Discovery

Notice and Proxy of Annual General Meeting and Abridged Financial Statements

for the year ended 30 June 2015

Contents

9 September 2015

Dear Shareholder

The detailed Notice of the Annual General Meeting and supporting documentation are attached hereto. The Notice is accompanied by explanatory notes setting out the reasons and the effects of all the proposed ordinary and special resolutions in the Notice.

The Integrated Report and Annual Financial Statements will be available on the Company's website at www.discovery.co.za from 2 November 2015. Should you require a full printed version of the Integrated Report and Annual Financial Statements, please contact me on 011 529 5199 and a copy will be sent to you.

If you are unable to attend the Annual General Meeting, you are able to vote by proxy in accordance with the instructions in the Notice of Annual General Meeting and the form of proxy.

Yours sincerely

MJ Botha
Company Secretary

155 West Street, Sandton; PO Box 786722, Sandton 2146, Tel (011) 529 2888 (Switchboard); Fax (011) 539 5503; www.discovery.co.za

Notice of the annual general meeting

for the year ended 30 June 2015

Discovery Limited

(Registration number: 1999/007789/06)
ISIN: ZAE000022331
Share code: DSY
("the Company")

Notice is hereby given in terms of section 62(1) of the Companies Act No. 71 of 2008 as amended ("Companies Act") that the sixteenth Annual General Meeting ("AGM") of the Company will be held in the Auditorium, Ground Floor, 155 West Street, on Tuesday, 1 December 2015 at 14h00 to – (i) consider and, if deemed fit to pass, with or without modification, the resolutions set out below; and (ii) deal with such other business as may be dealt with at the AGM.

The Board of Directors of the Company ("Board") has determined, in accordance with section 59(1)(a) and (b) of the Companies Act, that the record date for the purpose of determining which shareholders of the Company are entitled to receive notice of the AGM is Friday, 23 October 2015 and only shareholders of the Company who are registered in the securities register of the Company on Friday, 20 November 2015 will be entitled to participate in and vote at the Annual General Meeting. Therefore, the last day to trade in the Company's shares in order to be recorded on the securities register of the Company in order to be able to attend, participate in and vote at the AGM is Friday, 13 November 2015.

In terms of clause 13.13 of the Company's Memorandum of Incorporation ("MOI"), holders of B Preference Shares (as that term is defined in the MOI) shall be entitled to receive notice of, and to be present either in person or by proxy, at the AGM, but they shall not be entitled to vote thereat. In terms of clause 12.7 and clause 14.5 of the MOI, the holders of the A Preference Shares and the C Preference Shares (as those terms are defined in the MOI) respectively shall neither be entitled to attend the AGM nor be entitled to vote, in person or by proxy, at any such meeting.

The Integrated Report and the audited Annual Financial Statements for the year ended 30 June 2015, can be accessed on the Company website: www.discovery.co.za from 2 November 2015.

Electronic participation in the AGM

Please note that the Company intends to make provision for shareholders of the Company, or their proxies, to participate in the AGM by way of electronic communication as provided for in terms of the MOI and section 63(2) of the Companies Act. In this regard, shareholders or their proxies may participate in the AGM by way of a teleconference call and, if they wish to do so:

- Must contact the Company Secretary (by email at the address thysb@discovery.co.za) no later than 12h00 on Friday, 27 November 2015 in order to obtain dial-in details for that conference call; and
- Will be required to provide reasonably satisfactory identification. Forms of identification include a green bar-coded identification document issued by the South African Department of Home Affairs, a driver's licence or a valid passport.

Please note that the costs of the electronic communication described above will be for the account of the Company.

Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own-name" registration are entitled to attend and vote at the AGM. Any such shareholder is entitled to appoint one or more proxy or proxies to attend, participate in and speak and vote at the AGM in his/her/its stead. A proxy does not have to be a shareholder of the Company.

Kindly note that, meeting participants (including proxies) are required in terms of section 63(1) of the Companies Act to provide reasonably satisfactory identification before being entitled to attend or participate in the AGM. Forms of identification include a green bar-coded identification document issued by the South African Department of Home Affairs, a driver's licence or a valid passport.

This notice of the AGM includes the attached proxy form and the shareholder's attention is directed to the additional notes and instructions on the back of the form of proxy.

ORDINARY RESOLUTIONS

1. Ordinary Resolution Number 1

Consideration of Annual Financial Statements

Resolved that the audited Annual Financial Statements, including the Directors' Report, Auditor's Report and the Report by the Audit Committee of the Company and all of its subsidiaries ("Group") for the year ended 30 June 2015 are accepted.

Additional information in respect of Ordinary Resolution Number 1

The complete audited Annual Financial Statements, including the Directors' Report, Auditor's Report and the Report by the Audit Committee, of the Company and the Group for the year ended 30 June 2015, are available on the Company website, www.discovery.co.za.

2. Ordinary Resolution Number 2

Re-appointment of External Auditor

Resolved that PricewaterhouseCoopers Inc. is re-appointed, as the independent external auditor of the Company, as nominated by the Company's Audit Committee, until the conclusion of the next AGM It is noted that Mr Jorge Goncalves is the individual registered auditor who will undertake the audit for the financial year ending 30 June 2016.

Additional information in respect of Ordinary Resolution Number 2

In accordance with section 90 of the Companies Act, PricewaterhouseCoopers Inc. is proposed to be re-appointed as the external auditors of the Company, as nominated by the Company's Audit Committee, until the conclusion of the Company's next AGM.

3. Ordinary Resolution Number 3

Election of independent Audit Committee

Resolved that by way of separate ordinary resolutions each of:

3.1 Mr Les Owen, who is an independent non-executive director of the Company, be and is hereby elected as a member and the chairperson of the Company's Audit Committee for the financial year ending 30 June 2016.

3.2 Ms Sindi Zilwa, who is an independent non-executive director of the Company, be and is hereby elected as a member of the Company's Audit Committee for the financial year ending 30 June 2016.

3.3 Ms Sonja De Bruyn Sebotsa, who is an independent non-executive director of the Company, be and is hereby elected as a member of the Company's Audit Committee for the financial year ending 30 June 2016.

3.4 Mr Jannie Durand, who is an independent non-executive director of the Company, be and is hereby elected as a member of the Company's Audit Committee for the financial year ending 30 June 2016.

Additional information in respect of Ordinary Resolution Number 3

In terms of section 94(2) of the Companies Act, the Audit Committee is a committee elected by shareholders at each AGM. A brief CV of each of the independent non-executive directors mentioned above appear on pages 44 to 46. In terms of the Regulations promulgated under and in terms of the Companies Act ("Companies Act Regulations"), at least one-third of the members of the Company's Audit Committee must have academic qualifications, or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management. The Board is satisfied that the Company's Audit Committee members are suitably skilled, experienced as contemplated in Regulation 42 of the Companies Act Regulations and collectively they have the sufficient qualifications and experience to fulfil their duties as contemplated in section 94(7) of the Companies Act.

4. Ordinary Resolution Number 4

Re-election of Directors

Ordinary Resolution Number 4 (comprising Ordinary Resolutions Number 4.1. to 4.6 (inclusive))

Mr Monty Hilkowitz, Dr Brian Brink, Mr Jannie Durand, Mr Steven Epstein and Ms Sindi Zilwa all retire in accordance with clause 41.3 of the MOI and, being eligible, offer themselves for re-election.

Ms Faith Khanyile was appointed by the Board as a director of the Company on 22 October 2015 in accordance with clause 41.10 of the MOI.

Shareholders are requested to consider and, if deemed fit, to re-elect Mr Monty Hilkowitz, Dr Brian Brink, Mr Jannie Durand, Mr Steven Epstein and Ms Sindi Zilwa as directors appointed to the Board and, further to ratify the appointment of Ms Faith Khanyile as a director of the Company by way of passing the separate ordinary resolutions set out below:

By way of a separate ordinary resolution, it is:

4.1 Resolved that Mr Monty Hilkowitz who retires in terms of clause 41.3 of the MOI and who, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the Company.

4.2 Resolved that Dr Brian Brink who retires in terms of clause 41.3 of the MOI and who, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the Company.

4.3 Resolved that Mr Jannie Durand who retires in terms of clause 41.3 of the MOI and who, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the Company.

4.4 Resolved that Mr Steven Epstein who retires in terms of clause 41.3 of the MOI and who, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the Company.

4.5 Resolved that Ms Sindi Zilwa who retires in terms of clause 41.3 of the MOI and who, being eligible, offers herself for re-election, be and is hereby re-elected as a director of the Company.

4.6 Resolved that the appointment of Ms Faith Khanyile as a director of the Company with effect from 22 October 2015 be and is hereby ratified.

Additional information in respect of Ordinary Resolutions Number 4.1 to 4.6

Clause 41.10 (read with clause 41.3) of the MOI provides that any person appointed as a director of the Company by the Board to fill a casual vacancy or as an additional director shall retire at the following AGM in addition to the directors retiring by rotation in terms of clause 41.3. Clause 41.3 provides that one third of the Company's directors shall retire at every AGM. Therefore, the reason for the proposed Ordinary Resolutions Number 4.1 to 4.5 (inclusive) is to elect, in accordance with the MOI and by way of a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, as required by section 68(1) of the Companies Act, Mr Monty Hilkowitz, Dr Brian Brink, Mr Jannie Durand, Mr Steven Epstein and Ms Sindi Zilwa as directors of the Company. The effect of Ordinary Resolutions 4.1 to 4.5 (inclusive) is that Mr Monty Hilkowitz, Dr Brian Brink, Mr Jannie Durand, Mr Steven Epstein and Ms Sindi Zilwa will be elected as directors of the Company. A brief CV of each of the directors mentioned above appears on pages 44 to 46.

