may not be dematerialised or rematerialised between Tuesday 19 March 2024 and Friday 22 March 2024, both days inclusive.

Ordinary share cash dividend declaration

On Tuesday, 19 March 2024, the Board of Directors declared an interim gross cash dividend of 65.00000 cents (52.00000 cents net of dividend withholding tax) per ordinary share, out of the income reserves of Discovery Limited. 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, 16 April 2024
Shares commence trading “ex” dividend	Wednesday, 17 April 2024
Record date	Friday, 19 April 2024
Payment date	Monday, 22 April 2024

Share certificates may not be dematerialised or rematerialised between Wednesday 17 April 2024 and Friday 19 April 2024, both days inclusive.

C Accounting policies

C. ACCOUNTING POLICIES

C.1. New Accounting Standards and amendments to published Accounting Standards not yet effective

- For new Accounting Standards and interpretations that became effective for the financial year commencing 1 July 2023, refer to Section D New Standards and interpretations and restatements. The section also includes the first-time adoption of IFRS 17.
- Discovery has not early adopted any IFRS Accounting Standards, amendments, or interpretations that have been issued but have yet to be effective. Discovery does not expect any new IFRS® Accounting Standards, amendments, or interpretations that have been issued but have yet to be effective to have a material impact on recognised amounts.

C.2. Normalised headline earnings

Discovery assesses its performance using normalised headline earnings, an alternative profit measure not under the IFRS Accounting Standards, alongside its IFRS Accounting Standards profit measures. Management considers that Normalised Headline Earnings Per Share (NHEPS) is an appropriate alternative performance measure to enhance the comparability and understanding of the financial performance of the Group.

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

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

- Once-off transactions – for example, restructuring costs, transaction costs related to interest rate derivatives and initial deferred tax assets raised on previously unrecognised assessed losses.
- Unusual items – Discovery 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 Discovery'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.

C.3. Basis of preparation

Statement of compliance

Discovery Limited is a company incorporated in South Africa.

The unaudited condensed consolidated interim financial statements for the six months ended 31 December 2023 (interim results) consolidate the results of Discovery and its subsidiaries (together the Group) and equity account for the Group's interest in associates and joint ventures.

The interim results comprise the condensed Group statement of financial position at 31 December 2023, condensed Group income statement, condensed Group statement of comprehensive income, condensed Group statement of changes in equity, and condensed Group statement of cash flows for the six months ended 31 December 2023, and selected explanatory notes.

The interim results have been prepared in accordance with the JSE Limited Listings and Debt Listings Requirements, IFRS Accounting Standards and its interpretations adopted by the IASB including IAS 34 *Interim Financial Reporting (IAS 34)*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council as well as the requirements of the South African Companies Act 71 of 2008. The accounting policies adopted are consistent with the accounting policies applied in the prior Annual financial statements, except for the application of the newly adopted Accounting Standard IFRS 17 *Insurance Contracts*.

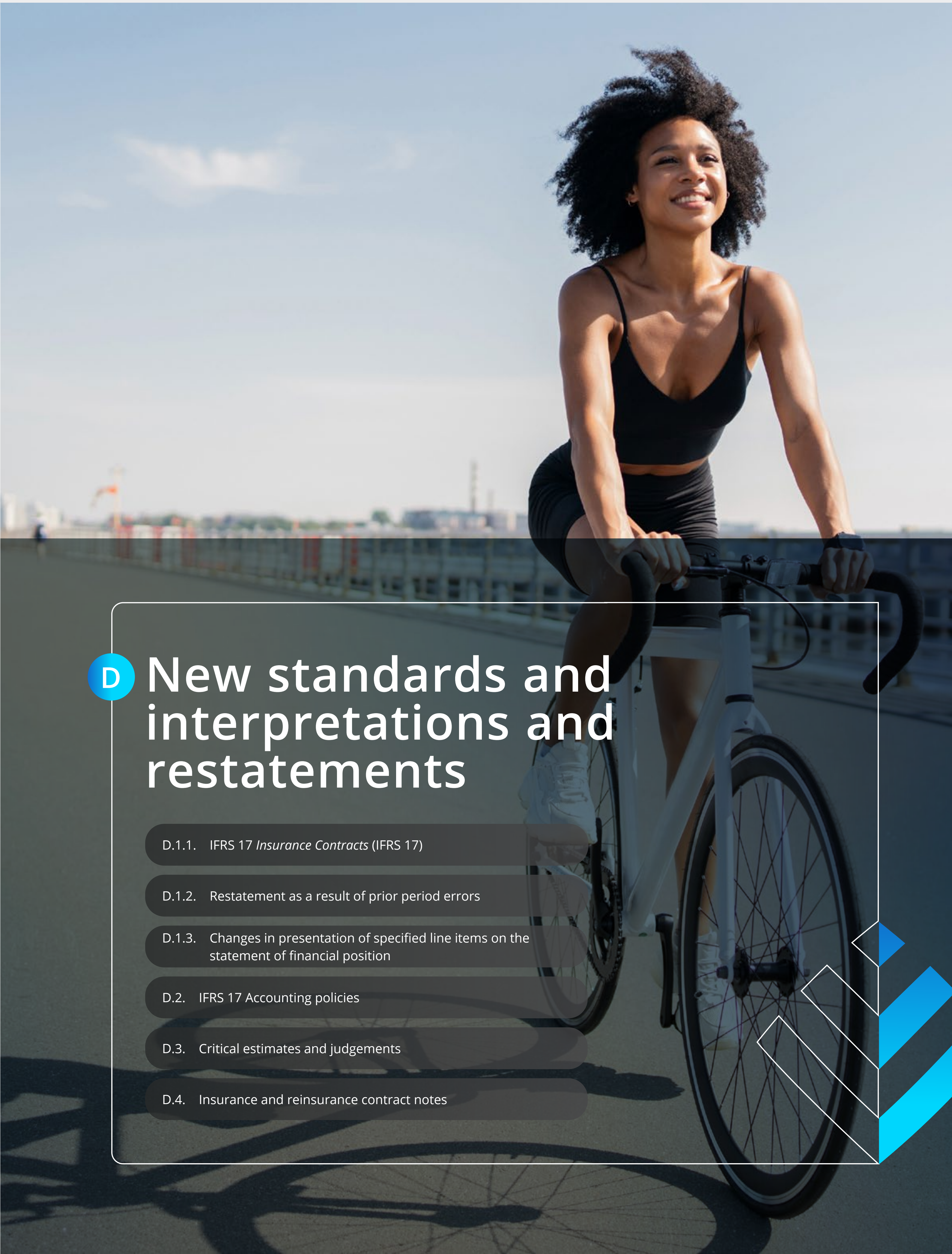
Amendments to IFRS Accounting Standards effective from 1 July 2023 do not have a material effect on the Group's interim results. These interim results do not include all the notes typically included in the annual financial statements and must be read together with the Group audited consolidated financial statements for the year ended 30 June 2023.

Independent Auditors' review

The interim results for the six months ended 31 December 2023 and the 31 December 2022 comparative information have not been reviewed or audited by the Group's independent auditors Deloitte & Touche and KPMG Inc. The independent auditors have reviewed the restated impacted financial statement captions following the adoption of IFRS 17 "Insurance Contracts" and the specific financial statement captions impacted by other restatements and other presentation changes as at 30 June 2023 and 1 July 2022, as detailed in notes D1.1, D1.2 and D1.3. Refer to the independent auditors' Review Report on the restated IFRS 17 and Other Presentation Changes and Restated Financial information pages 110 to 111.

Comparative information

Comparative information presented at and for the year ended 30 June 2023 within these financial statements has been extracted from the Group's audited consolidated financial statements for the year ended 30 June 2023, except as restated per notes D1.1, D1.2, D1.3.



D New standards and interpretations and restatements

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.1.1 IFRS 17 Insurance Contracts

Introduction

IFRS 17 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 is a new Accounting Standard for insurance contracts that provides guidelines on recognising, measuring, presenting, and disclosing insurance contracts. It was introduced by the International Accounting Standards Board (IASB)® in May 2017. IFRS 17 replaces the previous Accounting Standard, IFRS 4, issued in 2005 as an interim Accounting Standard with limited prescribed changes to pre-existing insurance accounting practices applied by insurers.

IFRS 17 represents a positive step towards enhancing transparency, comparability, and understanding of how insurers earn profits from insurance contracts, namely insurance service result and financial results. 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. One of the noteworthy distinctions introduced by IFRS 17 pertains to the level of granularity at which insurance contracts are recognised and measured. Discovery was well-prepared to embrace this enhanced granularity, as it aligns with the Group's actuarial approach.

IFRS 17 is not limited to insurance companies but also those companies that issue any contract that results in 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 or 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.

Transition to IFRS 17

Upon first-time adoption, IFRS 17 requires the Accounting Standard to be applied fully retrospectively as if it has always 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, other than the businesses accounted for using the VFA approach, which relates to the Discovery Invest portfolios as detailed in note D.2.7. Discovery did not measure any of its portfolios using the fair value approach. Note D2.7. contains a summary of those less material instances where a modified retrospective approach was applied.

The fully retrospective approach requires that Discovery identify, recognise, and measure groups of insurance contracts as if IFRS 17 had always applied. 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 the 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 to the IFRS 17 margins relative to the IFRS 4 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, 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 will 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 a far more material impact. Such resulting increases of additional IFRS 17 margins on transition will be available as future profit.

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.1.1 IFRS 17 Insurance Contracts *continued*

Transition to IFRS 17 *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 other comprehensive income (OCI).
- Discovery has elected to apply the OCI option to predominantly certain long-term insurance and reinsurance contracts. The exclusion of certain elements of IFIE from the profit or loss is largely aligned to the existing treatment where Discovery excludes 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 adoption of IFRS 17.

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.

D.1.1 IFRS 17 Insurance Contracts *continued*

IFRS 17 acknowledges that different companies may manage their insurance contracts differently. As a result, IFRS 17 is principle based and permits several accounting policy elections. The following is a summary of these material accounting elections and specific elections made by Discovery:

Election	Options	Discovery elections
Transition approach	Three transition approaches ▪ IFRS 17 requires full retrospective unless impracticable. ▪ If full retrospective is impracticable, then accounting election of modified retrospective, or ▪ fair value approach.	▪ Given the availability of reliable and accurate data and actuarial models, Discovery is required to apply IFRS 17 fully retrospectively to all material portfolios. ▪ For the remainder of portfolios, when full retrospective adoption was impracticable, then the modified retrospective approach was applied. ▪ Discovery has not applied the fair value approach to any portfolio.
Changes in time value of money (IFIE presentation)	Two alternatives: ▪ Present all IFIE and IFIE changes in profit or loss. ▪ Include IFIE in profit or loss using systematic allocation. Remainder recognised in OCI.	▪ The use of the OCI removes the volatility from changes in IFIE (previously economic assumptions) in the measurement of the insurance contract. The amount recognised in OCI is then reclassified to profit or loss using a systematic allocation. ▪ Discovery has elected OCI on its long-term life-insurance business lines in Discovery Individual Life and VitalityLife and associated reinsurance contracts. Discovery has also elected OCI for its long-term claims in GroupLife business. For the remainder of business lines, the change in measurement of the insurance contracts is offset by a change in the measurement of the assets backing those insurance contracts.
Risk adjustment	▪ No prescriptive approach is provided under IFRS 17.	▪ Discovery uses the confidence level approach. ▪ For its long-term businesses and group life insurance, Discovery sets the confidence level at 90%. ▪ For its short-term businesses, Discovery sets the confidence level at 75%.
Acquisition cost (for portfolios at (PAA))	Two alternatives: ▪ The default under IFRS 17 for contracts with PAA is to defer the insurance acquisitions cash flows and allocate the expense to initial and renewal periods, i.e., defer acquisition costs and amortise. ▪ Entity can elect to immediately expense insurance acquisition cash flows.	▪ VitalityHealth applies the default requirement of IFRS 17. This treatment results in a largely similar treatment to the FinRe arrangements VitalityHealth held under IFRS 4. ▪ For other insurance portfolios measured using the PAA, Discovery has elected to immediately expense in profit or loss the insurance acquisition cash flows as these are not significant.
Reflect time value of money (i.e., discount) in measuring coverage units	Two alternatives, accounting policy election: ▪ Reflect time value of money in measuring coverage units. ▪ Do not reflect time value of money in measuring coverage units.	▪ Discovery elected to reflect time value of money in the measurement of coverage units. The discounting of coverage units provides the most reasonable emergence of profit, considering the projected level of future margins on retained business for Discovery.

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.1.1 IFRS 17 Insurance Contracts *continued*

Tax changes

To transition to and implement IFRS 17, 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 were 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.

D.1.2 Restatement as a result of prior period errors

Item 1: Measurement of the pre-existing relationship of receivables and payables

During the six-month period ended 31 December 2023, 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 error 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.

Item 2: Calculation of deferred tax asset

During the six months ended 31 December 2023, 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 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 six-month period ended 31 December 2023, 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 income statement, basic or diluted earnings per share.

D.1.2 Restatement as a result of prior period errors *continued*

The tables below summarise the restatement's impact on the Group statement of financial position:

STATEMENT OF FINANCIAL POSITION

R million	Group 30 June 2022 (previously reported)	Item 1 Correction Increase (decrease)	Item 2 Correction Increase (decrease)	Item 3 Correction Increase (decrease)	Group 1 July 2022 Restated
Intangible assets	6 539	–	–	45	6 584
Deferred tax asset	4 455	–	(105)	–	4 350
Insurance receivables, contract receivables and other receivables	13 113	(42)	–	–	13 071
Other reserves[1]	3 621	–	–	42	3 663
Retained earnings	38 972	(103)	(105)	3	38 767
Other financial payables at amortised cost	15 123	61	–	–	15 184

1 *Other reserves reflect the impact on foreign currency translation reserve (FCTR).*

STATEMENT OF FINANCIAL POSITION

R million	Group 30 June 2023 (previously reported)	Item 1 Correction Increase (decrease)	Item 2 Correction Increase (decrease)	Item 3 Correction Increase (decrease)	Group 30 June 2023 Restated
Intangible assets	6 982	–	–	82	7 064
Deferred tax asset	4 404	–	(126)	–	4 278
Insurance receivables, contract receivables and other receivables	16 059	(42)	–	–	16 017
Other reserves[1]	8 622	(7)	(21)	79	8 673
Retained earnings	44 218	(103)	(105)	3	44 013
Other financial payables at amortised cost	14 780	68	–	–	14 848

1 *Other reserves reflect the impact on foreign currency translation reserve (FCTR).*

D.1.3 Changes in presentation of specified line items on the Group statement of financial position

Discovery has improved the presentation of specified transactions in the Group statement of financial position by adding new line items. The changes have no impact on the total value of liabilities but enable the user to better understand the financial information. The following changes were made:

- The new line item: Third-party interest in consolidated funds was added to separately reflect the interest of third parties in the consolidated unit funds. These third-party interests were previously included as part of Investment contracts at fair value through profit or loss.
- The new line item: Other payables and provisions, includes Employee benefits which was previously separately disclosed in the Group statement of financial position, as well as the non-financial payables which was previously included as part of Other payables. Other payables have been renamed to Other financial payables at amortised cost.

In addition, the order in which individual line items are presented in the Group statement of financial position has been amended to better reflect their respective liquidity, as far as possible, from least liquid to the most liquid items. Assets from reinsurance contracts held has moved from being above cash and cash equivalents to being above deferred tax asset. No values were reclassified or restated between line items other than those noted above.

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.1.4 Reconciliation of restated Group statement of financial position

Below is the reconciliation of the restated Group statement of financial position as at 1 July 2022:

		Reviewed			
Group R million	30 June 2022 As previously reported Audited	D.1.1 IFRS 17 remeasurement and reclassifications	D.1.2 Other restatements	D.1.3 Other presentation changes	1 July 2022 Restated
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	(25 782)	–	–	30 863
Assets arising from reinsurance contracts held	511	362	–	–	873
Deferred tax asset	4 455	1 338	(105)	–	5 688
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	–	–	–	141 494
– Derivative financial instruments at fair value through profit or loss	276	–	–	–	276
Contract receivables and other receivables[2]	13 113	(7 848)	(42)	–	5 223
Non-current assets held for sale	171	–	–	–	171
Current tax asset	220	–	–	–	220
Cash and cash equivalents[3]	19 775	(5 988)	–	–	13 787
TOTAL ASSETS	**271 367**	**(38 211)**	**(102)**	**–**	**233 054**
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	(1 420)	42	–	2 243
Retained earnings	38 972	(11 150)	(205)	–	27 617
Equity attributable to equity holders of the Company	53 550	(12 570)	(163)	–	40 817
Non-controlling interest	5	–	–	–	5
TOTAL EQUITY	**53 555**	**(12 570)**	**(163)**	**–**	**40 822**
Liabilities					
Liabilities arising from insurance contracts issued	108 067	(23 012)	–		85 055
Liabilities arising from reinsurance contracts held	13 192	(7 985)	–	–	5 207
Deferred tax liability	9 335	(3 022)	–	–	6 313
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)	61	(412)	8 492
– 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 and provisions	–	20	–	732	752
Employee benefits	320	–	–	(320)	–
Current tax liability	527	–	–	–	527
TOTAL LIABILITIES	**217 812**	**(25 641)**	**61**	**–**	**192 232**
TOTAL EQUITY AND LIABILITIES	**271 367**	**(38 211)**	**(102)**	**–**	**233 054**

1 The deferred acquisition costs will no longer be presented separately under IFRS 17 as all insurance cash flows, payables and receivables are presented on a net basis, either as a 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, either as a liability or an asset arising from insurance contract issued.

3 The treatment of the 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 is presented and measured as a non-distinct investment component. 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 (30 June 2023 R4 110 million), it also resulted in a change in cash utilized and generated by operations of R1 953 million for the period ending 31 December 2022 (30 June 2023 R2 744 million).

4 Included in the Other reserves line item is the new IFRS 17 reserve for the cumulative IFIE recognised in OCI.

D.1.4 Reconciliation of restated Group statement of financial position *continued*

Below is the reconciliation of the restated Group statement of financial position as at 30 June 2023:

Group R million	30 June 2023 As previously reported Audited	Reviewed D.1.1 IFRS 17 remeasurement and reclassifications	 D.1.2 Other restatements	 D.1.3 Other presentation changes	30 June 2023 Restated
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	(30 951)	–	–	32 914
Assets arising from reinsurance contracts held	709	(105)	–	–	604
Deferred tax asset	4 404	2 042	(126)	–	6 320
Deferred acquisition costs[1]	799	(779)	–	(20)	–
Assets arising from contracts with customers	2 201	–	–	20	2 221
Investment in equity-accounted investments	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	–	–	–	155 426
– Derivatives financial instrument at fair value through profit or loss	119	–	–	–	119
Contract receivables and other receivables[2]	16 059	(10 333)	(42)	–	5 684
Non-current assets held for sale	–	–	–	–	–
Current tax asset	41	–	–	–	41
Cash and cash equivalents[3]	20 370	(4 110)	–	–	16 260
TOTAL ASSETS	**301 927**	**(43 862)**	**(86)**	**–**	**257 979**
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	(5 628)	51	–	3 045
Retained earnings	44 218	(9 804)	(205)	–	34 209
Equity attributable to equity holders of the Company	63 970	(15 432)	(154)	–	48 384
Non-controlling interest	4	–	–	–	4
TOTAL EQUITY	**63 974**	**(15 432)**	**(154)**	**–**	**48 388**
Liabilities					
Liabilities arising from insurance contracts issued	114 807	(19 112)	–		95 695
Liabilities arising from reinsurance contracts held	14 669	(9 826)	–	–	4 843
Deferred tax liability	9 559	(3 337)	–	–	6 222
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)	68	(361)	9 112
– Deposits from customers	14 333	–	–	–	14 333
– Investment contracts at fair value through profit or loss	48 044	9 205	–	(28 346)	28 903
– Derivate financial instruments at fair value through profit or loss	20	–	–	–	20
Other payables and provisions	–	15	–	695	710
Employee Benefits	334	–	–	(334)	–
Current tax liability	165	–	–	–	165
TOTAL LIABILITIES	**237 953**	**(28 430)**	**68**	**–**	**209 591**
TOTAL EQUITY AND LIABILITIES	**301 927**	**(43 862)**	**(86)**	**–**	**257 979**

1 The deferred acquisition costs will no longer be presented separately under IFRS 17 as all insurance cash flows, payables and receivables are presented on a net basis, either as a 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 presented on a net basis, either as a liability or an asset arising from insurance contract issued.

3 The treatment of the 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 is presented and measured as a non-distinct investment component. 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 (30 June 2023 R4 110 million), it also resulted in a change in cash utilized and generated by operations of R1 953 million for the period ending 31 December 2022 (30 June 2023 R2 744 million).

4 Included in the Other reserves line item is the new IFRS 17 reserve for the cumulative IFIE recognised in OCI.

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.2 IFRS 17 Accounting policies

Abbreviations	Meaning
CSM	Contractual Service Margin
DAC	Deferred Acquisition Costs
DISCOVERY	Discovery Group
DPF	Direct Participation Features
DRO	Discovery Retirement Optimiser
EFCF/FCF	Expected Fulfilment Cash Flows/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 4	IFRS 4 *Insurance Contracts* (effective pre 1 July 2023)
IFRS 17	IFRS 17 *Insurance Contracts* (effective post 1 July 2023)
IFRS 17 margins	IFRS 17 margins reference to the contractual service margin plus the risk adjustments
ISE	Insurance Service Expenses
LIC	Liability for Incurred Claims
LRC	Liability for Remaining Coverage
OCI	Other Comprehensive Income
PAA	Premium Allocation Approach
PVFCF	Present Value of Future Cash Flows
VFA	Variable Fee Approach

D.2 IFRS 17 Accounting policies *continued*

D.2.1 Insurance contracts scope and grouping

D.2.1.1 DEFINITION AND CLASSIFICATION

Insurance contracts are contracts under which Discovery accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder should a specified uncertain future event adversely affect the policyholder. Insurance contracts are contracts under which Discovery accepts all 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 Discovery. 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.

Discovery 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 Discovery to financial risk, which is not taken into account in the determination of significant insurance risk.

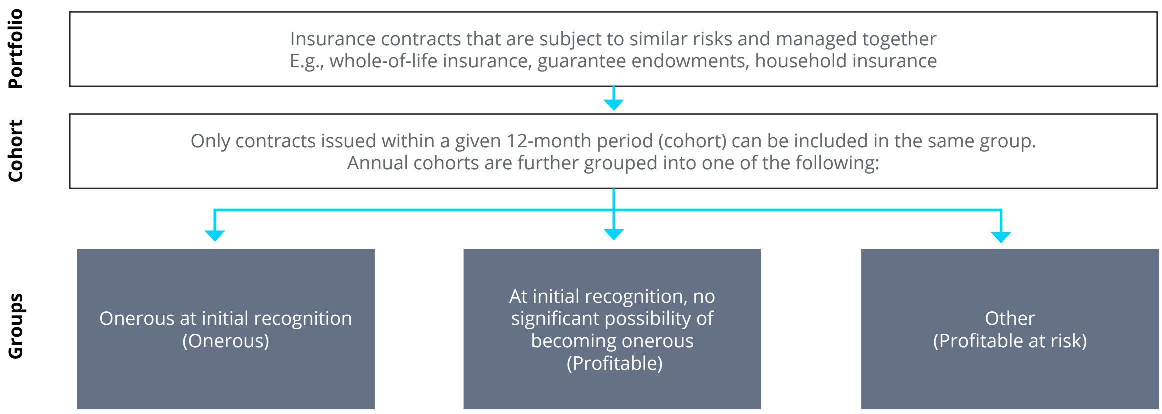
D.2.1.2 SEPARATING COMPONENTS WITHIN INSURANCE CONTRACTS

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.

Discovery presently has no contracts requiring further separation or a combination of insurance contracts.

D.2.1.3 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, groups of insurance contracts issued are recognised 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 Discovery determines that a group of insurance contracts become onerous

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.2 IFRS 17 Accounting policies *continued*

D.2.1 Insurance contracts scope and grouping *continued*

D.2.1.4 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. The basic principles are set out below.
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.
- Discovery expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; Discovery considers that a substantial share is a majority of returns, 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. Discovery considers that a substantial proportion is a majority proportion of change on a present value probability-weighted average of all scenarios.

Within Discovery the unit-linked products and Discovery Optimiser products offered by Discovery Life are examples of insurance contracts with DPFs.

D.2 IFRS 17 Accounting policies *continued*

D.2.2 Overview of the Discovery Group portfolios, measurement models and accounting policy elections

The table below summarises the material insurance contracts Discovery issues and reinsurance contracts it holds. It sets out the measurement model applied and key assumptions and elections.

	Measurement Model	Risk adjustment confidence level[1]	Elections on IFIE	PAA only – election for treatment of initial acquisition cash flows (IACF)
Insurance contract issued and business lines				
Individual life insurance contracts: Discovery Life and VitalityLife	GMM	90%	Elected to present changes in IFIE in OCI and profit or loss.	n/a
Insurance-linked investment contracts: General endowments in Discovery Invest			Elected to present changes in IFIE in OCI and profit or loss.	
Investment contracts: Unit-linked and DRO in Discovery Invest	VFA			
Group life insurance contracts: Discovery Life	PAA	90%	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.	Elected to immediately expense initial acquisition cash flows (IACF)
Car, household and business insurance: Discovery Insure		75%	Elected not to reflect interest for cash flows less than 12 months	Elected to immediately expense initial acquisition cash flows (IACF)
Health insurance: VitalityHealth				Consistent with default IFRS 17 requirement, defer IACF and amortise over the initial and renewal periods
Reinsurance contracts held				
Individual life: Quota share reinsurance for Discovery Individual Life and VitalityLife	GMM	90%	Elected to present changes in IFIE in OCI and profit or loss.	n/a
Individual life: Excess of loss reinsurance				
Group life insurance contracts: Catastrophe, group continuation and mass lapse treaties	PAA	90%	Elected not to reflect interest for cash flows less than 12 months	Elected to immediately expense initial acquisition cash flows (IACF)
Car, household and business insurance: Quota share reinsurance and excess of loss insurance		75%		
Health insurance: Quota share reinsurance				

1 *Risk adjustment was determined using the confidence level technique unless otherwise stated.*

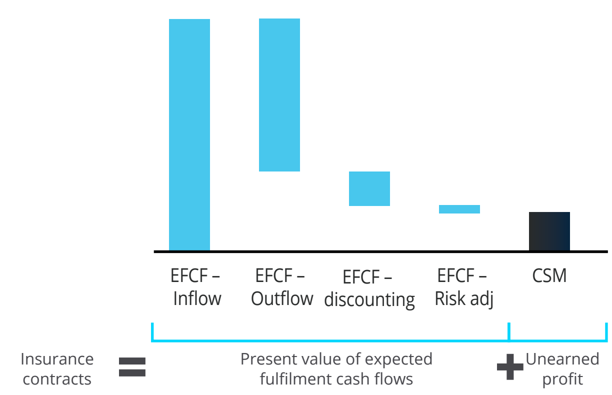
D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.2 IFRS 17 Accounting policies *continued*

D.2.3 Contracts measured under the GMM and VFA

Under IFRS 17, any company that issues insurance contracts must report those contracts on the Group 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 and 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 and pay out for claims, benefits and expenses, including an adjustment for the risk of those cash flows.

Those cash flows for future services are known as "liability for remaining coverage" (LRC) and those cash flows for services already incurred constitutes liability for incurred claims (LIC)

+

the contractual service margin (CSM), represents the remaining inherent value of the cohort and is similar to unearned profit for providing future insurance coverage. On initial recognition, for profitable contracts, 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)

D.2.3.1 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 Discovery 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. Discovery estimates which cash flows are expected and the probability that they will occur as at the measurement date. When estimating, Discovery 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.

D.2 IFRS 17 Accounting policies *continued*

D.2.3 Contracts measured under the GMM and VFA *continued*

D.2.3.2 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 (DPF) (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 discount rate is determined 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 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.

D.2.3.3 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 Discovery 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 D.2.2.

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.2 IFRS 17 Accounting policies *continued*

D.2.3 Contracts measured under the GMM and VFA *continued*

D.2.3.4 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 CSM is measured 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 net outflow is recognised immediately as a loss in profit or loss. A loss component is created 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.

D.2.3.5 SUBSEQUENT MEASUREMENT

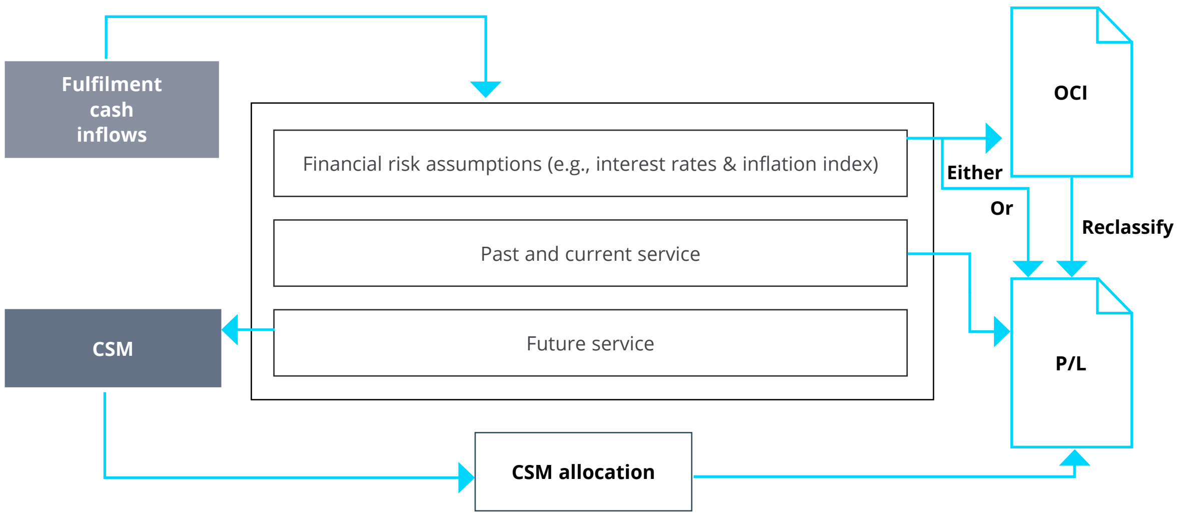
The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC).

- 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. Discovery:

- 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

D.2 IFRS 17 Accounting policies *continued*

D.2.3 Contracts measured under the GMM and VFA *continued*

D.2.3.5 SUBSEQUENT MEASUREMENT *continued*

D.2.3.5.1 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 results in profit or loss.
Changes relating to future services	Adjusted against the CSM (or recognised in the insurance service results 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 results in profit or loss.

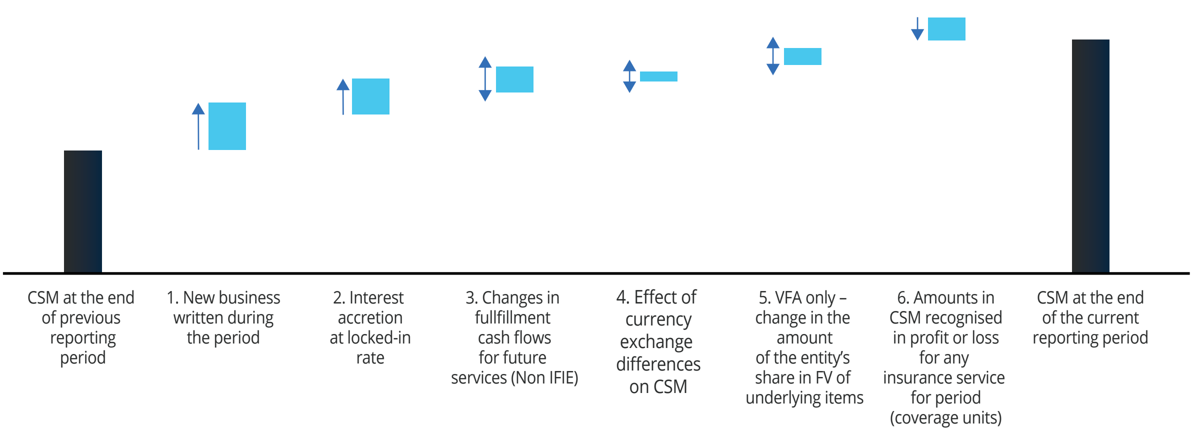
Accounting policy election: Presentation of IFIE

Discovery 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 D.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 of the CSM in sequence of which changes are made



IFRS 17 Illustration of principles 4: Subsequent changes in CSM

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.2 IFRS 17 Accounting policies *continued*

D.2.3 Contracts measured under the GMM and VFA *continued*

D.2.3.5 SUBSEQUENT MEASUREMENT *continued*

D.2.3.5.1 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 D.2.3.2, discount rates are determined on initial recognition of the group, meaning locked-in at inception. As noted in D.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.

D.2.4 Contracts measured under the PAA

As permitted in IFRS 17, Discovery 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
- Discovery 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, Discovery allocates costs to that group and the groups that will include renewals of those contracts. Discovery expects to recover part of the related insurance acquisition cash flows through renewals of these contracts. The allocation to renewals is based on how Discovery expects to recover those cash flows.

At each reporting date, Discovery revises the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised 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, Discovery:

- 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, Discovery 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.

D.2 IFRS 17 Accounting policies *continued*

D.2.4 Contracts measured under the PAA *continued*

Discovery 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, Discovery 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.

Discovery 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.

D.2.4.1 RISK ADJUSTMENT

Refer to section D.2.3.3 for the detailed accounting policy on risk adjustment. For the specified percentages applied, refer to section D.2.2.