In terms of clause 41.10 of the MOI, the appointment by the Board of any person as a director of the Company during the year after the last AGM requires ratification by the shareholders at the first AGM of the Company following the appointment of such persons. WBD Discovery Investment Proprietary Limited ("WBD"), one of the Company's Black Economic Empowerment shareholders, has the right to nominate a director to the Board. WBD initially appointed Ms Tania Slabbert to the Board, who resigned on 22 October 2015. Ms Faith Khanyile was nominated by WBD to replace Ms Tania Slabbert. Ms Faith Khanyile was appointed as a director of the Company subsequent to the last AGM and the Board recommends to shareholders that her appointment be ratified. Therefore, the reason for the proposed Ordinary Resolutions Number 4.6 is to ratify the appointment of Ms Faith Khanyile as a director in accordance with section 68 (3) of the Companies Act. A brief CV of Ms Faith Khanyile can be found in the SENS announcement relating to her appointment which was released on 23 October 2015.

5. Ordinary Resolution Number 5

Approval of Group remuneration policy

Resolved that the Group remuneration policy, as described on pages 47 to 58, is hereby approved by way of a non-binding advisory vote, as recommended in the King Code of Governance for South Africa 2009, commonly referred to as King III.

Additional information in respect of Ordinary Resolution Number 5

In terms of King III recommendations, every year, the Company's remuneration policy should be tabled for a non-binding advisory vote at the AGM. The non-binding advisory vote is to enable shareholders to express their views on the remuneration policies adopted in the remuneration of executive directors and on their implementation. Accordingly, the shareholders are requested to endorse the Company's remuneration policy as recommended by King III.

6. Ordinary Resolution Number 6

Authority to implement special and ordinary resolutions

Resolved that any director of the Company or the Company Secretary of the Company be and is hereby authorised to do all such things, sign all such documents and take all such actions as may be necessary for or incidental to the implementation of the ordinary and special resolutions to be proposed at the AGM.

Additional information in respect of Ordinary Resolution Number 6

The reason for Ordinary Resolution Number 6 is to authorise any director or the Company Secretary of the Company to attend to the necessary to implement the special and ordinary resolutions passed at the AGM and to sign all documentation required to record the special and ordinary resolutions. The effect of Ordinary Resolution Number 6 is that any director or the Company Secretary of the Company will be authorised to attend to the implementation of the special and ordinary resolutions on behalf of the Company.

7. Ordinary Resolution Number 7

General Authority to issue preference shares

In terms of clauses 15.2.2 and 15.2.3 of the MOI, the Board requires the approval of the ordinary shareholders of the Company to issue and allot and grant options over the unissued redeemable no par value preference shares (i.e. A Preference Shares (as defined in the MOI)), the non-cumulative, non-participating, non-convertible, voluntary redeemable no par value preference shares (i.e. B Preference Shares (as defined in the MOI)) and the perpetual no par value preference shares (i.e. C Preference Shares (as defined in the MOI)) in the share capital of the Company. As such, it is proposed that shareholders provide the requisite authority to the Board to issue up to 10 000 000 A Preference Shares, 12 000 000 B Preference Shares and 20 000 000 C Preference Shares by passing the following Ordinary Resolution number 7.1, Ordinary Resolution number 7.2 and Ordinary Resolution number 7.3:

7.1 General authority to directors to allot and issue A Preference Shares

"Resolved that, as required by and subject to the MOI and the provisions of the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, the Board is authorised, as they in their discretion think fit, to allot, issue and grant options over and to undertake to allot, issue and grant options over 10 000 000 A Preference Shares from the authorised but unissued A Preference Shares in the share capital of the Company, such authority shall be valid until the Company's next AGM or for 15 months from the date of this Ordinary Resolution number 7.1, whichever period is shorter."

Additional information in respect of Ordinary Resolution Number 7.1

The reason for Ordinary Resolution number 7.1 is that in terms of clauses 15.2.2 and 15.2.3 of the MOI, the ordinary shareholders of the Company may authorise the Board to, *inter alia*, issue the unissued A Preference Shares and/or grant options over them, as the Board in their discretion think fit. The authority will be subject to the Companies Act and the JSE Listings Requirements respectively. The effect of Ordinary Resolution number 7.1 is to ensure that the Board has the necessary flexibility to allot and issue (or grant options over) up to 10 000 000 A Preference Shares as they deem fit.

7.2 General authority to directors to allot and issue B Preference Shares

"Resolved that, as required by and subject to the MOI and the provisions of the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, the Board is authorised, as they in their discretion think fit, to allot, issue and grant options over and to undertake to allot, issue and grant options over 12 000 000 B Preference Shares from the authorised but unissued B Preference Shares in the share capital of the Company, such authority shall endure until the Company's next AGM or for 15 months from the date of this Ordinary Resolution number 7.2, whichever period is shorter."

Additional information in respect of Ordinary Resolution Number 7.2

The reason for Ordinary Resolutions number 7.2 is that in terms of clauses 15.2.2 and 15.2.3 of the MOI, the ordinary shareholders of the Company may authorise the Board to, *inter alia*, issue any unissued B Preference Shares and/or grant options over them, as the Board in their discretion think fit. The authority will be subject to the Companies Act and the JSE Listings Requirements respectively. The effect of Ordinary Resolution number 7.2 is to ensure that the Board has the necessary flexibility to allot and issue (or grant options over) up to 12 000 000 B Preference Shares as they deem fit.

7.3 General authority to directors to allot and issue C Preference Shares

"Resolved that, as required by and subject to the MOI and the provisions of the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, the Board is authorised, as they in their discretion think fit, to allot, issue and grant options over and to undertake to allot, issue and grant options over 20 000 000 C Preference Shares from the authorised but unissued C Preference Shares in the share capital of the Company, such authority shall endure until the Company's next AGM or for 15 months from the date of this Ordinary Resolution number 7.3, whichever period is shorter."

Additional information in respect of Ordinary Resolution Number 7.3

The reason for Ordinary Resolutions number 7.3 is that in terms of clauses 15.2.2 and 15.2.3 of the MOI, the ordinary shareholders of the Company may authorise the Board to, *inter alia*, issue any unissued C Preference Shares and/or grant options over them, as the Board in their discretion think fit. The authority will be subject to the Companies Act and the JSE Listings Requirements respectively. The effect of Ordinary Resolution number 7.3 is to ensure that the Board has the necessary flexibility to allot and issue (or grant options over) up to 20 000 000 C Preference Shares as they deem fit.

SPECIAL RESOLUTIONS

1. Special Resolution Number 1

Approval of Non-executive Directors' remuneration – 2015/2016

Resolved that payment of the following fees be approved as the basis for calculating the remuneration of the Non-executive Directors for their services as Directors of the Company for the financial year ending 30 June 2016:

	2014/2015	2015/2016
Retainer for the Chairman of the Board	R3 000 000	**R3 600 000**
SA-based Board retainer	R154 000	**R161 700**
SA-based Board attendance fees	R25 700 per meeting	**R27 000 per meeting**
SA-based committee Chairman retainer	R190 000	**R199 500**
SA-based committee members' retainer	R110 000	**R115 500**
SA-based committee Chairman attendance fees	R22 000 per meeting	**R23 100 per meeting**
SA-based committee members' attendance fee	R14 000 per meeting	**R14 700 per meeting**
US-based Board retainer	USD 36 800	**USD 37 720**
US-based Board attendance fee	USD 6 100 per meeting	**USD 6 250 per meeting**
UK-based Board retainer	GBP 28 000	**GBP 28 700**
UK-based Board attendance fee	GBP 4 700 per meeting	**GBP 4 820 per meeting**
UK-based committee Chairman retainer	GBP 26 500	**GBP 27 160**
UK-based committee Chairman attendance fee	GBP 2 600 per meeting	**GBP 2 665 per meeting**
UK-based committee members' retainer	GBP 8 000	**GBP 8 200**
UK-based committee members' attendance fee	GBP 1 100 per meeting	**GBP 1 130 per meeting**
Non-resident director travel allowance	USD 2 500 per return leg	**USD 2 575 per return leg**

Additional information in respect of Special Resolution Number 1

In terms of section 66(8) and (9) of the Companies Act, which took effect on 1 May 2011, remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by the shareholders within the previous two years and if not prohibited in terms of the Company's MOI. Therefore, the reason for and the effect of Special Resolution Number 1 is to approve the payment of and the basis for calculating the remuneration payable by the Company to its non-executive directors for their services as directors of the Company for the period ending 30 June 2016 in terms of section 66(8) and (9) of the Companies Act. The fees payable to the non-executive directors are detailed above. Further details on the basis of calculation of the remuneration are included in the Remuneration Report on pages 51 to 52.

2. Special Resolution Number 2

General authority to repurchase shares

Resolved that the Board is hereby authorised by a way of a renewable general authority, in terms of the provisions of the JSE Listings Requirements, section 48 of the Companies Act and as permitted in the MOI, to approve the repurchase of its own ordinary shares by the Company, and the repurchase of ordinary shares in the Company by any of its subsidiaries, upon such terms and conditions and in such amounts as the Board may from time to time determine, but subject to the MOI, the provisions of the Companies Act and the JSE Listings Requirements, when applicable, and provided that:

2.1 The general repurchase by the Company and/or any subsidiary of the Company of ordinary shares in the aggregate in any one financial year do not exceed 15% of the Company's issued ordinary share capital as at the beginning of the financial year, provided that the acquisition of ordinary shares as treasury shares by a subsidiary of the Company shall not be effected to the extent that in aggregate more than 10% of the number of issued shares in the Company are held by or for the benefit of all the subsidiaries of the Company taken together;

2.2 Any repurchase of securities will be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party (reported trades are prohibited);

2.3 This authority shall only be valid until the Company's next AGM, provided that it shall not extend beyond 15 months from the date this resolution is passed;

2.4 The Company will only appoint one agent to effect any repurchase(s) on its behalf;

2.5 General repurchases by the Company and/or any subsidiary of the Company in terms of this authority, may not be made at a price greater than 10% above the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 5 business days immediately preceding the date of the repurchase of such ordinary shares by the Company and/or any subsidiary of the Company;

2.6 Any such general repurchases are subject to exchange control regulations and approvals at that point in time, where relevant;

2.7 A resolution has been passed by the Board and/or any subsidiary of the Company confirming that the Board has authorised the repurchase, that the Company satisfied the solvency and liquidity test contemplated in the Companies Act, and that since the test was done there have been no material changes to the financial position of the Group;

2.8 The Company and/or any subsidiary of the Company may not repurchase securities during a prohibited period, as defined in the JSE Listings Requirements, unless the Company has a repurchase programme in place where the dates and quantities of securities to be traded during the relevant period are fixed and not subject to any variation and full details of the programme have been disclosed in an announcement over the Stock Exchange News Service prior to the commencement of the prohibited period; and

2.9 A press announcement will be published giving such details as may be required in terms of the JSE Listings Requirements as soon as the Company and/or any subsidiary has cumulatively repurchased 3% of the number of shares in issue at the date of the passing of this resolution, and for each 3% in aggregate of the initial number of shares acquired thereafter.

The Board is of the opinion that this authority should be in place should it become appropriate to undertake a share repurchase in the future, in particular the repurchase of shares by a subsidiary of the Company for purposes of employee share schemes. The Board undertakes that it will not implement the proposed authority to repurchase shares, unless the directors are of the opinion that, for a period of 12 months after the date of the repurchase:

2.10 The Company and the Group will be able in the ordinary course of business to pay its debts;

2.11 The assets of the Company and the Group, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the liabilities of the Company and the Group;

2.12 The share capital and reserves of the Company and the Group will be adequate for ordinary business purposes; and

2.13 The working capital of the Company and the Group will be adequate for ordinary business purposes.

The Company will ensure that its sponsor has confirmed the adequacy of the Company's working capital in writing to the JSE in terms of the JSE Listings Requirements, prior to entering the market to proceed with a repurchase.

Additional information in respect of Special Resolution Number 2

The reason for and the effect of Special Resolution Number 2 is to grant the Board a general authority in terms of the JSE Listing Requirements, up to and including the date of the following AGM of the Company (provided that it shall not extend beyond 15 months from the date the resolution is passed), to approve the Company's purchase of shares in itself, or to permit a subsidiary of the Company to purchase shares in the Company and to authorise the Company or any of its subsidiaries to acquire shares issued by the Company in terms of the aforesaid approval. Please refer to the additional disclosure of information contained in this notice of AGM, which disclosure is required in terms of the JSE Listings Requirements.

Other than the facts and developments reported on in the Annual Financial Statements and the Integrated Report, there have been no material changes in the financial position of the Company since the date of the audit report.

3. Special Resolution Number 3

Financial assistance in terms of section 44 and 45 of the Companies Act

Resolved that, to the extent required by the Companies Act, the Board may, subject to compliance with the requirements of the MOI, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorise the Company to provide direct or indirect financial assistance as contemplated in section 44 and/or section 45 of the Companies Act by way of loans, guarantees, the provision of security or otherwise, to:

3.1 Any of its present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related to the Company and/or any other person for any purpose or in connection with any matter, including, but not limited to, the subscription of any option, or any securities issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company as contemplated in terms of section 44 of the Companies Act;

3.2 Any of its present or future directors or Prescribed Officers (or any person related to any of them or to any company or corporation related or inter-related to any of them), or to any other person who is a participant in any of the Group's share or other employee incentive schemes, for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company, where such financial assistance is provided in terms of any such scheme that does not satisfy the requirements of section 97 of the Companies Act,

Such authority to endure until the forthcoming AGM of the Company.

Additional information in respect of Special Resolution Number 3

Notwithstanding the title of section 45 of the Companies Act, being "Loans or other financial assistance to directors", on a proper interpretation, the body of the section may also apply to financial assistance (as such term is defined therein) provided by a company to related or inter-related companies and corporations, including, *inter alia*, its subsidiaries, for any purpose.

Furthermore, section 44 of the Companies Act may also apply to financial assistance provided by a company to related or inter-related companies or any other person, in the event that the financial assistance is provided for the purposes of, or in connection with, the subscription of any options, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or related or inter-related company.

Both section 44 and section 45 of the Companies Act provide, *inter alia*, that the particular financial assistance must be provided pursuant to a special resolution of the shareholders, adopted within the previous two years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and that the Board must be satisfied that – (i) immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test; and (ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

Therefore, the reason for Special Resolution Number 3 is to obtain approval from the shareholders to enable the Company to provide financial assistance, when the need arises, in accordance with the provisions of sections 44 and 45 of the Companies Act. The effect of Special Resolution Number 3 is that the Company will have the necessary authority to authorise and provide the financial assistance as and when required.

The Board undertakes that, in so far as the Companies Act requires, it will not adopt a resolution to authorise such financial assistance, unless the directors are satisfied that

(i) immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and

(ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

4. Special Resolution Number 4

Amendment of the Company's MOI

Resolved that in terms of clause 7 of the Company's MOI and in accordance with sections 16(1)(c)(i) and (ii) read together with section 16(5)(b) of the Companies Act, the Company's existing MOI be and is hereby amended with effect from the date of filing of the required notice of amendment with the Companies and Intellectual Property Commission as follows:

4.1 The following new clause 29.6 be and is hereby inserted immediately after clause 29.5:

- "29.6 Notwithstanding the foregoing, the following resolutions which require a Shareholders Meeting in terms of the Listing Requirements may, notwithstanding anything contained in this MOI to the contrary, be proposed as written resolutions in accordance with section 60 of the Companies Act, namely:
- 29.6.1 a change to the name of the Company;
- 29.6.2 odd lot offers;
- 29.6.3 an increase in the authorised share capital of the Company; and
- 29.6.4 the approval of amendments to this MOI."

4.2 The full stop at the end of clause 37.4 be and is hereby deleted and the following wording be and is hereby inserted immediately thereafter:

- ",other than those written resolutions referred to in clause 29.5 above."

Additional information in respect of Special Resolution Number 4

The reason and effect of Special Resolution Number 4 is to amend the Company's MOI in order to bring it in line with the provisions of the Companies Act and Schedule 10 of the JSE Listing Requirements which allow for certain shareholders resolutions to be passed by way of written resolutions instead of having to be voted on at a Shareholders Meetings.

ADDITIONAL DISCLOSURE OF INFORMATION

For the purposes of considering Special Resolution Number 2 and in compliance with the JSE Listings Requirements, the information listed below has been included as follows:

- **Major shareholders of the Company**
  Refer to Annexure 5 on page 60.

- **Share capital of the Company**
  Refer to Annexure 6 on pages 61 and 62.

- **Directors' responsibility statement**
  The directors, whose names appear on the inside back cover, collectively and individually accept full responsibility for the accuracy of the information pertaining to Special Resolution Numbers 2 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that Special Resolution Number 2 contains all information required by law and the JSE Listings Requirements.

APPROVALS REQUIRED FOR RESOLUTIONS

Ordinary Resolutions Number 1 to 7 contained in this notice of AGM require the approval by more than 50% of the votes exercised on the resolutions by shareholders present or represented by proxy at the AGM and further subject to the provisions of the Companies Act, the MOI and the JSE Listings Requirements.

Special Resolutions Number 1 to 4 contained in this notice of AGM require the approval by at least 75% of the votes exercised on the resolutions by shareholders present or represented by proxy at the AGM, and further subject to the provisions of the Companies Act, the Company's MOI and the JSE Listings Requirements.

THE CHAIRPERSON OF THE SOCIAL AND ETHICS COMMITTEE WILL GIVE VERBAL FEEDBACK ON THE ACTIVITIES OF THIS COMMITTEE FOR THE PAST PERIOD AS REQUIRED IN TERMS OF REGULATION 43 OF THE COMPANIES ACT REGULATIONS

TO TRANSACT ANY OTHER BUSINESS THAT MAY BE TRANSACTED AT AN AGM

ATTENDANCE AND VOTING BY SHAREHOLDERS OR PROXIES

The record date on which shareholders of the Company must be registered as such in the Company's securities register, which date was set by the Board determining which shareholders are entitled to attend and vote at the AGM is Friday, 20 November 2015.

Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own-name" registration are entitled to attend and vote at the AGM. Any such shareholder is entitled to appoint one or more proxy or proxies to attend, participate in and speak and vote at the AGM in his/her/its stead. The person or persons so appointed as a proxy or proxies need not be a shareholder or shareholders of the Company.