D.2.5 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. Discovery concludes that the reinsurance contract's legal form as a single contract reflects the substance of Discovery'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 Discovery that provide proportionate coverage: The date on which any underlying insurance contract is initially recognised. This applies to Discovery's quota share reinsurance contracts.
- Other reinsurance contracts initiated by Discovery: The beginning of the coverage period of the group of reinsurance contracts. Where Discovery 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 Discovery's excess of loss and stop-loss reinsurance contracts.
- Reinsurance contracts acquired: The date of acquisition.

Discovery 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, Discovery will adjust the asset's carrying amount for remaining coverage instead of adjusting the CSM.

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.2 IFRS 17 Accounting policies *continued*

D.2.6 Derecognition and modifications

Discovery derecognises a contract when it is extinguished, meaning when the specified obligations in the contract expire or are discharged the contract is cancelled.

Discovery 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, Discovery 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 CSM is also adjusted for the premium charged by the third party unless the group is onerous.

D.2.7. Exceptions where the modified retrospective approach was applied

DISCOVERY INDIVIDUAL LIFE PORTFOLIO

Discovery has applied the modified retrospective approach within the Discovery Individual Life portfolio by aggregating contracts issued more than one year apart prior to 2003 into a single group of insurance contracts in respect of insurance contracts issued before June 2003. The application of the full retrospective approach on transition for these groups were determined to be impracticable as Discovery Life does not have the model used nor data of sufficient quality to either retrospectively model business sold before the June 2002 financial year or to identify new business policies sold in the June 2002 financial year. It should be noted that these portfolios or cohorts of business are immaterial in the context as Discovery Life only commenced business in 2000.

DISCOVERY INVEST PORTFOLIOS - THE UNIT-LINKED AND DRO PORTFOLIO AND THE GENERAL ENDOWMENTS PORTFOLIO

Discovery has applied the modified retrospective approach within the Discovery Invest portfolios by aggregating contracts issued more than one year apart into a single group of insurance contracts issued before June 2016 for the DRO portfolio and groups of insurance contracts issued before June 2012 for the general endowments and unit-linked portfolio. The application of the fully retrospective approach on transition for these portfolios was determined to be impracticable for Discovery Invest as it did not collect the data of policies sold with sufficient granularity in the periods prior to June 2012. Discovery Invest only commenced trading in 2007.

VITALITYHEALTH PRIVATE MEDICAL INSURANCE CONTRACTS

Discovery applied the modified approach to identify, recognise, and measure assets arising from insurance acquisition cash flows for the VitalityHealth PMI portfolio as of 1 July 2022. It is impracticable to apply the full retrospective approach as eight years ago (of the ten years that DAC is being applied for), the data was not collected with sufficient granularity for the purposes of setting up a deferred acquisition cost reserve, and its omission has an immaterial impact on the equity.

D.3. Critical estimates and judgements

D.3.1 Insurance contracts scope and grouping

DEFINITION AND CLASSIFICATION

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.

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 and VFA. The stresses may differ between portfolios but will correspond to the most significant non-financial stresses currently running 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.

D.3. Critical estimates and judgements *continued*

D.3.2 Contracts measured under the GMM and VFA

D.3.2.1 FULFILMENT CASH FLOWS

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.

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.

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 for both the current period under review and retrospectively for the restated comparative for the 2023 financial year and six month period.

Discovery primarily uses deterministic projections to estimate the present value of future cash flows, and for some groups, it uses stochastic modelling techniques. The following assumptions were used when estimating future cash flows:

- Mortality and morbidity rates.
- Surrender and lapse rates.
- Economic assumptions or investment returns.
- Vitality status assumptions.
- Expense assumptions.
- Policy alterations and automatic premium increases

D.3.2.2 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 D.2.2.

D.3.3 Contracts measured under the PAA

D.3.3.1 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.

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 D.2.2.

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.4. Insurance and reinsurance contracts related disclosures

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 to aggregated group of insurance contracts to 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)

D.4. Insurance and reinsurance contracts related disclosures *continued*

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

	Note	Description
Analysis of Statement of financial position	D.4.1 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.
	D.4.2 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 ■ D.4.3.1 SA Life and Invest (Risk) ■ D.4.3.2 UK Life (Risk) VFA ■ D.4.5.1 SA Life and Invest (Participating) PAA ■ D.4.7.1 SA Life and Invest: Group Life and other ■ D.4.7.2 SA Insure and other ■ D.4.7.3 UK Health **Reconciliation of reinsurance contracts** *Analysis by remaining coverage and incurred claims* GMM ■ D.4.8.1 SA Life and Invest (Risk) ■ D.4.8.2 UK Life (Risk)	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 ■ D.4.4.1 SA Life and Invest (Risk) ■ D.4.4.2 UK Life (Risk) VFA ■ D.4.6.1 SA Life and Invest (Participating) **Reconciliation of reinsurance contracts** *Analysis by measurement component* GMM ■ D.4.9.1 SA Life and Invest (Risk) ■ D.4.9.2 UK Life (Risk) PAA ■ D.4.10.1 SA Life and Invest: Group Life and other ■ D.4.10.2 SA Insure and other ■ D.4.10.3 UK Health	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.

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.4. Insurance and reinsurance contracts related disclosures *continued*

	Note	Description
Analysis of Income statement	**D.4.11 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 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. ■ Recovery of insurance acquisition cash flows.
	D.4.12 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:** ■ D.4.13 Effects of insurance contracts initially recognised in the year ■ D.4.14 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.
	D.4.15 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.

D.4. Insurance and reinsurance contracts related disclosures *continued*

D.4.1 Summary of insurance contracts issued and reinsurance contracts held

Group R million (Assets)/Liabilities	Navigation	**SA Life and Invest Risk (GMM)**	**SA Life and Invest Participating (VFA)**	**UK Life Risk (GMM)**	**SA Life Group Risk (PAA)**	**SA Insure (PAA)**	**UK Health (PAA)**	**Total**
Six months ended 31 December 2023								
Insurance contracts	A=D+E	**3 337**	**69 286**	**(13 151)**	**5 670**	**981**	**(4 387)**	**61 736**
Reinsurance contracts	B=F	**740**	**–**	**4 944**	**(605)**	**(172)**	**(14)**	**4 893**
Total	C=A+B	**4 077**	**69 286**	**(8 207)**	**5 065**	**809**	**(4 401)**	**66 629**
Insurance contracts issued								
Insurance contract assets								
– Insurance contract balances		**(19 901)**	**–**	**(13 151)**	**–**	**–**	**–**	**(33 052)**
– Assets for insurance acquisition cash flows		**–**	**–**	**–**	**–**	**–**	**(4 739)**	**(4 739)**
	D	**(19 901)**	**–**	**(13 151)**	**–**	**–**	**(4 739)**	**(37 791)**
Insurance contract liabilities								
– Insurance contract balances		**23 238**	**69 286**	**–**	**5 670**	**981**	**352**	**99 527**
Total	E	**23 238**	**69 286**	**–**	**5 670**	**981**	**352**	**99 527**
Reinsurance contracts held								
Reinsurance contract assets		**–**	**–**	**–**	**(605)**	**(172)**	**(14)**	**(791)**
Reinsurance contract liabilities		**740**	**–**	**4 944**	**–**	**–**	**–**	**5 684**
Total	F	**740**	**–**	**4 944**	**(605)**	**(172)**	**(14)**	**4 893**
Year ended 30 June 2023								
Insurance contracts		4 365	66 308	(10 314)	5 109	822	(3 509)	62 781
Reinsurance contracts		567	–	4 276	(529)	(71)	(4)	4 239
Total		4 932	66 308	(6 038)	4 580	751	(3 513)	67 020
Insurance contracts issued								
Insurance contract assets								
– Insurance contract balances		(18 056)	–	(10 314)	–	–	–	(28 370)
– Assets for insurance acquisition cash flows		–	–	–	–	–	(4 544)	(4 544)
		(18 056)	–	(10 314)	–	–	(4 544)	(32 914)
Insurance contract liabilities								
– Insurance contract balances		22 421	66 308	–	5 109	822	1 035	95 695
		22 421	66 308	–	5 109	822	1 035	95 695
Reinsurance contracts held								
– Reinsurance contract assets		–	–	–	(529)	(71)	(4)	(604)
– Reinsurance contract liabilities		567	–	4 276	–	–	–	4 843
Total		567	–	4 276	(529)	(71)	(4)	4 239
Cross reference to related notes of insurance contracts issued								
– Analysis by remaining coverage and incurred claims		D.4.3.1.	D.4.5.1.	D.4.3.2.	D.4.7.1.	D.4.7.2.	D.4.7.3.	
– Analysis by measurement components		D.4.4.1.	D.4.6.1.	D.4.4.2.				
– Insurance acquisition assets							D.4.2.	
Cross reference to related notes of reinsurance contracts issued								
– Analysis by remaining coverage and incurred claims		D.4.8.1.		D.4.8.2.	D.4.10.1.	D.4.10.2.	D.4.10.3.	
– Analysis by measurement components		D.4.9.1.		D.4.9.2.				

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.4. Insurance and reinsurance contracts related disclosures *continued*

D.4.2 Insurance acquisition assets

Group R million	**UK Health (PAA)**
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**
Six months ended 31 December 2023	
Amounts Incurred during the period	**795**
Amounts derecognised and included in the measurement of insurance contracts	**(521)**
Effect of movements in exchange rates	**(79)**
Balance at the end of the period	**4 739**
Balance as at 1 July 2022	
Presented in insurance contract assets	**3 358**
Balance as at 30 June 2023	
Presented in insurance contract assets	**4 544**
Balance as at 31 December 2023	
Presented in insurance contract assets	**4 739**

D.4. Insurance and reinsurance contracts related disclosures *continued*

D.4.2 Insurance acquisition assets *continued*

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)**
31 December 2023	
Year 1	**914**
Year 1 – 2	**763**
Year 3 – 5	**1 319**
Year 6 – 10	**1 208**
>10 years	**–**
30 June 2023	
Year 1	878
Year 1 – 2	734
Year 3 – 5	1 790
Year 6 – 10	1 142
>10 years	–

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.4. Insurance and reinsurance contracts related disclosures *continued*

D.4.3 Reconciliation of insurance contracts – GMM

D.4.3.1 SA LIFE AND INVEST (RISK)

Analysis by remaining coverage and incurred claims

Group R million (Assets)/Liabilities	Navigation	December 2023 Liabilities for remaining coverage Excluding loss component	December 2023 Liabilities for remaining coverage Loss component	December 2023 Liabilities for incurred claims	December 2023 Total	June 2023 Liabilities for remaining coverage Excluding loss component	June 2023 Liabilities for remaining coverage Loss component	June 2023 Liabilities for incurred claims	June 2023 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 period/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 period/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		**(172)**	**–**	**–**	**(172)**	(334)	–	–	(334)
Contracts under the full retrospective approach on transition		**(6 467)**	**–**	**–**	**(6 467)**	(12 790)	–	–	(12 790)
Subsequent to transition: All other contracts		**(6 964)**	**–**	**–**	**(6 964)**	(13 503)	–	–	(13 503)
	B	**(7 136)**	**–**	**–**	**(7 136)**	(13 837)	–	–	(13 837)
Insurance service expenses									
Incurred claims and other insurance service expenses		**–**	**–**	**5 084**	**5 084**	–	–	10 348	10 348
Amortised assets for insurance acquisition cash flows		**970**	**–**	**–**	**970**	1 713	–	–	1 713
Losses and reversal of losses on onerous contracts		**–**	**99**	**–**	**99**	–	304	–	304
	C	**970**	**99**	**5 084**	**6 153**	1 713	304	10 348	12 365
Investment components	D	**(2 964)**	**–**	**2 964**	**–**	(3 817)	–	3 817	–
Insurance service result	E=B+C+D	**(9 130)**	**99**	**8 048**	**(983)**	(15 941)	304	14 165	(1 472)
Net finance (income)/expense from insurance contracts	F	**(931)**	**48**	**226**	**(657)**	3 046	29	191	3 266
Net changes to income statement and OCI	G=E+F	**(10 061)**	**147**	**8 274**	**(1 640)**	(12 895)	333	14 356	1 794
Cash Flows									
Premiums received		**9 913**	**–**	**–**	**9 913**	17 477	–	–	17 477
Insurance acquisition cash flows		**(1 436)**	**–**	**–**	**(1 436)**	(2 503)	–	–	(2 503)
Claims and other directly attributable expenses paid		**–**	**–**	**(7 865)**	**(7 865)**	–	–	(14 074)	(14 074)
Total cash flows	H	**8 477**	**–**	**(7 865)**	**612**	14 972	–	(14 074)	898
Net balance at the end of the period/year	J=A+G+H	**(5 858)**	**2 165**	**7 030**	**3 337**	(4 274)	2 018	6 621	4 365
Closing assets arising from insurance contracts issued		**(28 918)**	**1 987**	**7 030**	**(19 901)**	(26 510)	1 833	6 621	(18 056)
Closing liabilities arising from insurance contracts issued		**23 060**	**178**	**–**	**23 238**	22 236	185	–	22 421
Net balance at the end of the period/year		**(5 858)**	**2 165**	**7 030**	**3 337**	(4 274)	2 018	6 621	4 365

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.4. Insurance and reinsurance contracts related disclosures *continued*

D.4.3 Reconciliation of insurance contracts – GMM *continued*

D.4.3.2 UK LIFE (RISK)

Analysis by remaining coverage and incurred claims

Group R million (Assets)/Liabilities	Navigation	December 2023 Liabilities for Remaining Coverage Excluding loss Component	December 2023 Liabilities for Remaining Coverage Loss component	December 2023 Liabilities for incurred claims	December 2023 Total	June 2023 Liabilities for Remaining Coverage Excluding Loss Component	June 2023 Liabilities for Remaining Coverage Loss component	June 2023 Liabilities for incurred Claims	June 2023 Total
Opening assets arising from insurance contracts issued		**(17 021)**	**5 076**	**1 631**	**(10 314)**	(13 527)	4 239	1 157	(8 131)
Net balance at beginning of the period/year	A	**(17 021)**	**5 076**	**1 631**	**(10 314)**	(13 527)	4 239	1 157	(8 131)
Changes in the income statement and OCI									
Insurance revenue transitional split									
Contracts under the full retrospective approach on transition		**(4 368)**	**–**	**–**	**(4 368)**	(7 535)	–	–	(7 535)
	B	**(4 368)**	**–**	**–**	**(4 368)**	(7 535)	–	–	(7 535)
Insurance service expenses									
Incurred claims and other insurance service expenses		**–**	**–**	**2 560**	**2 560**	–	–	4 414	4 414
Amortised assets for insurance acquisition cash flows		**1 278**	**–**	**–**	**1 278**	2 101	–	–	2 101
Losses and reversal of losses on onerous contracts		**–**	**(70)**	**–**	**(70)**	–	304	–	304
	C	**1 278**	**(70)**	**2 560**	**3 768**	2 101	304	4 414	6 819
Insurance service result	D=B+C	**(3 090)**	**(70)**	**2 560**	**(600)**	(5 434)	304	4 414	(716)
Net finance (income)/expense from insurance contracts	E	**(2 255)**	**(17)**	**–**	**(2 272)**	706	(211)	–	495
Net changes to income statement and OCI	F=D+E	**(5 345)**	**(87)**	**2 560**	**(2 872)**	(4 728)	93	4 414	(221)
Cash Flows									
Premiums received		**4 606**	**–**	**–**	**4 606**	7 771	–	–	7 771
Insurance acquisition cash flows		**(2 355)**	**–**	**–**	**(2 355)**	(4 074)	–	–	(4 074)
Claims and other directly attributable expenses paid		**–**	**–**	**(2 382)**	**(2 382)**	–	–	(4 168)	(4 168)
Total cash flows	G	**2 251**	**–**	**(2 382)**	**(131)**	3 697	–	(4 168)	(471)
Effect of movements in exchange rates	H	**284**	**(90)**	**(28)**	**166**	(2 463)	744	228	(1 491)
Net balance at the end of the period/year	I= A+F+G+H	**(19 831)**	**4 899**	**1 781**	**(13 151)**	(17 021)	5 076	1 631	(10 314)
Closing assets arising from insurance contracts issued		**(19 831)**	**4 899**	**1 781**	**(13 151)**	(17 021)	5 076	1 631	(10 314)
Net balance at the end of the period/year		**(19 831)**	**4 899**	**1 781**	**(13 151)**	(17 021)	5 076	1 631	(10 314)

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.4. Insurance and reinsurance contracts related disclosures *continued*

D.4.4 Reconciliation of insurance contracts – GMM

D.4.4.1 SA LIFE AND INVEST (RISK)