Forms of proxy must be lodged with the Company at 155 West Street, Sandton, South Africa or posted to the Company at PO Box 786722, Sandton 2146, South Africa or lodged with the Company's transfer secretaries, Computershare Investor Services Proprietary Limited, at 70 Marshall Street, Johannesburg, South Africa or posted to the Company's transfer secretaries at PO Box 61051, Marshalltown 2107, South Africa, so as to be received by them by not later than Friday, 27 November 2015 at 12h00 (South African time), being not less than 48 hours before the AGM to be held at 14h00 on Tuesday, 1 December 2015 in accordance with clause 27.3.2 of the MOI. Any forms of proxy not received by this time must be handed to the Chairperson of the AGM immediately prior to the commencement of the AGM before your proxy may exercise any of your rights as a shareholder at the AGM.

Forms of Proxy must only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares and registered them in their own name.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own-name" registration, should contact their Central Securities Depository Participant or broker in the manner and time stipulated in their agreement, in order to furnish them with their voting instructions or to obtain the necessary authority to attend the AGM, in the event that they wish to attend the AGM.

On a poll, every shareholder of the Company shall have one vote for every share held in the Company by such shareholder. Voting on the resolution to be proposed at the AGM will be on a poll.

Shares held by a share trust or scheme will not have their votes at the AGM taken into account for purposes of resolutions proposed in terms of the JSE Listings Requirements. Shares held as treasury shares may also not vote.

PROOF OF IDENTIFICATION REQUIRED

Section 63(1) of the Companies Act requires that any person who wishes to attend or participate in a shareholders meeting, must present reasonably satisfactory identification at the AGM. Any shareholder or proxy who intends to attend or participate at the AGM must be able to present reasonably satisfactory identification at the AGM for such shareholder or proxy to attend and participate at the AGM. A green bar-coded identification document issued by the South African Department of Home Affairs, a driver's licence or a valid passport will be accepted as sufficient identification.

VENUE

Please take note that the AGM will be held in the Auditorium, Ground Floor, 155 West Street, on Tuesday, 1 December 2015 at 14h00.

By order of the Board

MJ Botha
Company Secretary
9 September 2015

ANNEXURE 1

Audited and abridged annual financial statements

for the year ended 30 June 2015

01 | Strong financial performance, balanced with significant investment in future growth

The full year to 30 June 2015 marked a period of strong performance for Discovery. The period saw new business grow 51% to R17 532 million (boosted by the award of the Bankmed Medical Scheme, without which core new business grew 15%); normalised profit from operations up 17% to R5 789 million; normalised headline earnings up 16% to R4 027 million; growth in embedded value of 21% to R52 billion; and return on average equity of 18%. Importantly, the period was also noteworthy for its sizeable investment in new initiatives and for its successful capital raising.

In February, Discovery announced a rights issue to fund growth opportunities in the UK and local adjacencies, with the response being overwhelmingly positive. The rights issue was notably oversubscribed: less than 1% of the shares offered were not taken up directly, and for these excess shares, Discovery had applications for over R6 billion in shares.

02 | Discovery's business model

The year under review has been seminal for the Discovery business model, in terms of defining it in a disciplined way, building it and globalising it. A core development in this regard has been Discovery's collaboration with Apple to launch Vitality Active Rewards with Apple Watch, for use by Vitality and the Vitality Network.

As context, the global insurance landscape is subject to a number of accelerating trends. First, the nature of risk continues to change, becoming increasingly behavioural and complex in nature. Second, technology is becoming foundational to risk management, with the ubiquity of wearable devices providing the opportunity for insurers to better influence and price risk. Third, health promotion and disease prevention continue to be personalised – moving away from one-size-fits-all interventions to individualised treatment and dynamic advice. For insurers to succeed in this environment, there is a growing pressure to build the appropriate assets – from an insurance, behaviour and technology perspective.

Discovery's shared value business model – which incentivises healthier behaviour for the benefit of both members and insurers – is now visibly a global leader in the behavioural-insurance space. In August 2015, Discovery ranked at 17th position in Fortune's new index of 51 companies "changing the world" – a curation of organisations which have made a sizable impact on major global problems as part of their competitive strategy. This has validated Discovery's strategy to invest in the Vitality chassis to make it excellent and as such, globally relevant.

Discovery accelerated this investment with work in the areas of nutrition, preventive screening, and most significantly – physical activity. With the growing evidence of physical inactivity's impact on sickness and death, and the ability of wearable devices to enable better risk management – the case for technology-enabled physical activity in insurance is well made. On the back of this, the team in the UK pioneered Active Rewards – the next frontier in the science of Vitality – where physical activity is rewarded through a real-time rewards chassis, with Starbucks as a reward partner. The results of the UK prototype have been compelling, in terms of Active Rewards being a paradigm for driving significant member engagement and behaviour change.

This informed the intent for Active Rewards to become a chassis that underpins Vitality in all Discovery's markets, as a means of creating a scalable, global capability of benefit to all Discovery's insurance partners and members. During the period, Discovery collaborated with Apple on the development of Vitality Active Rewards with Apple Watch, which is designed to enable Vitality members around the world to be motivated and encouraged to get more active and by achieving their goals, earn their Apple Watch and pay less for their health or life insurance. Vitality Active Rewards with Apple Watch is made possible by the innovative health and fitness features of Apple Watch and Vitality's clinical, actuarial and behavioural economics capability which has delivered demonstrable and sustainable health improvements within its client base over the past 15 years; and the actuarial surplus generated by the insurance products using Vitality at their core.

Aligned to this, Discovery continued to build out its Vitality Network of global insurers. Progress over the year included the launch of AIA Vitality in Hong Kong; the launch of Vitality-integrated insurance through John Hancock Vitality in the United States, and plans to expand into Europe through Generali.

03 | Business-specific performance

In South Africa, the incumbent businesses demonstrated outstanding performance. **Discovery Health** exceeded expectation with operating profit increasing 10% to R2 031 million, with significant investment in new initiatives; and new business growing 92% to R9 598 million with the award of the administration and managed care contract for the Bankmed Medical Scheme. Without Bankmed, new business increased 8% to R5 398 million. Lives under management achieved the milestone of three million, just after the reporting period.

Discovery Health continues to create a highly-competitive healthcare system for the Discovery Health Medical Scheme and its 16 other schemes under management, through investment and innovation in its core assets. These include wellness programmes for corporates and individuals; sophisticated digital platforms for member-provider interactions; a comprehensive product range; extensive provider networks; risk management assets; and access to the newest advances in medicine. As a result, members experience personalised care, access to the latest technology, extensive provider networks and excellent value for member selected benefits.

The competitiveness of the Discovery Health chassis is evidenced by its success in managing both its open and closed schemes, as well as in its ability to win new closed scheme business. Notably, Discovery Health has experienced rapid growth in its management of closed schemes, winning seven of the last eight tenders, the most recent being the award of the contract for the Bankmed Medical Scheme with over 209 000 lives, which will come onto the Discovery Health platform on 1 January 2016. This will take market share in the closed scheme segment from 8% to 13% and Discovery Health's total market share to 38%.

Furthermore, the performance of the Discovery Health Medical Scheme has been excellent, driven by the success of the Direct to Consumer (D2C) channel, as well as significant efforts in other channels. Over the 2014 financial period, lives covered grew 2.7% off an extremely high base to 2.6 million; and loss ratios, lapse rates and buy-downs remained low and within budget. Taking investment income into account, the net annual surplus for the last year was R1.5 billion and the solvency level exceeded the statutory requirement of 25% of annual premium income, well ahead of the planned target date. As further validation, a recent benchmarking exercise by Deloitte consistently ranked Discovery Health Medical Scheme in the top-3 performing health insurers from a sample of 25 health insurers globally over the past decade, assessed against criteria that included financial health, scale and growth metrics, claims and expenditure, and innovation.

Discovery Life demonstrated excellent operating profit growth of 15% to R2 968 million over the period (+18% gross of FinRe), driven by new business growth of 11% to R2 231 million, competitive products, and innovations in the servicing space. Experience variances were positive at R236 million and the business generated R1 073 million in cash over the period. The new business growth took place in a fairly flat market, representing a market share gain from 26% to 29% on a run rate basis. This was largely due to new products and the business' high-quality, aligned-adviser force, which grew in both size and productivity.

Discovery Life's strong performance is a testament to the efficacy of the shared value model, with members gaining access to competitive products and exceptional policyholder returns. To date, members have received over R1.3 billion in PayBacks, while the business benefits from a healthier, more integrated base and a lower lapse rate.

Furthermore, from a distribution perspective, tied agents and direct business are growing faster than the Independent Financial Adviser segment, with all distribution channels having a positive effect on service quality and product knowledge for members. The business continues to take proactive steps in light of the potential regulatory shifts, with the launch of the Discovery Financial Adviser academy in August 2015. It is expected to graduate approximately 100 new high-quality aligned advisers per year, who are mentored by the leading performers over a two-year period.

The performance of **Discovery Invest** was exceptional. Operating profit increased by 39% to R460 million, driven largely by the intersection of the following factors – achieving scale, continued market share gain in the retail savings space, high percentage of funds flowing into Discovery funds, and strong performance of the market. Assets under Management (AUM) reached the milestone of R50 billion, with new business annual premium equivalent increasing by 18% to R1 646 million. Discovery Invest continues to have the largest share of new endowment business and its balanced funds (the majority of AUM) have shown top quartile performance over one, three and five-year terms. An above-the-line campaign around "Performing brilliantly even if you're young" speaks to this message and will be used to drive continued growth.

Audited and abridged annual financial statements

continued

for the year ended 30 June 2015

Discovery Insure continued to grow rapidly, with new business up 25% to R789 million. Discovery Insure is now ranked in the top three insurers in personal lines new business and is attracting 12% – 15% of new business volumes in South Africa. The loss ratio also continues to improve, trending towards the long-term target.

The period saw Discovery Insure's differentiated model being further enhanced and validated, through an evolving reward proposition and measurable behaviour change. The business now covers over 120 000 cars and 7 million kilometres of data being tracked daily, with proven influence on risk and losses through the appropriate rewards. This reaffirms the power of the shared value model, as members are rewarded for safer driving, with loss ratios and lapse rates improving by duration, having a positive impact on the overall safety of South Africa's roads.

In addition, a hybrid distribution model and brand-building efforts are demonstrating value. Discovery Connect (direct agent cohort) has been a major source of new business growth over the past year and now accounts for 54% of new business. As of 1 July 2015, Discovery Connect will become a separate entity to ensure sufficient focus on this channel and appropriate investment in its continued growth.

Local adjacencies: Discovery's intention is to expand its business model into banking, and to establish an innovative full-service retail bank. The success of the DiscoveryCard has demonstrated the efficacy of the Discovery model which utilises the Vitality capability to leverage behavioural economic insights and incentives to encourage better behavioural choices, when combined with market-leading banking capabilities. This has resulted in a fast-growing, profitable credit card of excellent quality that offers unique value to members, and ongoing value to shareholders. It is this shared value model that Discovery intends to build on.

From a regulatory perspective, the ambition to establish and build a bank involves a lengthy and complex process in which the outcome is not guaranteed. A two-step approval is required: firstly to obtain authorisation to establish a bank – and thereafter, post complying with all the conditions, to apply for registration as a bank. Banking business may only commence once registration as a bank has been granted. Discovery is about to embark on this process.

From a strategic perspective, the first step in this direction was buying up Discovery's economic interest in the DiscoveryCard to 74.99% earlier this year. FirstRand Bank will retain 25.01%. Over the next few years, Discovery will move the Card off FNB's systems and onto Discovery's systems and platform. Discovery will then take operational control of the asset, and eventually build additional banking products on its chassis. This is a multi-year process and Discovery will communicate its progress periodically.

In the UK, the period under review was characterised by the successful rebrand of PruHealth and PruProtect to VitalityHealth and VitalityLife, following Discovery's acquisition of the remaining shareholding in the joint venture. The rebrand reflects the integral nature of the Vitality asset to Discovery's ambition of building the best protection business in the UK.

Discovery's UK protection **VitalityLife** business produced a strong second quarter, with normalised operating profit for the year-to-date up 27% to R542 million and new business up 22% to R1 079 million. The period also saw the continued adoption of the Vitality-integrated model, with the Vitality Optimiser product comprising over 50% of new business. Following the rebrand, VitalityLife recorded three consecutive record sales quarters. This reflects the powerful consumer brand the business has developed. VitalityLife continued to grow its market share in the Independent Financial Adviser space to 12.6%, and is now second placed in that segment.

In **VitalityHealth**, the period under review saw the continuation of the excellent loss ratio and lapse rate performance of the business. It also experienced strong product resonance and member engagement with the Vitality wellness programme – particularly with the new Active Rewards benefit which was pioneered by VitalityHealth and launched at the start of the 2015 calendar year. Finally, VitalityHealth saw a reduction in the operational complexity of the business with the exit of the Transitional Services Agreement in place with Standard Life Healthcare.

From a new business perspective, VitalityHealth continued to focus on quality and margin in the highly-competitive and aggressive new business acquisition environment. While this approach delivers long-term value in the form of sustainably lower loss ratios and more engaged members, it comes at the expense of short-term new business growth. This was particularly pronounced in the intermediated SME market, where VitalityHealth's pricing position and target new business loss ratios were difficult to achieve in the prevailing environment. This focus on quality resulted in a reduction in overall new business from R953 million to R814 million over the period. The post-reporting period monthly new business run-rate has, however, recovered to R83.7 million in 2015 from R67.9 million in 2014. VitalityHealth made a normalised operating profit of R223 million, up 10% from the prior period.

The past financial year saw **Discovery Partner Markets** restructure its traditional joint venture operating model with insurance partners in foreign markets. Discovery has now adopted a "Partner Market" model where it acts as an intellectual property and service provider, enjoying a further share in performance profits. During the financial year under review, Discovery Partner Markets continued to show promising performance as several partner businesses head towards profitability. The performance of Discovery Partner Markets is now on par with Discovery's other local and UK businesses at a similar juncture in their respective life cycles.

In the United States, **The Vitality Group** demonstrated improvement in both new membership and engagement, increasing new adult membership by 33% to 774 518 and maintaining an excellent rate of members on the silver or higher statuses. This indicates a growing realisation in the market that Vitality is changing the conversation to focus on healthy living. The Vitality Group is working on a re-launch of its corporate offering in September, which will align its incentives with those of its corporate members, and make the product more differentiated in an increasingly-competitive market.

Ping An Health had a successful last 12 months and continues to grow the emerging health insurance industry in China. The Chinese private healthcare insurance environment, while still in its infancy, continues to show significant long-term opportunity. The Chinese Ministries of both Health and Finance continue to put forward proposals that encourage the purchase of medical insurance by employers and individuals.

New business more than tripled over the period to R991 million, predominantly driven by individual insurance sales, with white-labelled products continuing to exhibit aggressive growth. In the group market, Ping An Health achieved a year-on-year total revenue growth of 34%, maintaining its market-leading position with 40% share in this market segment. The quality of individual and group businesses remain excellent, with loss ratio and lapse rates continuing within assumptions.

Discovery remains excited about the potential of the Ping An Health business, especially given the new product innovations that are expected to boost new business. These innovations include the recent launch of China's first group mid-market product, online individual products and an enhanced version of Vitality embedded into WeChat, China's largest social networking platform.

04 | Prospects and Trading Statement

The progress made over the past financial year positions Discovery strongly for future growth.

Due to the once-off accounting treatment resulting from the lapsing of the put options Prudential held in respect of its interest in the UK joint venture, Discovery's undiluted headline earnings per share and basic earnings per share for the six months ending 31 December 2015 ("next period") is expected to be lower by more than 20% (117.3 cents and 118.5 cents respectively) than that of the six months ended 31 December 2014 ("prior period") of 586.6 cents and 592.6 cents respectively (restated for the bonus element of the rights issue shares). Normalised headline earnings per share, which the Company views as the appropriate measure of performance, will not be impacted by this accounting treatment.

Any forecast information has not been reviewed and reported by the Group's external auditors and a further trading statement will be released when the Company is reasonably certain and specific guidance can be given.

On behalf of the Board

MI HILKOWITZ
Chairperson

A GORE
Group Chief Executive

Sandton
9 September 2015

ANNEXURE 1

Statement of financial position

at 30 June 2015

R million	Group 2015 Audited	Group 2014 Audited
ASSETS		
Assets arising from insurance contracts	**21 726**	17 999
Property and equipment	**727**	666
Intangible assets including deferred acquisition costs	**2 526**	2 344
Goodwill	**2 375**	2 239
Investment in associates	**505**	551
Financial assets		
– Available-for-sale investments	**9 454**	7 578
– Investments at fair value through profit or loss	**40 132**	32 753
– Derivatives	**825**	588
– Loans and receivables including insurance receivables	**3 884**	3 110
Deferred income tax	**690**	406
Current income tax asset	**5**	46
Reinsurance contracts	**362**	266
Cash and cash equivalents	**6 251**	3 650
Total assets	**89 462**	72 196
EQUITY		
Capital and reserves		
Ordinary share capital and share premium	**7 488**	2 582
Perpetual preference share capital	**779**	779
Other reserves	**2 024**	1 501
Retained earnings	**17 065**	12 549
	27 356	17 411
Non-controlling interest	**–**	–
Total equity	**27 356**	17 411
LIABILITIES		
Liabilities arising from insurance contracts	**30 818**	25 797
Liabilities arising from reinsurance contracts	**3 827**	2 247
Financial liabilities		
– Puttable non-controlling interests	**–**	4 494
– Negative reserve funding	**5 437**	4 684
– Borrowings at amortised cost	**954**	572
– Investment contracts at fair value through profit or loss	**10 059**	8 264
– Derivatives	**7**	10
– Trade and other payables	**5 506**	3 752
Deferred income tax	**5 077**	4 647
Deferred revenue	**192**	157
Employee benefits	**152**	154
Current income tax liability	**77**	7
Total liabilities	**62 106**	54 785
Total equity and liabilities	**89 462**	72 196