Analysis by measurement component

Group R million (Assets)/Liabilities	Navigation	December 2023 Estimates of PVFCF	December 2023 RA for non-financial risk	December 2023 CSM Other contracts	December 2023 Total	June 2023 Estimates of PVFCF	June 2023 RA for non-financial risk	June 2023 CSM Other contracts	June 2023 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 period/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 period/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		–	–	(954)	(954)	–	–	(1 835)	(1 835)
Change in Risk Adjustment for non-financial risk that relates to expired risk		–	(272)	–	(272)	–	(599)	–	(599)
Experience adjustments		48	–	–	48	513	–	–	513
Changes that relate to future services				–				–	
Contracts initially recognised in the period		(1 259)	236	1 064	41	(2 203)	450	1 836	83
Changes in estimates that adjust CSM		371	225	(596)	–	1 548	(193)	(1 355)	–
Changes in estimates that result in onerous contract losses or reversal of losses		124	10	–	134	350	(16)	–	334
Servicing expenses and commission for onerous contracts		20	–	–	20	32	–	–	32
Changes that relate to past services									
Adjustment to liability for incurred claims		–	–	–	–	–	2	–	2
Insurance service result	B	(696)	199	(486)	(983)	240	(356)	(1 354)	(1 470)
Net finance (income)/expense from insurance contracts	C	(2 136)	390	1 089	(657)	877	(252)	2 641	3 266
Net changes to income statement and OCI	D=B+C	(2 832)	589	603	(1 640)	1 117	(608)	1 287	1 796
Cash flows	E	612	–	–	612	898	–	–	898
Net balance at the end of the period/year	G=A+D+E	(33 153)	7 635	28 855	3 337	(30 933)	7 046	28 252	4 365
Closing assets arising from insurance contracts issued		(55 267)	7 530	27 836	(19 901)	(52 454)	6 960	27 438	(18 056)
Closing liabilities arising from insurance contracts issued		22 114	105	1 019	23 238	21 521	86	814	22 421
Net balance at the end of the period/year		(33 153)	7 635	28 855	3 337	(30 933)	7 046	28 252	4 365

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.4. Insurance and reinsurance contracts related disclosures *continued*

D.4.4 Reconciliation of insurance contracts – GMM model *continued*

D.4.4.2 UK LIFE (RISK)

Analysis by measurement component

Group R million (Assets)/Liabilities	Navigation	December 2023 Estimates of PVFCF	December 2023 RA for non-financial risk	December 2023 CSM Other contracts	December 2023 Total	June 2023 Estimates of PVFCF	June 2023 RA for non-financial risk	June 2023 CSM Other contracts	June 2023 Total
Opening assets arising from insurance contracts issued		**(26 042)**	**2 016**	**13 712**	**(10 314)**	(21 126)	1 741	11 432	(7 953)
Net balance at beginning of the period/year	A	**(26 042)**	**2 016**	**13 712**	**(10 314)**	(21 126)	1 741	11 432	(7 953)
Changes in the income statement and OCI									
Changes that relate to current services									
CSM recognised for services provided		**–**	**–**	**(633)**	**(633)**	–	–	(1 074)	(1 074)
Change in Risk Adjustment for non-financial risk that relates to expired risk		**–**	**(112)**	**–**	**(112)**	–	(308)	–	(308)
Experience adjustments		**51**	**–**	**–**	**51**	115	–	–	115
Changes that relate to future services									
Contracts initially recognised in the period		**(477)**	**163**	**427**	**113**	(1 227)	330	1 167	270
Changes in estimates that adjust CSM		**48**	**12**	**(60)**	**–**	189	46	(235)	–
Changes in estimates that result in onerous contract losses or reversal of losses		**(35)**	**16**	**–**	**(19)**	265	15	–	280
Insurance service result	B	**(413)**	**79**	**(266)**	**(600)**	(658)	83	(142)	(717)
Net finance (income)/expense from insurance contracts	C	**(2 530)**	**164**	**94**	**(2 272)**	500	(147)	142	495
Net changes to income statement and OCI	D=B+C	**(2 943)**	**243**	**(172)**	**(2 872)**	(158)	(64)	–	(222)
Cash flows	E	**(6)**	**–**	**–**	**(6)**	(22)	–	–	(22)
Effect of movements in exchange rates	F	**319**	**(34)**	**(244)**	**41**	(4 736)	339	2 280	(2 117)
Net closing balance at the end of the period/year	G=A+D+E+F	**(28 672)**	**2 225**	**13 296**	**(13 151)**	(26 042)	2 016	13 712	(10 314)
Closing assets arising from insurance contracts issued		**(28 672)**	**2 225**	**13 296**	**(13 151)**	(26 042)	2 016	13 712	(10 314)
Net closing balance at the end of the period/year		**(28 672)**	**2 225**	**13 296**	**(13 151)**	(26 042)	2 016	13 712	(10 314)

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.4. Insurance and reinsurance contracts related disclosures *continued*

D.4.5 Reconciliation of insurance contracts – VFA

D.4.5.1 SA LIFE AND INVEST (PARTICIPATING)

Analysis by remaining and incurred claims

Group R million (Assets)/Liabilities	Navigation	December 2023 Liabilities for remaining coverage Excluding loss component	December 2023 Liabilities for remaining coverage Loss component	December 2023 Liabilities for incurred Claims	December 2023 Total	June 2023 Liabilities for remaining coverage Excluding loss component	June 2023 Liabilities for remaining coverage Loss component	June 2023 Liabilities for incurred claims	June 2023 Total
Opening liabilities arising from insurance contracts issued		66 236	72	–	66 308	56 983	136	–	57 119
Net opening balance at beginning of the period/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 liabilities arising from insurance contracts issued (rebased)						56 985	72	–	57 057
Net balance at beginning of the period/year (rebased)	A	66 236	72	–	66 308	56 985	72	–	57 057
Changes in the statement of profit or loss and OCI									
Insurance revenue transitional split									
Contracts under the modified retrospective approach		(1 417)	–	–	(1 417)	(2 809)	–	–	(2 809)
Other contracts		(172)	–	–	(172)	(53)	–	–	(53)
	B	(1 589)	–	–	(1 589)	(2 862)	–	–	(2 862)
Insurance service expenses									
Incurred claims and other insurance service expenses		–	–	559	559	–	–	1 020	1 020
Experience adjustments adjusting CSM		(10)	–	–	(10)	(77)	–	–	(77)
Amortised assets for insurance acquisition cash flows		370	–	–	370	694	–	–	694
Losses and reversal of losses on onerous contracts		–	8	–	8	–	–	–	–
	C	360	8	559	927	617	–	1 020	1 637
Investment components	D	(5 593)	–	5 593	–	(9 191)	–	9 191	–
Insurance service result	E=B+C+D	(6 822)	8	6 152	(662)	(11 436)	–	10 211	(1 225)
Net finance (income)/expense from insurance contracts	F	3 025	–	–	3 025	8 283	–	–	8 283
Net changes to income statement and OCI	G=E+F	(3 797)	8	6 152	2 363	(3 153)	–	10 211	7 058
Cash Flows									
Premiums received		7 104	–	–	7 104	13 089	–	–	13 089
Insurance acquisition cash flows		(337)	–	–	(337)	(685)	–	–	(685)
Claims and other directly attributable expenses paid		–	–	(6 152)	(6 152)	–	–	(10 211)	(10 211)
Total cash flows	H	6 767	–	(6 152)	615	12 404	–	(10 211)	2 193
Net balance at the end of the period/year	J=A+G+H	69 206	80	–	69 286	66 236	72	–	66 308
Closing liabilities arising from insurance contracts issued		69 206	80	–	69 286	66 236	72	–	66 308
Net balance at the end of the period/year		69 206	80	–	69 286	66 236	72	–	66 308

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.4. Insurance and reinsurance contracts related disclosures *continued*

D.4.6 Reconciliation of insurance contracts – VFA

D.4.6.1 SA LIFE AND INVEST (PARTICIPATING)

Analysis by measurement component

Group R million (Assets)/Liabilities	Navigation	December 2023 Estimates of PVFCF	December 2023 RA for non-financial risk	December 2023 CSM Transition: Modified retrospective	December 2023 CSM Other contracts	December 2023 Total	June 2023 Estimates of PVFCF	June 2023 RA for non-financial risk	June 2023 CSM Transition: Modified Retrospective	June 2023 CSM Other contracts	June 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 period/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)
Opening liabilities arising from insurance contracts issued (rebased)							50 817	829	5 411	–	57 057
Net balance at beginning of the period/year	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		**–**	**–**	**(507)**	**(60)**	**(567)**	–	–	(1 072)	(29)	(1 101)
Change in Risk Adjustment for non-financial risk that relates to expired risk		**–**	**(97)**	**–**	**–**	**(97)**	–	(149)	–	–	(149)
Experience adjustments		**43**	**–**	**(25)**	**(29)**	**(11)**	7	–	2	(9)	–
Changes that relate to future services											
Contracts initially recognised in the period		**(334)**	**35**	**–**	**314**	**15**	(831)	70	–	782	21
Changes in estimates that adjust CSM		**326**	**(118)**	**(145)**	**(63)**	**–**	(531)	116	362	53	–
Changes in estimates that result in onerous contract losses or reversal of losses		**1**	**(2)**	**–**	**–**	**(1)**	1	3	–	–	4
Insurance service result	B	**36**	**(182)**	**(677)**	**162**	**(661)**	(1 354)	40	(708)	797	(1 225)
Net finance (income)/expense from insurance contracts	C	**2 537**	**41**	**493**	**(47)**	**3 024**	7 672	43	727	(159)	8 283
Net changes to income statement and OCI	D=B+C	**2 573**	**(141)**	**(184)**	**115**	**2 363**	6 318	83	19	638	7 058
Cash flows	E	**615**	**–**	**–**	**–**	**615**	2 193	–	–	–	2 193
Net balance at the end of the period/year	G=A+D+E	**62 516**	**771**	**5 246**	**753**	**69 286**	59 328	912	5 430	638	66 308
Closing liabilities arising from insurance contracts issued		**62 516**	**771**	**5 246**	**753**	**69 286**	59 328	912	5 430	638	66 308
Net balance at the end of the period/year		**62 516**	**771**	**5 246**	**753**	**69 286**	59 328	912	5 430	638	66 308

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.4. Insurance and reinsurance contracts related disclosures *continued*

D.4.7 Reconciliation of insurance contracts – PAA

D.4.7.1 SA LIFE AND INVEST: GROUP LIFE AND OTHER

Analysis by remaining coverage, incurred claims and measurement component

Group R million (Assets)/Liabilities	Navigation	December 2023 Liabilities for remaining coverage (LRC)	December 2023 Liabilities for Incurred Claims (LIC) Estimates of PV of future cash flows	December 2023 Liabilities for Incurred Claims (LIC) RA for non-financial risk	December 2023 Total	June 2023 Liabilities for remaining coverage	June 2023 Liabilities for Incurred Claims Estimates of PV of future cash flows	June 2023 Liabilities for Incurred Claims RA for non-financial risk	June 2023 Total
Opening liabilities arising from insurance contracts issued		(162)	5 167	104	5 109	(127)	4 840	91	4 804
Net balance at the beginning of the period/year	A	(162)	5 167	104	5 109	(127)	4 840	91	4 804
Insurance revenue	B	(1 741)	–	–	(1 741)	(3 307)	–	–	(3 307)
Insurance service expenses	C								
Incurred claims and other insurance service expenses		–	1 498	9	1 507	–	2 600	12	2 612
Amortisation of insurance acquisition cash flows		77	–	–	77	141	–	–	141
		77	1 498	9	1 584	141	2 600	12	2 753
Insurance service result	D=B+C	(1 664)	1 498	9	(157)	(3 166)	2 600	12	(554)
Net finance (income)/expense from insurance contracts	E	–	219	5	224	–	200	1	201
Net changes to statement of profit or loss and OCI	F=D+E	(1 664)	1 717	14	67	(3 166)	2 800	13	(353)
Cash flows									
Premiums received		1 748	–	–	1 748	3 272	–	–	3 272
Insurance acquisition cash flows		(77)	–	–	(77)	(141)	–	–	(141)
Claims and other directly attributable expenses paid		–	(1 177)	–	(1 177)	–	(2 473)	–	(2 473)
Total cash flows	G	1 671	(1 177)	–	494	3 131	(2 473)	–	658
Net balance at the end of the period/year	H=A+F+G	(155)	5 707	118	5 670	(162)	5 167	104	5 109
Closing liabilities arising from insurance contracts issued		(155)	5 707	118	5 670	(162)	5 167	104	5 109
Net balance at the end of the period/year		(155)	5 707	118	5 670	(162)	5 167	104	5 109

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.4. Insurance and reinsurance contracts related disclosures *continued*

D.4.7 Reconciliation of insurance contracts – PAA *continued*

D.4.7.2 SA INSURE AND OTHER

Analysis by remaining coverage, incurred claims and measurement component

Group R million (Assets)/Liabilities	Navigation	December 2023 Liabilities for remaining coverage (LRC)	December 2023 Liabilities for Incurred Claims (LIC) Estimates of PVFCF	December 2023 Liabilities for Incurred Claims (LIC) RA for non-financial risk	December 2023 Total	June 2023 Liabilities for remaining coverage	June 2023 Liabilities for Incurred Claims (LIC) Estimates of PV of future cash flows	June 2023 Liabilities for Incurred Claims (LIC) RA for non-financial risk	June 2023 Total
Opening liabilities arising from insurance contracts held		52	758	12	822	77	749	13	839
Net balance at beginning of the period/year	A	52	758	12	822	77	749	13	839
Insurance revenue	B	(3 323)	–	–	(3 323)	(6 000)	–	–	(6 000)
Insurance service expenses	C								
Incurred claims and other insurance service expenses		–	3 224	–	3 224	–	5 744	–	5 744
Gross claims and insurance service expenses		–	3 394	–	3 394	–	6 123	–	6 123
Salvages		–	(170)	–	(170)	–	(379)	–	(379)
Adjustment to liability for incurred claims		–	96	5	101	–	141	(1)	140
		–	3 320	5	3 325	–	5 885	(1)	5 884
Insurance service result	D=B+C	(3 323)	3 320	5	2	(6 000)	5 885	(1)	(116)
Net finance (income)/expense from insurance contracts	E	–	–	–	–	–	–	–	–
Net changes to statement of profit or loss and OCI	F=D+E	(3 323)	3 320	5	2	(6 000)	5 885	(1)	(116)
Cash flows									
Premiums received		3 334	–	–	3 334	5 975	–	–	5 975
Claims and other directly attributable expenses paid		–	(3 177)	–	(3 177)	–	(5 877)	–	(5 877)
Gross claims and insurance service expenses paid		–	(3 373)	–	(3 373)	–	(6 262)	–	(6 262)
Salvages		–	196	–	196	–	385	–	385
Total cash flows	G	3 334	(3 177)	–	157	5 975	(5 877)	–	98
Effect of movements in exchange rates	H	–	–	–	–	–	1	–	1
Net balance at the end of the period/year	I=A+F+G+H	63	901	17	981	52	758	12	822
Closing liabilities arising from insurance contracts issued		63	901	17	981	52	758	12	822
Net balance at the end of the period/year		63	901	17	981	52	758	12	822

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.4. Insurance and reinsurance contracts related disclosures *continued*

D.4.7 Reconciliation of insurance contracts – PAA *continued*

D.4.7.3 UK HEALTH

Analysis by remaining coverage, incurred claims and measurement component

Group R million (Assets)/Liabilities	Navigation	December 2023 Liabilities for remaining coverage (LRC)	December 2023 Liabilities for incurred claims (LIC) Estimates of PV of future cash flows	December 2023 Liabilities for incurred claims (LIC) RA for non-financial risk	December 2023 Total	June 2023 Liabilities for remaining coverage (LRC)	June 2023 Liabilities for incurred claims Estimates of PV of future cash flows	June 2023 Liabilities for incurred claims RA for non-financial risk	June 2023 Total
Opening liabilities arising from insurance contracts issued		(372)	1 350	57	1 035	105	989	37	1 131
Net balance at the beginning of the period/year	A	(372)	1 350	57	1 035	105	989	37	1 131
Insurance revenue	B	(7 960)	–	–	(7 960)	(13 670)	–	–	(13 670)
Insurance service expenses									
Incurred claims and other insurance service expenses		–	6 367	(20)	6 347	–	10 765	11	10 776
Amortisation of insurance acquisition cash flows		850	–	–	850	1 403	–	–	1 403
Losses and reversal of losses on onerous contracts		–	–	–	–	(1)	–	–	(1)
	C	850	6 367	(20)	7 197	1 402	10 765	11	12 178
Insurance service result	D=B+C	(7 110)	6 367	(20)	(763)	(12 268)	10 765	11	(1 492)
Net finance (income)/expense from insurance contracts	E	–	–	–	–	–	–	–	–
Net changes to income statement and OCI	F=D+E	(7 110)	6 367	(20)	(763)	(12 268)	10 765	11	(1 492)
Cash flows									
Premiums received		7 741	–	–	7 741	13 324	–	–	13 324
Insurance acquisition cash flows		(324)	–	–	(324)	(607)	–	–	(607)
Claims and other directly attributable expenses paid		–	(6 793)	–	(6 793)	–	(10 619)	–	(10 619)
Total cash flows	G	7 417	(6 793)	–	624	12 717	(10 619)	–	2 098
Allocation from assets for insurance acquisition cash flows to group of insurance contracts	H	(521)	–	–	(521)	(893)	–	–	(893)
Effect of movements in exchange rates	I	5	(27)	(1)	(23)	(33)	215	9	191
Net balance at the end of the period/year	J=A+F+G+H+I	(581)	897	36	352	(372)	1 350	57	1 035
Closing liabilities arising from insurance contracts issued		(581)	897	36	352	(372)	1 350	57	1 035
Net balance at the end of the period/year		(581)	897	36	352	(372)	1 350	57	1 035