Income statement

for the year ended 30 June 2015

R million	Group 2015 Audited	Group 2014 Audited	% change
Insurance premium revenue	**27 694**	23 090	
Reinsurance premiums	**(3 113)**	(2 182)	
Net insurance premium revenue	**24 581**	20 908	
Fee income from administration business	**6 630**	5 863	
Vitality income	**3 029**	2 492	
Receipt arising from reinsurance contracts	**1 250**	–	
Investment income	**507**	414	
– investment income earned on shareholder investments and cash	**188**	152	
– investment income earned on assets backing policyholder liabilities	**319**	262	
Net realised gains on available-for-sale financial assets	**188**	231	
Net fair value gains on financial assets at fair value through profit or loss	**3 124**	4 278	
Net income	**39 309**	34 186	
Claims and policyholders' benefits	**(15 805)**	(11 718)	
Insurance claims recovered from reinsurers	**2 503**	1 809	
Net claims and policyholders' benefits	**(13 302)**	(9 909)	
Acquisition costs	**(5 294)**	(4 296)	
Marketing and administration expenses	**(12 251)**	(10 146)	
Amortisation of intangibles from business combinations	**(227)**	(187)	
Recovery of expenses from reinsurers	**447**	360	
Transfer from assets/liabilities under insurance contracts	**(2 541)**	(3 726)	
– change in assets arising from insurance contracts	**3 278**	2 816	
– change in assets arising from reinsurance contracts	**81**	15	
– change in liabilities arising from insurance contracts	**(4 320)**	(5 810)	
– change in liabilities arising from reinsurance contracts	**(1 580)**	(747)	
Fair value adjustment to liabilities under investment contracts	**(912)**	(1 224)	
Profit from operations	**5 229**	5 058	
Puttable non-controlling interest fair value adjustment	**1 661**	(201)	
Finance costs	**(197)**	(220)	
– finance costs raised on puttable non-controlling interest financial liability	**(64)**	(157)	
– other finance costs	**(133)**	(63)	
Foreign exchange gains	**40**	18	
Realised gain from the sale of associate	**7**	–	
Share of net profits/(losses) from equity accounted investments	**26**	(14)	
Profit before tax	**6 766**	4 641	46
Income tax expense	**(1 214)**	(1 327)	9
Profit for the year	**5 552**	3 314	68
Profit attributable to:			
– ordinary shareholders	**5 480**	3 246	69
– preference shareholders	**72**	68	
– non-controlling interest	**–**	–	
	5 552	3 314	68
Earnings per share for profit attributable to ordinary shareholders of the company during the year (cents):			
– basic*	**914.8**	558.7	64
– diluted*	**902.2**	545.1	66

* *The prior year's earnings per share has been restated.*

ANNEXURE 1

Statement of comprehensive income

for the year ended 30 June 2015

R million	Group 2015 Audited	Group 2014 Audited	% change
Profit for the year	**5 552**	3 314	
Items that are or may be reclassified subsequently to profit or loss:			
Change in available-for-sale financial assets	**(92)**	(3)	
– unrealised gains	**72**	272	
– capital gains tax on unrealised gains	**(11)**	(87)	
– realised gains transferred to profit or loss	**(188)**	(231)	
– capital gains tax on realised gains	**35**	43	
Currency translation differences	**492**	256	
– unrealised gains	**504**	285	
– deferred tax on unrealised gains	**(12)**	(29)	
Cash flow hedges	**58**	(32)	
– unrealised gains	**143**	51	
– tax on unrealised gains	**(23)**	(9)	
– current tax on unrealised gains	**–**	4	
– gains recycled to profit or loss	**(75)**	(87)	
– tax on recycled gains	**13**	9	
Share of other comprehensive income from equity accounted investments	**65**	27	
– change in available-for-sale financial assets	**13**	(*)	
– currency translation differences	**52**	27	
Other comprehensive income for the year, net of tax	**523**	248	
Total comprehensive income for the year	**6 075**	3 562	71
Attributable to:			
– ordinary shareholders	**6 003**	3 494	72
– preference shareholders	**72**	68	
– non-controlling interest	**–**	–	
Total comprehensive income for the year	**6 075**	3 562	71

* *Amount is less than R500 000.*

Headline earnings

for the year ended 30 June 2015

R million	Group 2015 Audited	Group 2014 Audited and restated	% change
Normalised headline earnings per share (cents):			
– undiluted	**672.2**	594.8	13
– diluted	**663.0**	580.2	14
Headline earnings per share (cents):			
– undiluted	**882.4**	527.4	67
– diluted	**870.2**	514.5	69
The reconciliation between earnings and headline earnings is shown below:			
Net profit attributable to ordinary shareholders	**5 480**	3 246	
Adjusted for:			
– realised gains on available-for-sale financial assets net of CGT	**(153)**	(188)	
– realised gain from sale of associate including deferred tax reversal	**(42)**	–	
– impairment of property and equipment	**–**	3	
– impairment of intangible assets	**–**	3	
Headline earnings	**5 285**	3 064	72
– accrual of dividends payable to preference shareholders	**(1)**	–	
– amortisation of intangibles from business combinations net of deferred tax	**170**	116	
– costs relating to the AIA restructure	**87**	–	
– deferred tax asset recognised on VitalityHealth assessed losses	**(295)**	–	
– fair value adjustment to puttable non-controlling interest financial liability	**(1 661)**	201	
– finance costs raised on puttable non-controlling interest financial liability	**64**	157	
– non-controlling interest allocation if no put options	**(42)**	(81)	
– rebranding and business acquisitions expenses	**420**	–	
Normalised headline earnings	**4 027**	3 457	16
Weighted number of shares in issue (000's)	**598 946**	581 123	
Diluted weighted number of shares (000's)	**607 290**	595 699	

ANNEXURE 1

Statement of changes in equity

for the year ended 30 June 2015

	Attributable to equity holders of the Company		
R million	Share capital and share premium	Preference share capital	Share-based payment reserve
Year ended 30 June 2015			
At beginning of year	**2 582**	**779**	**319**
Total comprehensive income for the year	**–**	**72**	**–**
Profit for the year	**–**	**72**	**–**
Other comprehensive income	**–**	**–**	**–**
Transactions with owners	**4 906**	**(72)**	**–**
Proceeds from rights-issue	**5 000**	**–**	**–**
Rights-issue costs	**(94)**	**–**	**–**
Delivery of treasury shares	*****	**–**	**–**
Dividends paid to preference shareholders	**–**	**(72)**	**–**
Dividends paid to ordinary shareholders	**–**	**–**	**–**
At end of year	**7 488**	**779**	**319**
Year ended 30 June 2014			
At beginning of year	1 470	779	319
Total comprehensive income for the year	–	68	–
Profit for the year	–	68	–
Other comprehensive income	–	–	–
Transactions with owners	1 112	(68)	–
Share buy-back[2]	*	–	–
Share issue	1 030	–	–
Share issue costs	(2)	–	–
Increase in treasury shares	(22)	–	–
Delivery of treasury shares	105	–	–
Proceeds from treasury shares	1	–	–
Non-controlling interest share issues	–	–	–
Non-controlling interest share buy-backs	–	–	–
Dividends paid to preference shareholders	–	(68)	–
Dividends paid to ordinary shareholders	–	–	–
At end of year	2 582	779	319

1 *This relates to the fair value adjustments of available-for-sale financial assets.*
2 *Amount is R12 441.*
* *Amount is less than R500 000.*

Attributable to equity holders of the Company						
Available-for-sale investments[1]	Translation reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total
250	**829**	**103**	**12 549**	**17 411**	**–**	**17 411**
(79)	**544**	**58**	**5 480**	**6 075**	**–**	**6 075**
–	**–**	**–**	**5 480**	**5 552**	**–**	**5 552**
(79)	**544**	**58**	**–**	**523**	**–**	**523**
–	**–**	**–**	**(964)**	**3 870**	**–**	**3 870**
–	**–**	**–**	**–**	**5 000**	**–**	**5 000**
–	**–**	**–**	**–**	**(94)**	**–**	**(94)**
–	**–**	**–**	**–**	*****	**–**	*****
–	**–**	**–**	**–**	**(72)**	**–**	**(72)**
–	**–**	**–**	**(964)**	**(964)**	**–**	**(964)**
171	**1 373**	**161**	**17 065**	**27 356**	**–**	**27 356**
253	546	135	10 204	13 706	2	13 708
(3)	283	(32)	3 246	3 562	–	3 562
–	–	–	3 246	3 314	–	3 314
(3)	283	(32)	–	248	–	248
–	–	–	(901)	143	(2)	141
–	–	–	–	*	–	*
–	–	–	–	1 030	–	1 030
–	–	–	–	(2)	–	(2)
–	–	–	14	(8)	–	(8)
–	–	–	(105)	–	–	–
–	–	–	–	1	–	1
–	–	–	–	–	1	1
–	–	–	–	–	(3)	(3)
–	–	–	–	(68)	–	(68)
–	–	–	(810)	(810)	–	(810)
250	829	103	12 549	17 411	–	17 411