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.4. Insurance and reinsurance contracts related disclosures *continued*

D.4.8 Reconciliation of reinsurance contracts – GMM

D.4.8.1 SA LIFE AND INVEST (RISK)

Analysis by remaining coverage and incurred claims

Group R million (Assets)/Liabilities	Navigation	December 2023 Assets for remaining coverage Excluding loss recovery component	December 2023 Assets for remaining coverage Loss recovery component	December 2023 Assets for incurred claims	December 2023 Total	June 2023 Assets for remaining coverage Excluding loss recovery component	June 2023 Assets for remaining coverage Loss recovery component	June 2023 Assets for incurred claims	June 2023 Total
Opening liabilities arising from insurance contracts issued		**3 027**	**(202)**	**(2 258)**	**567**	3 423	(148)	(2 151)	1 124
Net balance at beginning of the period/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		**1 660**	**–**	**–**	**1 660**	3 268	–	–	3 268
Recoveries of incurred claims and other insurance service expenses		**–**	**–**	**(1 273)**	**(1 273)**	–	–	(3 131)	(3 131)
Recoveries and reversals of recoveries of losses on onerous underlying contracts		**–**	**(13)**	**–**	**(13)**	–	(55)	–	(55)
Adjustments to assets for incurred claims		**–**	**–**	**–**	**–**	–	–	–	–
		1 660	**(13)**	**(1 273)**	**374**	3 268	(55)	(3 131)	82
Net expenses from reinsurance contracts	B	**1 660**	**(13)**	**(1 273)**	**374**	3 268	(55)	(3 131)	82
Net finance (income)/expense from reinsurance contracts	C	**230**	**2**	**(55)**	**177**	(154)	1	(17)	(170)
Net changes to income statement and OCI	D=B+C	**1 890**	**(11)**	**(1 328)**	**551**	3 114	(54)	(3 148)	(88)
Cash Flows									
Premiums paid		**(1 996)**	**–**	**–**	**(1 996)**	(3 510)	–	–	(3 510)
Claims recovered		**–**	**–**	**1 618**	**1 618**	–	–	3 041	3 041
Total cash flows	F	**(1 996)**	**–**	**1 618**	**(378)**	(3 510)	–	3 041	(469)
Net balance at the end of the period/year	H=A+D+F	**2 921**	**(213)**	**(1 968)**	**740**	3 027	(202)	(2 258)	567
Closing liabilities arising from reinsurance contracts held		**2 921**	**(213)**	**(1 968)**	**740**	3 027	(202)	(2 258)	567
Net balance at the end of the period/year		**2 921**	**(213)**	**(1 968)**	**740**	3 027	(202)	(2 258)	567

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.4. Insurance and reinsurance contracts related disclosures *continued*

D.4.8 Reconciliation of reinsurance contracts – GMM *continued*

D.4.8.2 UK LIFE (RISK)

Analysis by remaining coverage and incurred claims

Group R million (Assets)/Liabilities	Navigation	December 2023 Assets for remaining coverage Excluding loss recovery component	December 2023 Assets for remaining coverage Loss recovery component	December 2023 Assets for incurred claims	December 2023 Total	June 2023 Assets for remaining coverage Excluding loss recovery component	June 2023 Assets for remaining coverage Loss recovery component	June 2023 Assets for incurred claims	June 2023 Total
Opening liabilities arising from reinsurance contracts held		7 679	(2 374)	(1 029)	4 276	6 668	(1 810)	(683)	4 175
Net balance at beginning of the period/year	A	7 679	(2 374)	(1 029)	4 276	6 668	(1 810)	(683)	4 175
Changes in the income statement and OCI									
Allocation of reinsurance premiums paid		2 675	–	–	2 675	3 464	–	–	3 464
Recoveries of incurred claims and other insurance service expenses		–	–	(2 502)	(2 502)	–	–	(3 272)	(3 272)
Recoveries and reversals of recoveries of losses on onerous underlying contracts		–	41	–	41	–	(284)	–	(284)
		2 675	41	(2 502)	214	3 464	(284)	(3 272)	(92)
Net expenses from reinsurance contracts	B	2 675	41	(2 502)	214	3 464	(284)	(3 272)	(92)
Net finance (income)/expense from reinsurance contracts	C	596	22	–	618	(162)	60	–	(102)
Net changes to income statement and OCI	D=B+C	3 271	63	(2 502)	832	3 302	(224)	(3 272)	(194)
Cash Flows									
Premiums paid		(2 365)	–	–	(2 365)	(3 430)	–	–	(3 430)
Claims recovered		–	–	2 273	2 273	–	–	3 069	3 069
Total cash flows	F	(2 365)	–	2 273	(92)	(3 430)	–	3 069	(361)
Effect of movements in exchange rates	G	(131)	42	17	(72)	1 139	(340)	(143)	656
Net balance at the end of the period/year	H=A+D+F+G	8 454	(2 269)	(1 241)	4 944	7 679	(2 374)	(1 029)	4 276
Closing liabilities arising from reinsurance contracts held		8 454	(2 269)	(1 241)	4 944	7 679	(2 374)	(1 029)	4 276
Net balance at the end of the period/year		8 454	(2 269)	(1 241)	4 944	7 679	(2 374)	(1 029)	4 276

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.4. Insurance and reinsurance contracts related disclosures *continued*

D.4.9 Reconciliation of reinsurance contracts – GMM

D.4.9.1 SA LIFE AND INVEST (RISK)

Analysis by measurement component

		December 2023					June 2023				
				CSM					CSM		
Group R million (Assets)/Liabilities	Navigation	Estimates of PVFCF	RA for non-financial risk	Transition: Modified retrospective	Other contracts	Total	Estimates of PVFCF	RA for non-financial risk	Transition: Modified retrospective	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 period/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		–	–	2	161	163	–	–	4	307	311
Change in Risk Adjustment for non-financial risk that relates to expired risk		–	33	–	–	33	–	63	–	–	63
Experience adjustments		195	–	–	–	195	(221)	–	–	–	(221)
Changes that relate to future services											
Contracts initially recognised in the period		106	(11)	–	(100)	(5)	221	(25)	–	(209)	(13)
Changes in estimates that adjust CSM		30	18	–	(20)	28	41	(7)	–	(31)	3
Changes in estimates that relate to losses and reversal of losses on underlying contracts		(24)	(17)	–	–	(41)	(62)	2	–	–	(60)
Changes that relate to past services											
Adjustment to assets for incurred claims		–	1	–	–	1	–	(1)	–	–	(1)
Net Expenses from reinsurance contracts held	B	307	24	2	41	374	(21)	32	4	67	82
Net finance (income)/expense from reinsurance contracts	C	409	(33)	(4)	(195)	177	269	(26)	(9)	(404)	(170)
Net changes to income statement and OCI	D=B+C	716	(9)	(2)	(154)	551	248	6	(5)	(337)	(88)
Cash flows	E	(378)	–	–	–	(378)	(469)	–	–	–	(469)
Net balance at the end of the period/year	G=A+D+E	6 432	(707)	(82)	(4 903)	740	6 094	(698)	(80)	(4 749)	567
Closing liabilities arising from reinsurance contracts held		6 432	(707)	(82)	(4 903)	740	6 094	(698)	(80)	(4 749)	567
Net balance at the end of the period/year		6 432	(707)	(82)	(4 903)	740	6 094	(698)	(80)	(4 749)	567

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.4. Insurance and reinsurance contracts related disclosures *continued*

D.4.9 Reconciliation of reinsurance contracts – GMM *continued*

D.4.9.2 UK LIFE (RISK)

Analysis by measurement component

Group R million (Assets)/Liabilities	Navigation	December 2023 Estimates of PVFCF	December 2023 RA for non-financial risk	December 2023 CSM Other contracts	December 2023 Total	June 2023 Estimates of PVFCF	June 2023 RA for non-financial risk	June 2023 CSM Other contracts	June 2023 Total
Opening liabilities arising from reinsurance contracts held		**9 703**	**(430)**	**(4 997)**	**4 276**	8 515	(438)	(3 993)	4 084
Net balance at beginning of the period/year	A	**9 703**	**(430)**	**(4 997)**	**4 276**	8 515	(438)	(3 993)	4 084
Changes in the income statement and OCI									
Changes that relate to current services									
CSM recognised for services provided		**–**	**–**	**242**	**242**	–	–	399	399
Change in Risk Adjustment for non-financial risk that relates to expired risk		**–**	**13**	**–**	**13**	–	18	–	18
Experience adjustments		**(21)**	**–**	**–**	**(21)**	(87)	–	–	(87)
Changes that relate to future services									
Contracts initially recognised in the period		**481**	**(26)**	**(528)**	**(73)**	650	(56)	(777)	(183)
Changes in estimates that adjust CSM		**9**	**3**	**(12)**	**–**	(298)	77	246	25
Changes in estimates that relate to losses and reversal of losses on underlying contracts		**55**	**(2)**	**–**	**53**	(244)	(20)	–	(264)
Net Expenses from reinsurance contracts held	B	**524**	**(12)**	**(298)**	**214**	21	19	(132)	(92)
Net finance (income)/expense from reinsurance contracts	C	**703**	**(42)**	**(43)**	**618**	(115)	67	(54)	(102)
Net changes to income statement and OCI	D=B+C	**1 227**	**(54)**	**(341)**	**832**	(94)	86	(186)	(194)
Cash flows	E	**(92)**	**–**	**–**	**(92)**	(362)	–	–	(362)
Effect of movements in exchange rates	F	**(166)**	**7**	**87**	**(72)**	1 644	(78)	(818)	748
Net balance at the end of the period/year	G=A+D+E+F	**10 672**	**(477)**	**(5 251)**	**4 944**	9 703	(430)	(4 997)	4 276
Closing liabilities arising from reinsurance contracts held		**10 672**	**(477)**	**(5 251)**	**4 944**	9 703	(430)	(4 997)	4 276
Net balance at the end of the period/year		**10 672**	**(477)**	**(5 251)**	**4 944**	9 703	(430)	(4 997)	4 276

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.4. Insurance and reinsurance contracts related disclosures *continued*

D.4.10 Reconciliation of reinsurance contracts – PAA

D.4.10.1 SA LIFE AND INVEST: GROUP LIFE AND OTHER

Analysis by remaining coverage, incurred claims and measurement component

		December 2023				June 2023			
			Asset for incurred claims				Asset for incurred claims		
Group R million (Assets)/Liabilities	Navigation	Asset for remaining coverage	Estimates of PVFCF	RA for non-financial risk	Total	Asset for remaining coverage	Estimates of PVFCF	RA for non-financial risk	Total
Opening assets arising from reinsurance contracts held		398	(910)	(17)	(529)	378	(1 054)	(15)	(691)
Net balance at beginning of the period/year	A	398	(910)	(17)	(529)	378	(1 054)	(15)	(691)
Changes in the statement of profit or loss and OCI									
Net expenses from reinsurance contracts held									
Reinsurance premiums expense		141	–	–	141	282	–	–	282
Claims recovered from reinsurer		–	(102)	(2)	(104)	–	(138)	(2)	(140)
Net finance (income)/expense from reinsurance contracts		–	(28)	(1)	(29)	–	(31)	–	(31)
Net changes to statement of profit or loss and OCI	B	141	(130)	(3)	8	282	(169)	(2)	111
Cash Flows									
Premiums paid net of commissions and other attributable expenses		(399)	–	–	(399)	(262)	–	–	(262)
Reinsurance recoveries		–	315	–	315	–	313	–	313
Total cash flows	C	(399)	315	–	(84)	(262)	313	–	51
Net balance at end of the period/year	D=A+B+C	140	(725)	(20)	(605)	398	(910)	(17)	(529)
Closing assets arising from reinsurance contracts held		140	(725)	(20)	(605)	398	(910)	(17)	(529)
Net balance at end of the period/year		140	(725)	(20)	(605)	398	(910)	(17)	(529)

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.4. Insurance and reinsurance contracts related disclosures *continued*

D.4.10 Reconciliation of reinsurance contracts – PAA *continued*

D.4.10.2 SA INSURE AND OTHER

Analysis by remaining coverage and incurred claims

Group R million (Assets)/Liabilities	Navigation	December 2023 Asset for remaining coverage	December 2023 Asset for incurred claims Estimates of PVFCF	December 2023 Asset for incurred claims RA for non-financial risk	December 2023 Total	June 2023 Asset for remaining coverage	June 2023 Asset for incurred claims Estimates of PVFCF	June 2023 Asset for incurred claims RA for non-financial risk	June 2023 Total
Opening assets arising from reinsurance contracts held		**776**	**(845)**	**(2)**	**(71)**	260	(440)	(2)	(182)
Net balance at beginning of the period/year	A	**776**	**(845)**	**(2)**	**(71)**	260	(440)	(2)	(182)
Changes in the income statement and OCI									
Net expenses from reinsurance contracts held									
Reinsurance premiums expense		**383**	**–**	**–**	**383**	635	–	–	635
Claims recovered from reinsurer		**–**	**(403)**	**(1)**	**(404)**	–	(590)	–	(590)
Net changes to statement of profit or loss and OCI	B	**383**	**(403)**	**(1)**	**(21)**	635	(590)	–	45
Cash flows									
Premiums paid net of commissions and other attributable expenses		**(800)**	**–**	**–**	**(800)**	(119)	–	–	(119)
Reinsurance recoveries		**–**	**720**	**–**	**720**	–	185	–	185
Total cash flows	C	**(800)**	**720**	**–**	**(80)**	(119)	185	–	66
Net balance at end of the period/year	D=A+B+C	**359**	**(528)**	**(3)**	**(172)**	776	(845)	(2)	(71)
Closing assets arising from reinsurance contracts held		**359**	**(528)**	**(3)**	**(172)**	776	(845)	(2)	(71)
Net balance at the end of the period/year		**359**	**(528)**	**(3)**	**(172)**	776	(845)	(2)	(71)

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.4. Insurance and reinsurance contracts related disclosures *continued*

D.4.10 Reconciliation of reinsurance contracts – PAA *continued*

D.4.10.3 UK HEALTH

Analysis by remaining coverage and incurred claims

Group R million (Assets)/Liabilities	Navigation	December 2023 Asset for remaining coverage	December 2023 Asset for Incurred Claims Estimates of PVFCF	December 2023 Asset for Incurred Claims RA for non-financial risk	December 2023 Total	June 2023 Asset for remaining coverage	June 2023 Asset for Incurred Claims Estimates of PVFCF	June 2023 Asset for Incurred Claims RA for non-financial risk	June 2023 Total
Opening assets arising from reinsurance contracts held		**8**	**(9)**	**(3)**	**(4)**	6	(5)	(2)	(1)
Net balance at beginning of the period/year	A	**8**	**(9)**	**(3)**	**(4)**	6	(5)	(2)	(1)
Changes in the income statement and OCI									
Net expenses from reinsurance contracts held									
Reinsurance premiums expense		**5**	**–**	**–**	**5**	1 847	–	–	1 847
Claims recovered from reinsurer		**–**	**–**	**–**	**–**	–	(1 837)	(1)	(1 838)
Net changes income statement and OCI	B	**5**	**–**	**–**	**5**	1 847	(1 837)	(1)	9
Cash flows									
Premiums paid net of commissions and other attributable expenses		**(17)**	**–**	**–**	**(17)**	(1 845)	–	–	(1 845)
Reinsurance recoveries		**–**	**1**	**1**	**2**	–	1 833	–	1 833
Total cash flows	C	**(17)**	**1**	**1**	**(15)**	(1 845)	1 833	–	(12)
Net balance at the end of the period/year	D=A+B+C	**(4)**	**(8)**	**(2)**	**(14)**	8	(9)	(3)	(4)
Closing assets arising from reinsurance contracts held		**(4)**	**(8)**	**(2)**	**(14)**	8	(9)	(3)	(4)
Net balance at the end of the period/year		**(4)**	**(8)**	**(2)**	**(14)**	8	(9)	(3)	(4)

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.4. Insurance and reinsurance contracts related disclosures *continued*

D.4.11 Insurance revenue

Group R million Income/(expense)	SA Life and Invest Risk (GMM)	SA Life and Invest Participating (VFA)	SA Life and Group Risk (PAA)	SA Insure and other immaterial (PAA)	UK Life Risk (GMM)	UK Health (PAA)	Total
Six months ended 31 December 2023							
Contracts not measured under the PAA							
Amounts relating to changes in liabilities for remaining coverage	**6 166**	**1 219**	**–**	**–**	**3 091**	**–**	**10 476**
– CSM recognised for services provided	**953**	**568**	**–**	**–**	**633**	**–**	**2 154**
– Change in risk adjustment for non-financial risk for risk expired	**269**	**96**	**–**	**–**	**109**	**–**	**474**
– Expected incurred claims and other insurance service expenses	**5 022**	**543**	**–**	**–**	**2 470**	**–**	**8 035**
– Experience adjustments	**(78)**	**12**	**–**	**–**	**(121)**	**–**	**(187)**
Recovery of insurance acquisition cash flows	**970**	**370**	**–**	**–**	**1 277**	**–**	**2 617**
Contracts not measured under the PAA	**7 136**	**1 589**	**–**	**–**	**4 368**	**–**	**13 093**
Contracts measured under the PAA	**–**	**–**	**1 741**	**3 323**	**–**	**7 960**	**13 024**
Total insurance revenue	**7 136**	**1 589**	**1 741**	**3 323**	**4 368**	**7 960**	**26 117**
Six months ended 31 December 2022							
Contracts not measured under the PAA							
Amounts relating to changes in liabilities for remaining coverage	5 898	1 012	–	–	2 471	–	9 381
– CSM recognised for services provided	901	527	–	–	587	–	2 015
– Change in risk adjustment for non-financial risk for risk expired	278	61	–	–	139	–	478
– Expected incurred claims and other insurance service expenses	4 739	422	–	–	2 063	–	7 224
– Experience adjustments	(20)	2	–	–	(318)	–	(336)
Recovery of insurance acquisition cash flows	834	351	–	–	987	–	2 172
Contracts not measured under the PAA	6 732	1 363	–	–	3 458	–	11 553
Contracts measured under the PAA	–	–	1 637	2 917	–	6 425	10 979
Total insurance revenue	6 732	1 363	1 637	2 917	3 458	6 425	22 532
Year ended 30 June 2023							
Contracts not measured under the PAA							
Amounts relating to changes in liabilities for remaining coverage	12 122	2 168	–	(1)	5 434	–	19 723
– CSM recognised for services provided	1 835	1 101	–	–	1 074	–	4 010
– Change in risk adjustment for non-financial risk for risk expired	595	148	–	–	299	–	1 042
– Expected incurred claims and other insurance service expenses	9 653	927	–	(1)	4 339	–	14 918
– Experience adjustments	39	(8)	–	–	(278)	–	(247)
Recovery of insurance acquisition cash flows	1 713	694	–	–	2 101	–	4 508
Contracts not measured under the PAA	13 835	2 862	–	(1)	7 535	–	24 231
Contracts measured under the PAA	–	–	3 307	6 000	–	13 670	22 977
Total insurance revenue	13 835	2 862	3 307	5 999	7 535	13 670	47 208

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.4. Insurance and reinsurance contracts related disclosures *continued*

D.4.12 Net investment result

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

Group R million Income/(expense)	Navigation	SA Life and Invest Risk (GMM)	SA Life and Invest Participating (VFA)	SA Life and Group Risk (PAA)	SA Insure and other immaterial (PAA)	UK Life Risk (GMM)	UK Health (PAA)	Other	Total
Six month period ended 31 December 2023									
Investment return									
Interest revenue from financial assets not measured at FVTPL		10	–	–	122	41	83	156	412
Net gains on FVTPL investments		2 210	2 703	–	4	–	56	1 697	6 670
Total investment return		2 220	2 703	–	126	41	139	1 853	7 082
Finance income/(expense) from insurance contracts									
Changes in fair value of underlying items of direct participation contracts		–	(3 014)	–	–	–	–	–	(3 014)
Interest accreted on CSM		(1 134)	(446)	–	–	(94)	–	–	(1 674)
Interest accreted on FCF and other finance (income)/expense[1]		817	436	(186)	–	2 366	–	–	3 433
Effect of changes in interest rates and other financial assumptions		516	–	(40)	–	–	–	–	476
Effect of changing FCF at current rates when adjusting the CSM at rates on initial recognition		488	–	–	–	–	–	–	488
Effect of movements in exchange rates		(28)	–	2	–	–	–	–	(26)
Net finance expense from insurance contracts	A	659	(3 024)	(224)	–	2 272	–	–	(317)
Finance income/(expense) from reinsurance contracts									
Interest accreted		199	–	26	–	43	–	–	268
Other		(379)	–	3	–	(661)	–	–	(1 037)
Net finance Income from reinsurance contracts	B	(180)	–	29	–	(618)	–	–	(769)
Movement in investment contract liabilities		–	–	–	–	–	–	(691)	(691)
Movement in third party interests in consolidated funds		–	–	–	–	–	–	(1 149)	(1 149)
		–	–	–	–	–	–	(1 840)	(1 840)
Represented by:									
Amounts recognised in statement of profit or loss		250	(3 024)	(193)	–	76	–	–	(2 892)
Amounts recognised in OCI		229	–	(2)	–	1 578	–	–	1 805
	C=A+B	479	(3 024)	(195)	–	1 654	–	–	(1 086)
Insurance finance income and expenses									
Net finance expenses from insurance contracts									
Amounts recognised in statement of profit or loss		377	(3 024)	(225)	–	142	–	–	(2 730)
Amounts recognised in OCI		282	–	1	–	2 130	–	–	2 413
	A	659	(3 024)	(224)	–	2 272	–	–	(317)
Net finance income from reinsurance contracts									
Amounts recognised in statement of profit or loss		(127)	–	32	–	(66)	–	–	(162)
Amounts recognised in OCI		(53)	–	(3)	–	(552)	–	–	(608)
	B	(180)	–	29	–	(618)	–	–	(769)

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.4. Insurance and reinsurance contracts related disclosures *continued*

D.4.12 Net investment result *continued*

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 Group Risk (PAA)	SA Insure and other immaterial (PAA)	UK Life Risk (GMM)	UK Health (PAA)	Other	Total
Year ended 30 June 2023								
Investment return								
Interest revenue from financial assets not measured at FVTPL	28	–	–	181	71	90	246	616
Net gains on FVTPL investments	4 576	8 473	–	–	516	1	3 161	16 727
Total investment return	4 604	8 473	–	181	587	91	3 407	17 343
Finance income/(expense) from insurance contracts								
Changes in fair value of underlying items of direct participation contracts	–	(8 252)	–	–	–	–	–	(8 252)
Interest accreted on CSM	(2 280)	(599)	–	–	(142)	–	–	(3 021)
Interest accreted on FCF and other finance (income)/expense[2]	1 571	568	(267)	–	(353)	–	–	1 519
Effect of changes in interest rates and other financial assumptions	(3 098)	–	84	–	–	–	–	(3 014)
Effect of changing FCF at current rates when adjusting the CSM at rates on initial recognition	446	–	–	–	–	–	–	446
Effect of movements in exchange rates	97	–	(18)	–	–	–	–	79
Net finance expense from insurance contracts	(3 264)	(8 283)	(201)	–	(495)	–	–	(12 243)
Finance income/(expense) from reinsurance contracts								
Interest accreted	413	–	42	–	54	–	–	509
Other	(242)	–	(12)	–	48	–	–	(206)
Net finance Income from reinsurance contracts	171	–	30	–	102	–	–	303
Movement in investment contract liabilities	–	–	–	–	–	–	(2 593)	(2 593)
Movement in third party interests in consolidated funds	–	–	–	–	–	–	(2 978)	(2 978)
	–	–	–	–	–	–	(5 571)	(5 571)
Represented by:								
Amounts recognised in statement of profit or loss	1 267	(8 283)	(354)	–	(88)	–	–	(7 458)
Amounts recognised in OCI	(4 362)	–	183	–	(304)	–	–	(4 483)
	(3 095)	(8 283)	(171)	–	(392)	–	–	(11 941)
Insurance finance income and expenses								
Net finance expenses from insurance contracts								
Amounts recognised in statement of profit or loss	1 553	(8 283)	(415)	–	(27)	–	–	(7 172)
Amounts recognised in OCI	(4 819)	–	214	–	(467)	–	–	(5 072)
	(3 266)	(8 283)	(201)	–	(494)	–	–	(12 244)
Net finance income from reinsurance contracts								
Amounts recognised in statement of profit or loss	(286)	–	61	–	(61)	–	–	(286)
Amounts recognised in OCI	457	–	(31)	–	163	–	–	589
	171	–	30	–	102	–	–	303

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 059 million, and guaranteed endowments finance expense of R1 242 million.

2 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

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.4. Insurance and reinsurance contracts related disclosures *continued*

D.4.13 Effect of insurance contracts initially recognised in the year

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)	Total	SA Life and Invest Risk (GMM)	SA Life and Invest Participating (VFA)	UK Life Risk (GMM)	Total
Six months ended 31 December 2023								
Insurance acquisition cash flows	**(179)**	**(217)**	**–**	**(396)**	**27**	**(47)**	**–**	**(20)**
Claims and other insurance service expenses payable	**(4 325)**	**(2 949)**	**(1 816)**	**(9 090)**	**(326)**	**(836)**	**(835)**	**(1 997)**
Estimates of present value of cash outflows	**(4 504)**	**(3 166)**	**(1 816)**	**(9 486)**	**(299)**	**(883)**	**(835)**	**(2 017)**
Estimates of present value of cash inflows	**5 790**	**3 513**	**2 372**	**11 675**	**272**	**870**	**756**	**1 898**
Risk adjustment for non-financial risk	**(222)**	**(33)**	**(129)**	**(384)**	**(14)**	**(2)**	**(34)**	**(50)**
CSM	**(1 064)**	**(314)**	**(427)**	**(1 805)**	**–**	**–**	**–**	**–**
Losses recognised on initial recognition	**–**	**–**	**–**	**–**	**(41)**	**(15)**	**(113)**	**(169)**
Year ended 30 June 2023								
Insurance acquisition cash flows	(325)	(437)	–	(762)	(9)	(66)	–	(75)
Claims and other insurance service expenses payable	(6 900)	(6 733)	(3 930)	(17 563)	(777)	(1 232)	(1 728)	(3 737)
Estimates of present value of cash outflows	(7 225)	(7 170)	(3 930)	(18 325)	(786)	(1 298)	(1 728)	(3 812)
Estimates of present value of cash inflows	9 474	8 019	5 370	22 863	740	1 280	1 515	3 535
Risk adjustment for non-financial risk	(413)	(67)	(273)	(753)	(37)	(3)	(57)	(97)
CSM	(1 836)	(782)	(1 167)	(3 785)	–	–	–	–
Losses recognised on initial recognition	–	–	–	–	(83)	(21)	(270)	(374)

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.4. Insurance and reinsurance contracts related disclosures *continued*

D.4.14 Effects of reinsurance contracts initially recognised in the year

REINSURANCE CONTRACTS

Group R million (Asset)/Liability	Group of contracts with a net cost on initial recognition[1]		
	SA Life and Invest Risk (GMM)	UK Life Risk (GMM)	Total
Six months ended 31 December 2023			
Estimates of present value of cash outflows	**(584)**	**1 595**	**1 011**
Estimates of present value of cash inflows	**478**	**(2 076)**	**(1 598)**
Risk adjustment for non-financial Risk	**11**	**26**	**37**
Income recognised on initial recognition (for offset)	**(5)**	**(73)**	**(78)**
Contractual service margin (CSM)	**(100)**	**(528)**	**(628)**
Year ended 30 June 2023			
Estimates of present value of cash outflows	(1 241)	3 480	2 239
Estimates of present value of cash inflows	1 020	(4 130)	(3 110)
Risk adjustment for non-financial Risk	25	56	81
Income recognised on initial recognition (for offset)	(13)	(183)	(196)
Contractual service margin (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 *Group of contracts with a net gain on initial recognition refers to those reinsurance contracts where at inception the full profit from the reinsurance contracts was recognised, which offset losses on onerous contracts at inception.*

D.4. Insurance and reinsurance contracts related disclosures *continued*

D 4.15 Contractual service margin

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:

D 4.15.1 INSURANCE CONTRACTS ISSUED

Group R million	Years of expected release of the CSM					
	<1 year	1 – 2 years	3 – 5 years	6 – 10 years	>10 years	Total
Six months ended 31						
SA Life and Invest Risk (GMM)						
Balance at beginning of the period	**28 855**	**29 046**	**29 574**	**32 447**	**42 367**	**28 855**
Accretion of interest	**2 499**	**2 688**	**9 334**	**20 707**	**406 215**	**441 443**
Recognised in income statement	**(2 308)**	**(2 160)**	**(6 461)**	**(10 787)**	**(448 582)**	**(470 298)**
Balance at end of the period	**29 046**	**29 574**	**32 447**	**42 367**	**–**	**–**
SA Life and Invest Risk (VFA)						
Balance at beginning of the period	**5 999**	**5 810**	**5 567**	**5 326**	**6 109**	**5 999**
Accretion of interest	**1 063**	**1 050**	**3 645**	**8 358**	**21 126**	**35 242**
Recognised in income statement	**(1 252)**	**(1 293)**	**(3 886)**	**(7 575)**	**(27 235)**	**(41 241)**
Balance at end of the period	**5 810**	**5 567**	**5 326**	**6 109**	**–**	**–**
UK Life Risk (GMM)						
Balance at beginning of the period	**13 296**	**12 299**	**11 403**	**9 137**	**6 168**	**13 296**
Accretion of interest	**216**	**200**	**517**	**661**	**1 044**	**2 638**
Recognised in income statement	**(1 213)**	**(1 096)**	**(2 783)**	**(3 630)**	**(7 212)**	**(15 934)**
Balance at end of the period	**12 299**	**11 403**	**9 137**	**6 168**	**–**	**–**
Total balance at beginning of the period	**48 150**					
Year ended 30 June 2023						
SA Life and Invest Risk (GMM)						
Balance at beginning of the period	28 252	28 582	29 104	31 775	41 229	28 252
Accretion of interest	2 437	2 626	9 073	19 945	391 041	425 122
Recognised in income statement	(2 107)	(2 104)	(6 402)	(10 491)	(432 270)	(453 374)
Balance at end of the period	**28 582**	**29 104**	**31 775**	**41 229**	**–**	**–**
SA Life and Invest Participating (VFA)						
Balance at beginning of the period	6 068	5 881	5 686	5 596	6 460	6 068
Accretion of interest	1 077	1 120	3 926	8 699	23 514	38 336
Recognised in income statement	(1 264)	(1 315)	(4 016)	(7 835)	(29 974)	(44 404)
Balance at end of the period	**5 881**	**5 686**	**5 596**	**6 460**	**–**	**–**
UK Life Risk (GMM)						
Balance at beginning of the year	13 712	12 650	11 702	9 333	6 271	13 712
Accretion of interest	205	191	496	636	954	2 482
Recognised in income statement	(1 267)	(1 139)	(2 865)	(3 698)	(7 225)	(16 194)
Balance at end of the year	**12 650**	**11 702**	**9 333**	**6 271**	**–**	**–**
Total balance at beginning of the period	**48 032**					

D. NEW STANDARDS AND INTERPRETATIONS AND RESTATEMENTS *continued*

D.4. Insurance and reinsurance contracts related disclosures *continued*

D 4.15 Contractual service margin *continued*

D 4.15.2 REINSURANCE CONTRACTS HELD

Group R million	Years of expected release of the CSM					
	<1 year	**1 – 2 years**	**3 – 5 years**	**6 – 10 years**	**>10 years**	**Total**
Six months ended 31 December 2023						
SA Life and Invest Risk (GMM)						
Balance at beginning of the period	4 985	5 068	5 167	5 670	6 802	4 985
Accretion of interest	439	461	1 535	3 146	48 864	54 445
Recognised in income statement	(356)	(362)	(1 032)	(2 014)	(55 666)	(59 430)
Balance at end of the period	**5 068**	**5 167**	**5 670**	**6 802**	**–**	**–**
UK Life Risk (GMM)						
Balance at beginning of the period	5 251	4 879	4 543	3 689	2 565	5 251
Accretion of interest	111	102	252	318	552	1 335
Recognised in income statement	(483)	(438)	(1 106)	(1 442)	(3 117)	(6 586)
Balance at end of the period	**4 879**	**4 543**	**3 689**	**2 565**	**–**	**–**
Total balance at beginning of the period	**10 236**					
Year ended 30 June 2023						
SA Life and Invest Risk (GMM)						
Balance at beginning of the year	4 829	4 907	5 002	5 467	6 506	4 829
Accretion of interest	423	445	1 478	3 009	45 918	51 273
Recognised in income statement	(345)	(350)	(1 013)	(1 970)	(52 424)	(56 102)
Balance at end of the year	**4 907**	**5 002**	**5 467**	**6 506**	**–**	**–**
UK Life Risk (GMM)						
Balance at beginning of the year	4 997	4 622	4 284	3 438	2 345	4 997
Accretion of interest	87	80	198	251	389	1 005
Recognised in income statement	(462)	(418)	(1 044)	(1 344)	(2 734)	(6 002)
Balance at end of the year	**4 622**	**4 284**	**3 438**	**2 345**	**–**	**–**
Total balance at beginning of the period	**9 826**					

E Review opinion

External review and comparative information

E. REVIEW OPINION

Independent auditors’ report

To the shareholders of Discovery Limited

Report on the restated IFRS 17 and Other Presentation Changes and Restated Financial information

We have reviewed the restated impacted financial statement captions following the adoption of IFRS 17 “Insurance Contracts” as set out below as at 30 June 2023 and 1 July 2022 included in the Discovery Limited’s Interim Results for the six months ended 31 December 2023 (“Interim Financial Information”):

- Assets arising from insurance contracts issued;
- Assets arising from reinsurance contracts held;
- Deferred tax asset;
- Deferred acquisition costs;
- Investment in equity-accounted investments;
- Contract receivables and other receivables;
- Cash and cash equivalents;
- Other reserves;
- Retained earnings;
- Equity attributable to equity holders of the company;
- Liabilities arising from insurance contracts issued;
- Liabilities arising from reinsurance contracts held;
- Deferred tax liability;
- Other financial payables at amortised cost;
- Investment contracts at fair value through profit or loss; and
- Other payables and provisions,

and the financial statement captions impacted by Other restatements and Other presentation changes as set out below as at 30 June 2023 and 1 July 2022 in the Interim Financial Information:

- Intangible assets;
- Deferred tax asset;
- Contract receivables and other receivables;
- Other reserves;
- Retained earnings;
- Equity attributable to equity holders of the company;
- Other financial payables at amortised cost;
- Deferred acquisition costs;
- Assets arising from contracts with customers;
- Third-party interest in consolidated funds;
- Investment contracts at fair value through profit or loss;
- Other payables and provisions;
- Employee benefits; and
- Assets arising from reinsurance contracts held

which are included in the Interim Financial Information’s selected notes, and a Summary of material accounting policies (together the “restated IFRS 17 and Other Presentation Changes and Restated Financial information”).