ANNEXURE 1

Statement of cash flows

for the year ended 30 June 2015

R million	Group 2015 Audited	Group 2014 Audited
Cash flow from operating activities	**3 415**	2 813
Cash generated by operations	**5 340**	6 424
Receipt arising from reinsurance contracts	**1 250**	–
Net purchase of investments held to back policyholder liabilities	**(5 232)**	(6 036)
Working capital changes	**1 711**	1 988
	3 069	2 376
Dividends received	**499**	362
Interest received	**923**	802
Interest paid	**(131)**	(63)
Taxation paid	**(945)**	(664)
Cash flow from investing activities	**(2 229)**	(1 102)
Net purchase of financial assets	**(1 656)**	(228)
Purchase of property and equipment	**(172)**	(208)
Proceeds from the sale of property and equipment	**7**	–
Purchase of intangible assets	**(559)**	(539)
Proceeds from the sale of intangible assets	**9**	27
Increase in investment in associate	**(59)**	(133)
Disposal of investment in associate	**201**	–
Purchase of businesses	**–**	(21)
Cash flow from financing activities	**1 485**	(176)
Proceeds from rights-issue	**5 000**	–
Rights-issue costs	**(94)**	–
Proceeds from issuance of ordinary shares	**–**	1 032
Proceeds from issuance of preference shares	**–**	45
Share buy-back	**–**	*
Share issue costs	**–**	(2)
Dividends paid to ordinary shareholders	**(964)**	(810)
Dividends paid to preference shareholders	**(72)**	(68)
Non-controlling interest share buy-backs	**–**	(3)
Settlement of puttable non-controlling interest liability	**(2 844)**	(352)
Increase in borrowings	**1 992**	–
Repayment of borrowings	**(1 533)**	(18)
Net increase in cash and cash equivalents	**2 671**	1 535
Cash and cash equivalents at beginning of year	**3 520**	1 887
Exchange gains on cash and cash equivalents	**60**	98
Cash and cash equivalents at end of year	**6 251**	3 520
Reconciliation to statement of financial position		
Cash and cash equivalents	**6 251**	3 650
Bank overdraft included in borrowings at amortised cost	**–**	(130)
Cash and cash equivalents at end of year	**6 251**	3 520

* *Amount is R12 441.*

Additional information

at 30 June 2015

FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

	30 June 2015			
R million (audited)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments at fair value through profit or loss:				
– Equity securities	10 584	–	–	10 584
– Equity linked notes	–	2 576	–	2 576
– Debt securities	6 947	605	–	7 552
– Inflation linked securities	218	–	–	218
– Money market securities	157	1 013	–	1 170
– Mutual funds	18 032	–	–	18 032
Available-for-sale financial instruments:				
– Equity securities	65	–	–	65
– Equity linked notes	–	19	–	19
– Debt securities	66	466	–	532
– Money market securities	152	840	–	992
– Mutual funds	7 846	–	–	7 846
Derivative financial instruments at fair value:				
– Hedges	–	824	–	824
– Non-hedges	–	1	–	1
	44 067	6 344	–	50 411
Financial liabilities				
Derivative financial instruments at fair value:				
– Hedges	–	4	–	4
– Non-hedges	–	3	–	3
	–	7	–	7

Additional information continued

at 30 June 2015

FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS continued

	30 June 2014			
R million (audited)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments at fair value through profit or loss:				
– Equity securities	9 157	–	–	9 157
– Equity linked notes	–	1 612	–	1 612
– Debt securities	5 111	675	–	5 786
– Inflation linked securities	189	–	–	189
– Money market securities	344	743	–	1 087
– Mutual funds	14 922	–	–	14 922
Available-for-sale financial instruments:				
– Equity securities	96	–	–	96
– Equity linked notes	–	42	–	42
– Debt securities	714	428	–	1 142
– Inflation linked securities	75	–	–	75
– Money market securities	272	865	–	1 137
– Mutual funds	5 086	–	–	5 086
Derivative financial instruments at fair value:				
– Hedges	–	585	–	585
– Non-hedges	–	3	–	3
	35 966	4 953	–	40 919
Financial liabilities				
Puttable non-controlling interests	–	–	4 494	4 494
Derivative financial instruments at fair value:				
– Hedges	–	3	–	3
– Non-hedges	–	7	–	7
	–	10	4 494	4 504

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

Included in level 3 is the Puttable non-controlling interest liability. For a detailed description of the valuation of this liability, refer to note 4.5 in the 30 June 2015 Annual Financial Statements.

Specific valuation techniques used to value financial instruments in level 2

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

(a) The fair value of call options is calculated on a Black-Scholes model.

(b) The fair value of the return swaps is calculated by discounting the future cash flows of the instruments.

(c) The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

EXCHANGE RATES USED IN THE PREPARATION OF THESE RESULTS

	USD	GBP
30 June 2015		
– Average	**11.49**	**18.04**
– Closing	**12.18**	**19.19**
30 June 2014		
– Average	10.43	17.06
– Closing	10.63	18.17

ANNEXURE 1

Segmental information

for the year ended 30 June 2015

R million	SA Health	SA Life	SA Invest	SA Vitality
Income statement				
Insurance premium revenue	16	9 711	7 821	–
Reinsurance premiums	(2)	(1 579)	–	–
Net insurance premium revenue	14	8 132	7 821	–
Fee income from administration business	4 881	248	1 106	–
Vitality income	–	–	–	2 051
Receipt arising from reinsurance contracts	–	1 250	–	–
Investment income on assets backing policyholder liabilities	–	240	3	–
Finance charge on negative reserve funding	–	–	–	–
Inter-segment funding[1]	–	(457)	457	–
Net fair value gains on financial assets at fair value through profit or loss	–	688	1 680	–
Net income	4 895	10 101	11 067	2 051
Claims and policyholders' benefits	(1)	(5 173)	(5 296)	–
Insurance claims recovered from reinsurers	1	1 226	–	–
Net claims and policyholders' benefits	–	(3 947)	(5 296)	–
Acquisition costs	(5)	(1 606)	(713)	(64)
Marketing and administration expenses				
– depreciation and amortisation	(211)	(28)	–	–
– other expenses	(2 648)	(1 490)	(430)	(1 945)
Recovery of expenses from reinsurers	–	–	–	–
Transfer from assets/liabilities under insurance contracts				
– change in assets arising from insurance contracts	–	1 526	–	–
– change in assets arising from reinsurance contracts	–	(8)	–	–
– change in liabilities arising from insurance contracts	–	3	(4 015)	–
– change in liabilities arising from reinsurance contracts	–	(1 580)	–	–
Fair value adjustment to liabilities under investment contracts	–	(3)	(153)	–
Share of net profits from equity accounted investments	–	–	–	–
Normalised profit/(loss) from operations	2 031	2 968	460	42
Investment income earned on shareholder investments and cash	67	33	15	9
Net realised gains on available-for-sale financial assets	–	187	1	–
Rebranding and business acquisitions expenses	–	–	–	–
Costs relating to AIA restructure	–	–	–	–
Amortisation of intangibles from business combinations	–	–	–	–
Puttable non-controlling interest fair value adjustment	–	–	–	–
Finance costs	(29)	(7)	–	–
Foreign exchange gains/(losses)	–	1	4	–
Realised gain from sale of associate	–	–	–	–
Profit before tax	2 069	3 182	480	51
Income tax expense	(595)	(877)	(132)	(15)
Profit for the year	1 474	2 305	348	36

1 *The inter-segment funding of R457 million reflects a notional allocation of interest earned on the negative reserve backing policyholders' funds of guaranteed investment products and hence is transferred to Discovery Invest.*

UK Health	UK Life	New business development	All other segments	Segment total	IFRS reporting adjustments: UK Life[2]	IFRS reporting adjustments: DUT[3]	IFRS reporting adjustments: Normalised profit adjustments[4]	IFRS total
6 958	2 629	1 102	–	28 237	(543)	–	–	27 694
(1 314)	(543)	(218)	–	(3 656)	543	–	–	(3 113)
5 644	2 086	884	–	24 581	–	–	–	24 581
97	–	298	–	6 630	–	–	–	6 630
323	25	630	–	3 029	–	–	–	3 029
–	–	–	–	1 250	–	–	–	1 250
50	–	26	–	319	–	–	(319)	–
–	(314)	–	–	(314)	314	–	–	–
–	–	–	–	–	–	–	–	–
–	–	–	–	2 368	–	756	–	3 124
6 114	1 797	1 838	–	37 863	314	756	(319)	38 614
(4 393)	(471)	(715)	–	(16 049)	244	–	–	(15 805)
1 140	244	136	–	2 747	(244)	–	–	2 503
(3 253)	(227)	(579)	–	(13 302)	–	–	–	(13 302)
(535)	(1 914)	(143)	–	(4 980)	(314)	–	–	(5 294)
(107)	–	(66)	(1)	(413)	–	–	–	(413)
(2 125)	(860)	(1 598)	(59)	(11 155)	(176)	–	–	(11 331)
316	–	131	–	447	–	–	–	447
–	10	–	–	1 536	1 742	–	–	3 278
89	7	–	–	88	(7)	–	–	81
(276)	(13)	(26)	–	(4 327)	7	–	–	(4 320)
–	1 742	–	–	162	(1 742)	–	–	(1 580)
–	–	–	–	(156)	–	(756)	–	(912)
–	–	26	–	26	–	–	–	26
223	542	(417)	(60)	5 789	(176)	–	(319)	5 294
6	–	17	41	188	–	–	319	507
–	–	–	–	188	–	–	–	188
(366)	–	–	(54)	(420)	–	–	–	(420)
–	–	(87)	–	(87)	–	–	–	(87)
–	–	–	(227)	(227)	–	–	–	(227)
–	–	–	1 661	1 661	–	–	–	1 661
(4)	–	(2)	(155)	(197)	–	–	–	(197)
(23)	–	19	39	40	–	–	–	40
–	–	7	–	7	–	–	–	7
(164)	542	(463)	1 245	6 942	(176)	–	–	6 766
295	(176)	88	22	(1 390)	176	–	–	(1 214)
131	366	(375)	1 267	5 552	–	–	–	5 552

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

2 *The VitalityLife results are reclassified to account for the contractual arrangement as a reinsurance contract under IFRS 4.*

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

4 *Investment income on assets backing policyholder liabilities is included as part of the normalised profit from operations in the segmental disclosure, but is included together with shareholder investment income for IFRS purposes.*