Directors’ Responsibility for the restated IFRS 17 and Other Presentation Changes and Restated Financial information

The directors are responsible for the preparation and presentation of the restated IFRS 17 and Other Presentation Changes and Restated Financial information in all material respects, in accordance with the principles of IAS 34: *Interim Financial Reporting* (IAS 34) , and for such internal control as the directors determine is necessary to enable the preparation of the restated IFRS 17 and Other Presentation Changes and Restated Financial information that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Review of the restated IFRS 17 and Other Presentation Changes and Restated Financial information

Our responsibility is to express a conclusion on the restated IFRS 17 and Other Presentation Changes and Restated Financial information. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, read together with ISA 805 (Revised), Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the restated IFRS 17 and Other Presentation Changes and Restated Financial information is not prepared in all material respects in accordance with the principles of IAS 34. This Standard also requires us to comply with relevant ethical requirements.

A review of the restated IFRS 17 and Other Presentation Changes and Restated financial information in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the restated IFRS 17 and Other Presentation Changes and Restated Financial information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the reviewed account balances as defined as restated IFRS 17 and Other Presentation Changes and Restated Financial information in the opening paragraph, forming part of the Interim Financial Information of Discovery Limited for the six months ended 31 December 2023, is not prepared, in all material respects, in accordance with the principles of IAS 34.

KPMG Inc.
Registered Auditor

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

85 Empire Road
Parktown
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South Africa

20 March 2024

Deloitte & Touche
Registered Auditors

Per: Stephen Munro
Chartered Accountant (SA)
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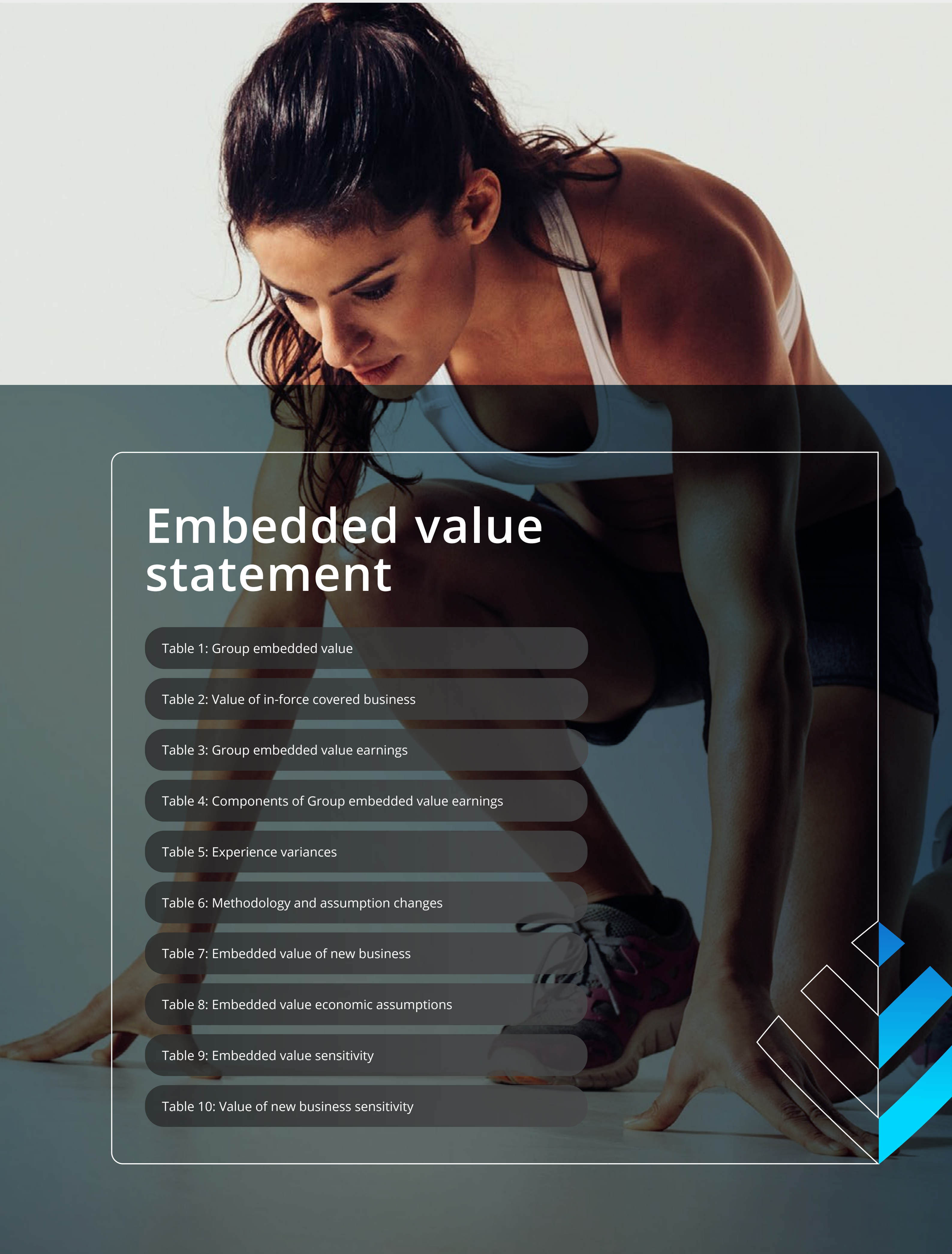
20 March 2024



Embedded value statement

Embedded value statement

for the six months ended 31 December 2023

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. In respect of non-covered businesses which were impacted by the transition to IFRS 17, such as Discovery Insure and Ping An Health Insurance, the 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 prior periods in the embedded value statement have not been restated. The cumulative effect of the changes were recognised in the period for the six months ended 31 December 2023.

TABLE 1: GROUP EMBEDDED VALUE

R million	**31 December 2023**	31 December 2022	% change	30 June 2023
Shareholders' funds[1]	**52 206**	57 184	(9)	63 974
Adjustment to shareholders' funds from published basis[2]	**(33 141)**	(41 885)	(21)	(45 688)
Adjusted net worth[3]	**19 065**	15 299	25	18 286
Value of in-force covered business before cost of required capital	**87 915**	80 678	9	83 906
Cost of required capital	**(3 500)**	(3 518)	(1)	(4 016)
Discovery Group embedded value	**103 480**	92 459	12	98 176
Number of shares (millions)	**662.1**	658.4		658.4
Embedded value per share	**R156.29**	R140.43	11	R149.11
Diluted number of shares (millions)	**663.7**	667.0		661.3
Diluted embedded value per share[4]	**R155.92**	R138.63	12	R148.45

1 *Shareholders' funds and the adjustment to shareholders' funds from the published basis for the comparative periods 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 R23.57/GBP (June 2023: R23.99/GBP; December 2022: R20.45/GBP).*

R million	***31 December 2023***	*31 December 2022*	*30 June 2023*
Life net assets under insurance contracts	***(17 225)***	*(25 721)*	*(25 491)*
Vitality Life Limited net assets under insurance contracts	***(8 739)***	*(9 415)*	*(12 051)*
VitalityHealth and Vitality Health Insurance Limited deferred acquisition costs (net of deferred tax)	***(4 162)***	*(3 848)*	*(5 001)*
VitalityLife receivable relating to the Unemployment Cover benefit (net of deferred tax)	***(12)***	*(10)*	*(13)*
Goodwill relating to the acquisition of Standard Life Healthcare and the PAC joint venture	***(2 916)***	*(2 531)*	*(2 969)*
Intangible assets (net of deferred tax) in covered businesses	***(820)***	*(867)*	*(893)*
Net preference share capital	***(779)***	*(779)*	*(779)*
Reversal of 1 Discovery Place IFRS 16 financial lease accounting	***1 406***	*1 260*	*1 333*
Equity settled share based payment mark-to-market adjustment	***106***	*26*	*176*
	(33 141)	*(41 885)*	*(45 688)*

In respect to the table directly above:

- *Prior to 31 December 2023, 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.*

Embedded value statement *continued*

for the six months ended 31 December 2023

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

R million	31 December 2023	31 December 2022	30 June 2023
Shareholders' funds	52 206	57 184	63 974
Adjustment to shareholders' funds	(33 141)	(41 885)	(45 688)
Adjusted net worth	**19 065**	15 299	18 286
Excess of available capital over adjusted net worth	45 771	36 860	40 336
Available capital	**64 836**	52 159	58 622
Required capital	**43 197**	39 272	41 987
Excess available capital	**21 639**	12 887	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 II Pillar 1 Own Funds and its adjusted net worth.*
- *The difference between Life's Pillar 1 Own Funds and its adjusted net worth.*

The following table sets out the required capital for each of the covered businesses:

R million	31 December 2023	31 December 2022	30 June 2023
Health and Vitality	1 159	1 067	1 108
Life and Invest	27 716	25 872	26 011
VitalityHealth	4 312	3 235	4 238
VitalityLife	10 010	9 098	10 630
Total required capital	**43 197**	39 272	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, the required capital amount was set equal to 1.35 times the Solvency II Pillar 1 Solvency Capital Requirement.*
- *For the VitalityLife business on the PAC licence, prior to 31 December 2023, the required capital was set equal to 1.5 times the UK Solvency I long-term insurance capital requirement as per the agreement with PAC following the long-term delay of the Part VII transfer. From 31 December 2023 the VitalityLife business on the PAC license 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 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 II Pillar 1 Solvency Capital Requirement.*

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

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 31 December 2023			
Health and Vitality	**26 268**	**(516)**	**25 752**
Life and Invest[1]	**35 051**	**(1 763)**	**33 288**
VitalityHealth[2]	**13 964**	**(750)**	**13 214**
VitalityLife[2]	**12 632**	**(471)**	**12 161**
Total	**87 915**	**(3 500)**	**84 415**
at 31 December 2022			
Health and Vitality	26 406	(493)	25 913
Life and Invest[1]	34 164	(1 510)	32 654
VitalityHealth[2]	10 586	(569)	10 017
VitalityLife[2]	9 522	(946)	8 576
Total	80 678	(3 518)	77 160
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 080 million (June 2023: R2 005 million; December 2022: R1 889 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 R23.57/GBP (June 2023: R23.99/GBP; December 2022: R20.45/GBP).*

Embedded value statement *continued*

for the six months ended 31 December 2023

TABLE 3: GROUP EMBEDDED VALUE EARNINGS

R million	Six months ended 31 December 2023	Six months ended 31 December 2022	Year ended 30 June 2023
Embedded value at end of period	**103 480**	92 459	98 176
Less: embedded value at beginning of period	**(98 176)**	(86 258)	(86 258)
Increase in embedded value	**5 304**	6 201	11 918
Dividends paid	**783**	31	69
Transfer to hedging reserve	**70**	(32)	(76)
Employee share option schemes	**(306)**	(178)	(553)
IFRS 17 impact on non-covered businesses[1]	**(79)**	–	–
Acquisition of subsidiaries with non-controlling interest	**–**	(1)	(6)
Embedded value earnings	**5 772**	6 021	11 352
Annualised return on opening embedded value	**12.1%**	14.4%	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.

TABLE 4: COMPONENTS OF GROUP EMBEDDED VALUE EARNINGS

	Six months ended 31 December 2023				Six months ended 31 December 2022	Year ended 30 June 2023
R million	Net worth	Cost of required capital	Value of in-force covered business	Embedded value	Embedded value	Embedded value
Total profit from new business (at point of sale)	(2 512)	(154)	3 350	**684**	940	1 440
Profit from existing business						
– Expected return	3 695	(39)	1 369	**5 025**	3 965	8 589
– Change in methodology and assumptions[1]	965	626	(925)	**666**	(237)	(4 854)
– Experience variances	208	55	616	**879**	2 073	3 204
Impairment, amortisation and fair value adjustment[2]	(30)	–	–	**(30)**	(29)	(67)
Increase in goodwill and intangibles	(110)	–	–	**(110)**	(151)	(263)
Other initiatives[3]	78	–	11	**89**	(220)	24
Non-recurring expenses	(159)	–	–	**(159)**	(106)	(193)
Acquisition costs[4]	(17)	–	(2)	**(19)**	(20)	(48)
Finance costs[5]	(1 662)	–	–	**(1 662)**	(1 324)	(2 848)
Foreign exchange rate movements[6]	(96)	24	(406)	**(478)**	599	5 070
Other[7]	(6)	–	–	**(6)**	(5)	90
Return on shareholders' funds[5,8]	893	–	–	**893**	536	1 208
Embedded value earnings	1 247	512	4 013	**5 772**	6 021	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, a commercial offering in Discovery Insure, and an Umbrella Fund offering in Invest). Head office costs which relate to non-covered business are included in this item, as well as cR77 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 (R781 million at 31 December 2023, R538 million at 31 December 2022 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.

TABLE 5: EXPERIENCE VARIANCES

R million	Health and Vitality Net worth	Health and Vitality Value of in-force	Life and Invest Net worth	Life and Invest Value of in-force	VitalityHealth Net worth	VitalityHealth Value of in-force	VitalityLife Net worth	VitalityLife Value of in-force	Total
Renewal expenses	68	–	11	(2)	(55)	–	1	–	**23**
Lapses and surrenders[1,2]	(2)	(133)	19	99	–	235	(95)	137	**260**
Mortality and morbidity	–	–	(22)	(10)	(71)	–	72	–	**(31)**
Policy alterations[2]	–	(10)	(323)	28	–	–	(1)	(41)	**(347)**
Backdated cancellations	–	–	–	–	–	–	–	–	**–**
Premium and fee income[3]	73	–	(49)	201	63	–	(34)	(51)	**203**
Inflation-linked indexation	–	–	(3)	(82)	–	–	–	218	**133**
Economic[4]	–	–	37	(84)	100	–	–	–	**53**
Commission	–	–	–	–	–	–	–	–	**–**
Tax[5]	50	–	75	(69)	3	–	37	–	**96**
Reinsurance[6]	–	–	–	–	(1)	–	(51)	(60)	**(112)**
Maintain modelling term[7]	–	160	–	55	–	48	–	–	**263**
Vitality benefits	41	–	–	–	–	–	4	–	**45**
Other[8]	53	(1)	36	33	92	–	80	–	**293**
Total	283	16	(219)	169	131	283	13	203	**879**

1 *For VitalityHealth, the lapse and surrender experience reflect improved retention rates from strong premium increases and expansion of existing schemes. For Health & 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.*
3 *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.*
4 *For Life and Invest, the experience includes lower than expected growth in asset values in the Invest business. For VitalityHealth, investment return continued to contribute to profitability as interest rates in the UK remain high.*
5 *The tax variance arises due to the timing difference between the expected tax payments and actual payments.*
6 *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.*
7 *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 six months.*
8 *The key Other experience relates to cash flow timing variances in Life and Invest and profits / losses from companies within the Health, VitalityHealth and VitalityLife segments which are not part of covered business.*

Embedded value statement *continued*

for the six months ended 31 December 2023

TABLE 6: METHODOLOGY AND ASSUMPTION CHANGES

	Health and Vitality		Life and Invest		VitalityHealth		VitalityLife		
R million	Net worth	Value of in-force	Net worth	Value of in-force	Net worth	Value of in-force	Net worth	Value of in-force	Total
Modelling changes[1]	–	–	12	(98)	–	–	–	241	**155**
Expenses	–	–	–	–	–	–	–	–	**–**
Lapses	–	–	–	–	–	–	–	–	**–**
Mortality and morbidity	–	–	–	–	–	–	–	–	**–**
Benefit changes	–	–	–	–	–	–	–	–	**–**
Vitality	–	–	–	–	–	–	–	–	**–**
Tax	–	–	–	–	–	–	–	–	**–**
Economic assumptions[2]	–	(840)	20	(668)	–	643	–	971	**126**
Premium and fee income	–	84	–	–	–	–	–	–	**84**
Reinsurance and financing[3]	–	–	693	(638)	–	–	–	9	**64**
Other[4]	–	–	324	216	–	–	(84)	(219)	**237**
Total	–	(756)	1 049	(1 188)	–	643	(84)	1 002	**666**

1 *For Life and Invest, the item reflects refinements to the data and models. For VitalityLife, the item reflects the reduction in cost of capital due to the implementation of the Solvency UK Risk Margin Reforms.*

2 *For Health and Vitality, and Life and Invest, the economic assumptions were updated in line with observed market nominal and real yield risk-free curves at 31 December 2023. For VitalityLife, the item includes the impact of updating the assumptions relative to the Solvency II 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 II yield curves instead of a single interest rate derived from the curves. For VitalityHealth, the impact of updating the assumptions relative to the Solvency II yield curves results in an increase to the annuity factor.*

3 *For Life and Invest, the reinsurance and financing item primarily relates to the impact of financing arrangements, where the future expected cash flows arising from part of the negative reserves are monetised to match other positive policy liabilities.*

4 *The Other item includes, among other things, second order impacts relating to the adoption of IFRS 17 for covered business, which have not been captured as part of the opening IFRS equity restatement, such as taxation phasing and reallocations identified as part of the transition.*

TABLE 7: EMBEDDED VALUE OF NEW BUSINESS

R million	Six months ended 31 December 2023	Six months ended 31 December 2022	% Change	Year ended 30 June 2023
Health and Vitality				
Present value of future profits from new business (at point of sale)	**406**	531		954
Cost of required capital	**(21)**	(20)		(39)
Present value of future profits from new business (at point of sale) after cost of required capital	**385**	511	(25)	915
New business annualised premium income[1]	**2 200**	2 238	(2)	4 959
Life and Invest				
Present value of future profits from new business (at point of sale)[2]	**287**	377		516
Cost of required capital	**(45)**	(48)		(87)
Present value of future profits from new business (at point of sale) after cost of required capital	**242**	329	(26)	429
New business annualised premium income[3]	**1 576**	1 496	5	2 965
Annualised profit margin[4]	**2.0%**	2.8%		1.8%
Annualised profit margin excluding Invest business	**4.3%**	4.5%		2.5%
VitalityHealth[5]				
Present value of future profits from new business (at point of sale)	**245**	80		269
Cost of required capital	**(53)**	(38)		(87)
Present value of future profits from new business (at point of sale) after cost of required capital	**192**	42	357	182
New business annualised premium income[6]	**1 190**	884	35	2 001
Annualised profit margin[4]	**2.5%**	0.7%		1.4%
VitalityLife[7]				
Present value of future profits from new business (at point of sale)	**(100)**	104		3
Cost of required capital	**(35)**	(46)		(89)
Present value of future profits from new business (at point of sale) after cost of required capital	**(135)**	58	(333)	(86)
New business annualised premium income	**667**	540	24	1 124
Annualised profit margin[4]	**(2.8%)**	1.4%		(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 31 December 2023.*
The total Health and Vitality new business annualised premium income written over the period, inclusive of Sasolmed, was R7 052 million (June 2023: R9 051 million; December 2022: R4 604 million).

2 *Included in the Life and Invest embedded value of new business is -R3 million (June 2023: R21 million; December 2022: R7 million) in respect of investment management services provided on off balance sheet investment business.*
Risk business written prior to the valuation date allows certain Invest business to be written at financially advantageous terms, the impact of which has been recognised in the value of new business.

3 *Life new business is defined as Life policies to which Life became contractually bound during the reporting period, including policies whose first premium is due after the valuation date. Invest new business is defined as business where at least one premium has been received and which has not been refunded after receipt. Invest new business also includes Discovery Retirement Optimiser policies to which Life and Invest became contractually bound during the reporting period, including policies whose first premium is due after the valuation date.*
The new business annualised premium income of R1 576 million (June 2023: R2 965 million; December 2022: R1 496 million) (single premium APE: R741 million (June 2023: R1 430 million; December 2022: R674 million)) shown above excludes automatic premium increases and servicing increases in respect of existing business. The total new business annualised premium income written over the period, including automatic premium increases of R1 184 million (June 2023: R2 208 million; December 2022: R1 130 million) and servicing increases of R387 million (June 2023: R716 million; December 2022: R363 million), was R3 147 million (June 2023: R5 889 million; December 2022: R2 990 million) (single premium APE: R778 million (June 2023: R1 499 million; December 2022: R708 million)). Single premium business is included at 10% of the value of the single premium.
Policy alterations and internal replacement policies, including Discovery Retirement Optimisers added to existing Life Plans are shown in Table 5 as experience variances and not included as new business. Term extensions on existing contracts are not included as new business.

4 *The annualised profit margin is the value of new business expressed as a percentage of the present value of future premiums.*

5 *The VitalityHealth value of new business is calculated as the value at point of sale of the new business written premium in-force at the valuation date multiplied by the Margin multiplied by the Annuity Factor less the new business cash flows from point of sale to the valuation date. The assumptions for the Margin and Annuity Factor are shown in Table 8.*

6 *VitalityHealth new business is defined as individuals and employer groups which incepted during the reporting period. The new business annualised premium income shown above has been adjusted to exclude premiums in respect of members who join an existing employer group after the first month, as well as premiums in respect of new business written during the period but only activated after 31 December 2023.*

7 *VitalityLife new business is defined as policies to which VitalityLife became contractually bound during the reporting period, including policies whose first premium is due after the valuation date.*

Embedded value statement *continued*

for the six months ended 31 December 2023

Basis of preparation

TABLE 8: EMBEDDED VALUE ECONOMIC ASSUMPTIONS

		31 December 2023	31 December 2022	30 June 2023
Beta coefficient		**0.75**	0.75	0.75
Equity risk premium (%)		**3.5**	3.5	3.5
Risk discount rate (%)				
	– Health and Vitality[1]	**15.125**	14.375	15.125
	– Life and Invest[1]	**15.625**	14.375	15.875
	– VitalityHealth	**5.992**	6.365	7.000
	– VitalityLife	**5.975**	6.399	7.042
Rand/GBP exchange rate				
Closing		**23.57**	20.45	23.99
Average		**23.43**	20.38	21.43
Margin over Expense inflation to derive Medical inflation (%)				
South Africa		**3.00**	3.00	3.00
Expense inflation (%)[2]				
South Africa	– Health and Vitality	**7.16**	7.82	7.96
	– Life and Invest	**7.72**	7.36	8.13
United Kingdom		**3.65**	3.75	3.75
Pre-tax investment return (%)				
South Africa	– Cash[1]	**11.50**	10.25	11.75
	– Life and Invest bonds[3]	**13.00**	11.75	13.25
	– Health and Vitality bonds[3]	**12.50**	11.75	12.50
	– Equity[1]	**16.50**	15.25	16.75
United Kingdom	– VitalityHealth risk-free rate	**3.37**	3.74	4.38
	– VitalityLife risk-free rate	**3.35**	3.77	4.42
	– VitalityLife IFRS interest rate	**3.35**	4.24	3.98
	– VitalityLife investment return	**4.70**	3.25	4.31
Long-term corporation tax rate (%)				
South Africa		**27**	27	27
United Kingdom		**25**	25	25
VitalityHealth Assumptions				
	– Margin (net of tax and cost of capital) (%)	**12.07**	12.00	12.05
	– Annuity Factor	**6.63**	6.49	6.28
Projection term				
	– Health and Vitality	**20 years**	20 years	20 years
	– Discovery Life – VIF	**40 years**	40 years	40 years
	– Group Life	**20 years**	20 years	20 years
	– VitalityLife	**No cap**	No cap	No cap
	– VitalityHealth[4]	**20 years**	20 years	20 years

1 *Derived as a margin over (or below for cash) the respective pre-tax investment return for bonds.*
2 *The inflation assumption is derived as the difference between the nominal and real yield curve at each duration. As an indication, the cash flow weighted average inflation is shown in the table. For the United Kingdom, the expense inflation assumption is aligned with the long-term market view of inflation.*
3 *As indications, the cash flow weighted averages derived from the relevant yield curve(s) are shown.*
4 *The VitalityHealth projection term of 20 years is used in the derivation of the Annuity Factor.*

The Discovery Group embedded value is calculated based on a risk discount rate using the Capital Asset Pricing Model (CAPM) approach with specific reference to the Discovery Group beta coefficient. The assumed beta is fixed at 0.75. This has been set such that the risk discount rate proxies the result of a Weighted Average Cost of Capital approach with reference to the capital structure of the Group and the observed beta calculated using daily returns over a long time period. The observed beta is calculated with reference to the ALSI. The assumed beta will only change if the capital structure of the Group and/or the observed beta calculated using daily returns over a long time period suggest the beta assumption should depart significantly from the assumption at the financial year-end. As beta values reflect the historic performance of share prices relative to the market, they may not allow fully for non-market related and non-financial risk. Investors may want to form their own view on an appropriate allowance for these risks which have not been modelled explicitly.

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

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

The VitalityHealth assumptions were derived from internal experience.

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 the publicly available JSE risk-free nominal yield curve.

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. The inflation rate is consistent with the long-term market view of inflation.

From 30 June 2018, 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 Cost of Capital. The assumptions underlying the Annuity Factor and Margin are set taking into account the current experience in 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 3.

Embedded value statement *continued*

for the six months ended 31 December 2023

Sensitivity to the embedded value assumptions

The risk discount rate uses the CAPM approach with specific reference to the Discovery Group beta coefficient. As beta values reflect the historic performance of share prices relative to the market, they may not allow fully for non-market related and non-financial risk. Investors may want to form their own view on an appropriate allowance for these risks which have not been modelled explicitly. The sensitivity of the embedded value and the embedded value of new business at 31 December 2023 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

R million	Adjusted net worth	Health and Vitality Value of in-force	Health and Vitality Cost of required capital	Life and Invest Value of in-force	Life and Invest Cost of required capital	VitalityHealth Value of in-force	VitalityHealth Cost of required capital	VitalityLife Value of in-force	VitalityLife Cost of required capital	Embedded value	% change
Base	19 065	26 268	(516)	35 051	(1 763)	13 964	(750)	12 632	(471)	**103 480**	
Impact of:											
Risk discount rate + 1%	19 065	24 836	(557)	32 071	(1 838)	13 235	(982)	11 719	(531)	**97 018**	(6)
Risk discount rate – 1%	19 065	27 848	(471)	38 560	(1 653)	14 771	(491)	13 689	(371)	**110 947**	7
Lapses – 10%	19 065	27 113	(541)	37 976	(1 861)	16 460	(884)	13 319	(568)	**110 079**	6
Interest rates – 1%[1]	19 065	26 404	(498)	35 611	(1 736)	14 771	(793)	12 362	(621)	**104 565**	1
Equity and property market value – 10%	19 025	26 268	(516)	34 312	(1 758)	13 964	(750)	12 632	(471)	**102 706**	(1)
Equity and property return + 1%	19 065	26 268	(516)	35 410	(1 766)	13 964	(750)	12 632	(471)	**103 836**	–
Renewal expenses – 10%	19 065	28 903	(478)	35 740	(1 736)	15 031	(750)	12 886	(448)	**108 213**	5
Mortality and morbidity – 5%	19 065	26 268	(516)	37 309	(1 674)	16 310	(750)	13 045	(459)	**108 598**	5
Projection term + 1 year	19 065	26 571	(521)	35 134	(1 769)	14 079	(756)	12 632	(471)	**103 964**	–

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

R million	Health and Vitality Value of new business	Health and Vitality Cost of required capital	Life and Invest Value of new business	Life and Invest Cost of required capital	VitalityHealth Value of new business	VitalityHealth Cost of required capital	VitalityLife Value of new business	VitalityLife Cost of required capital	Value of new business	% change
Base	406	(21)	287	(45)	245	(53)	(100)	(35)	**684**	
Impact of:										
Risk discount rate + 1%	370	(23)	200	(47)	190	(69)	(153)	(39)	**429**	(37)
Risk discount rate – 1%	445	(19)	386	(42)	307	(35)	(39)	(28)	**975**	43
Lapses - 10%	434	(23)	385	(48)	411	(62)	538	(41)	**1 594**	133
Interest rates – 1%[1]	412	(20)	287	(44)	307	(56)	(69)	(47)	**770**	13
Equity and property return + 1%	406	(21)	299	(45)	245	(53)	(100)	(35)	**696**	2
Renewal expense – 10%	469	(20)	312	(44)	317	(53)	(79)	(33)	**869**	27
Mortality and morbidity – 5%	406	(21)	331	(43)	403	(53)	(80)	(34)	**909**	33
Projection term + 1 year	413	(21)	289	(45)	254	(53)	(100)	(35)	**702**	3
Acquisition costs – 10%	424	(21)	365	(45)	245	(53)	10	(35)	**890**	30

1 All economic assumptions were reduced by 1%.

Annexure A

Annexure A

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

NEW BUSINESS ANNUALISED PREMIUM INCOME

for the six months ended 31 December 2023

The new business annualised premium income (API) set out below provides a view of the scale of new business across all operations of the Group and does not necessarily reflect the new business attributable to the legal entities within the Group. For instance, DHMS new business is attributable to the medical scheme but is under the administration and marketing of Discovery Health which earns a fee in respect of such services.

Core business API, increased by 28% for the six months ended 31 December 2023 when compared to the corresponding prior period.

R million	Group December 2023 Unaudited	Group December 2022 Unaudited	% Change
Discovery Health[1]	**6 835**	4 487	52
Discovery Life	**1 519**	1 485	2
Individual Life	**1 444**	1 355	7
Group Life	**75**	130	(42)
Discovery Invest	**1 629**	1 505	8
Discovery Insure	**666**	616	8
Discovery Vitality	**217**	162	34
Other initiatives[2]	**234**	356	(34)
Total new business API from SA Composite	**11 100**	8 611	29
VitalityHealth	**1 135**	890	28
VitalityLife	**935**	801	17
Total new business API from UK Composite	**2 070**	1 691	22
Total new business API from VG Composite: Ping An Health Insurance (PAHI) own license	**1 027**	804	28
New business API of Group	**14 197**	11 106	28

1 *New business API for Discovery Health includes new business API for all businesses administered by Discovery Health, including DHMS, Closed Schemes and offerings such as GAP cover, FlexiCare cover and African Health (prior year number restated for Africa Health).*
2 *Other new businesses include the Umbrella Fund and Discovery Insure commercial.*

Calculation of New business API

New business API is calculated at 12 times the monthly premium for new recurring premium policies and 10% of the value of new single premium policies It also includes both automatic premium increases and servicing increases on existing long-term insurance policies. The amounts exclude indirect taxes.

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

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

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

INCOME FROM NON-INSURANCE BUSINESS LINES

for the six months ended 31 December 2023

(not included in new business API definition above)

R million	Group December 2023 Unaudited	Group December 2022 Unaudited	Change %
Discovery Health – Income excluded from API measure	**592**	575	3
Discovery Bank	**933**	706	32
Discovery Bank – Net banking fee and commission income (NIR)	**567**	438	29
Discovery Bank – Net bank interest and similar income (NII)	**366**	268	37
Vitality Global income[1]	**1 417**	1 273	11
Vitality Network	**942**	754	25
Vitality Health International (excluding PAHI)	**475**	519	(8)
Total income from non-insurance business lines	**2 942**	2 554	15

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

Administration

Transfer secretaries Computershare Investor Services (Pty) Limited
(Registration number: 2004/003647/07)
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
Private Bag X9000, Saxonwold, 2132

Sponsors and debt sponsors Rand Merchant Bank (a division of FirstRand Bank Limited)

Secretary and registered office A Ceba, Discovery Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1999/007789/06)
Company tax reference number: 9652/003/71/7

JSE share code:	DSY ISIN: ZAE000022331
JSE share code:	DSBP ISIN: ZAE000158564
JSE company code:	DSYI

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Directors ME Tucker (UK) (Chairperson), A Gore* (Group Chief Executive), L Chiume[1], R Farber, WM Hlahla, FN Khanyile, D Macready, Dr TV Maphai[2], T Mboweni, KC Ramon[1], M Schreuder, B Swartzberg*, B van Kralingen, DM Viljoen* (Group Chief Financial Officer), SV Zilwa[2].
* *Executive.*
1 *Appointed effective 18 September 2023.*
2 *Retired effective 16 November 2023.*

Debt officer DM Viljoen

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

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

Discovery

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