Segmental information continued

for the year ended 30 June 2014

R million	SA Health	SA Life	SA Invest	SA Vitality
Income statement				
Insurance premium revenue	16	8 522	6 336	–
Reinsurance premiums	(2)	(1 186)	–	–
Net insurance premium revenue	14	7 336	6 336	–
Fee income from administration business	4 453	204	837	–
Guarantee received from HumanaVitality	–	–	–	–
Vitality income	–	–	–	1 886
Investment income on assets backing policyholder liabilities	–	204	–	–
Finance charge on negative reserve funding	–	–	–	–
Inter-segment funding[1]	–	(448)	448	–
Net fair value gains on financial assets at fair value through profit or loss	–	1 010	2 382	–
Net income	4 467	8 306	10 003	1 886
Claims and policyholders' benefits	(2)	(4 139)	(2 718)	–
Insurance claims recovered from reinsurers	–	896	–	–
Net claims and policyholders' benefits	(2)	(3 243)	(2 718)	–
Acquisition costs	–	(1 434)	(541)	(67)
Marketing and administration expenses				
– depreciation and amortisation	(183)	(31)	–	–
– other expenses	(2 428)	(1 385)	(328)	(1 781)
Recovery of expenses from reinsurers	–	–	–	–
Transfer from assets/liabilities under insurance contracts				
– change in assets arising from insurance contracts	–	1 156	–	–
– change in assets arising from reinsurance contracts	–	9	–	–
– change in liabilities arising from insurance contracts	–	(35)	(5 752)	–
– change in liabilities arising from reinsurance contracts	–	(747)	–	–
Fair value adjustment to liabilities under investment contracts	–	(5)	(333)	–
Share of net losses from equity accounted investments	–	–	–	–
Normalised profit/(loss) from operations	1 854	2 591	331	38
Investment income earned on shareholder investments and cash	32	39	16	7
Net realised gains on available-for-sale financial assets	–	228	2	–
Amortisation of intangibles from business combinations	–	–	–	–
Puttable non-controlling interest fair value adjustment	–	–	–	–
Finance costs	(22)	–	–	–
Foreign exchange gains/(losses)	–	–	5	–
Profit before tax	1 864	2 858	354	45
Income tax expense	(523)	(760)	(97)	(13)
Profit for the year	1 341	2 098	257	32

1 *The inter-segment funding of R448 million reflects a notional allocation of interest earned on the negative reserve backing policyholders' funds of guaranteed investment products and hence is transferred to Discovery Invest.*

					IFRS reporting adjustments			
UK Health	UK Life	New business development	All other segments	Segment total	UK Life[2]	DUT[3]	Normalised profit adjustments[4]	IFRS total
6 259	1 920	603	–	23 656	(566)	–	–	23 090
(925)	(566)	(69)	–	(2 748)	566	–	–	(2 182)
5 334	1 354	534	–	20 908	–	–	–	20 908
94	–	265	–	5 853	–	–	10	5 863
–	–	10	–	10	–	–	(10)	–
215	–	391	–	2 492	–	–	–	2 492
47	–	11	–	262	–	–	(262)	–
–	(202)	–	–	(202)	202	–	–	–
–	–	–	–	–	–	–	–	–
–	–	–	–	3 392	–	886	–	4 278
5 690	1 152	1 211	–	32 715	202	886	(262)	33 541
(4 263)	(455)	(415)	–	(11 992)	274	–	–	(11 718)
852	274	61	–	2 083	(274)	–	–	1 809
(3 411)	(181)	(354)	–	(9 909)	–	–	–	(9 909)
(503)	(1 458)	(91)	–	(4 094)	(202)	–	–	(4 296)
(38)	–	(40)	(1)	(293)	–	–	–	(293)
(1 834)	(745)	(1 172)	(66)	(9 739)	(114)	–	–	(9 853)
292	–	68	–	360	–	–	–	360
–	388	–	–	1 544	1 272	–	–	2 816
6	5	–	–	20	(5)	–	–	15
–	(7)	(21)	–	(5 815)	5	–	–	(5 810)
–	1 272	–	–	525	(1 272)	–	–	(747)
–	–	–	–	(338)	–	(886)	–	(1 224)
–	–	(14)	–	(14)	–	–	–	(14)
202	426	(413)	(67)	4 962	(114)	–	(262)	4 586
5	–	14	39	152	–	–	262	414
–	–	–	1	231	–	–	–	231
–	–	–	(187)	(187)	–	–	–	(187)
–	–	–	(201)	(201)	–	–	–	(201)
(2)	(2)	–	(196)	(222)	2	–	–	(220)
(55)	–	–	68	18	–	–	–	18
150	424	(399)	(543)	4 753	(112)	–	–	4 641
2	(112)	25	39	(1 439)	112	–	–	(1 327)
152	312	(374)	(504)	3 314	–	–	–	3 314

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

2 *The VitalityLife results are reclassified to account for the contractual arrangement as a reinsurance contract under IFRS 4.*

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

4 *Investment income on assets backing policyholder liabilities is included as part of the normalised profit from operations in the segmental disclosure, but is included together with shareholder investment income for IFRS purposes.*

ANNEXURE 1

Review of Group results

for the year ended 30 June 2015

NEW BUSINESS ANNUALISED PREMIUM INCOME

New business annualised premium income increased 51% for the year ended 30 June 2015 when compared to the same period in the prior year.

R million	June 2015	June 2014	% change
Discovery Health – DHMS	**4 442**	3 952	12
Discovery Health – Closed Schemes[1]	**5 156**	1 048	392
Discovery Life	**2 231**	2 013	11
Discovery Invest	**1 646**	1 396	18
Discovery Insure	**789**	632	25
Discovery Vitality	**223**	206	8
VitalityHealth[2]	**814**	953	(15)
VitalityLife	**1 079**	883	22
The Vitality Group	**161**	164	(2)
Ping An Health	**991**	339	192
New business API of Group	**17 532**	11 586	51

1 New business API for June 2015 includes R4,2 billion in respect of the Bankmed Medical Scheme administration and managed care services contract.
2 The comparative for VitalityHealth has been reduced by R293 million to exclude the new joiners as this has not been included in the 2015 number. New joiners are additional members to existing employer groups.
3 Due to the sale of the HumanaVitality associate in November 2014, R317 million new business API in respect of this associate has been excluded from the comparative number.

New business API is calculated at 12 times the monthly premium for new recurring premium policies and 10% of the value of new single premium policies. It also includes both automatic premium increases and servicing increases on existing policies. For The Vitality Group and Ping An Health, new business API is calculated based on the date of policy inception.

GROSS INFLOWS UNDER MANAGEMENT

Gross inflows under management measures the total funds collected by Discovery and is an accurate measure of the growth of Discovery. Gross inflows under management increased 15% for the year ended 30 June 2015 when compared to the same period in the prior year.

R million	June 2015	June 2014	% change
Discovery Health	**51 891**	46 395	12
Discovery Life	**9 959**	8 726	14
Discovery Invest	**13 520**	11 249	20
Discovery Insure	**1 118**	610	83
Discovery Vitality	**2 051**	1 886	9
VitalityHealth	**7 378**	6 568	12
VitalityLife	**2 654**	1 920	38
The Vitality Group	**634**	402	58
Other partner markets	**278**	257	8
Gross inflows under management	**89 483**	78 013	15
Less: collected on behalf of third parties	**(51 587)**	(46 002)	12
Discovery Health	**(46 994)**	(41 926)	12
Discovery Invest	**(4 593)**	(4 076)	13
Gross income of Group per the segmental information	**37 896**	32 011	18
Gross income is made up as follows:			
– Insurance premium revenue	**28 237**	23 656	19
– Fee income from administration business	**6 630**	5 853	13
– Vitality income	**3 029**	2 492	22
– Guarantee received from HumanaVitality	**–**	10	
Gross income of Group per the segmental information	**37 896**	32 011	18

NORMALISED PROFIT FROM OPERATIONS

The following table shows the main components of the normalised profit from operations for the year ended 30 June 2015:

R million	June 2015	June 2014	% change
Discovery Health	**2 031**	1 854	10
Discovery Life	**2 968**	2 591	15
Discovery Invest	**460**	331	39
Discovery Vitality	**42**	38	11
VitalityHealth	**223**	202	10
VitalityLife	**542**	426	27
Normalised profit from established businesses	**6 266**	5 442	15
Development and other segments	**(477)**	(480)	–
Normalised profit from operations	**5 789**	4 962	17

SIGNIFICANT TRANSACTIONS AFFECTING THE CURRENT RESULTS

Discovery acquired Prudential's remaining 25% shareholding in the UK joint venture

In November 2014, Prudential Assurance Company (Prudential) agreed to sell its remaining 25% shareholding in Prudential Health Holdings Limited (PHHL) to Discovery Limited for GBP 155 million (R2 790 million). The note entitled 'Put options in subsidiaries' gives a detailed description of the impact of this transaction.

This acquisition was primarily funded as follows:

- Bridging debt was raised by Discovery Limited for R1.5 billion. This debt was repaid before 30 June 2015.
- Discovery Life Limited entered into a financial reinsurance treaty resulting in a cash inflow of R1 250 million. This treaty effectively reinsures approximately 8% of the negative reserve at 31 December 2014. The inflow has been disclosed as a receipt arising from reinsurance contracts and transfer to liabilities arising from reinsurance contracts in profit or loss.

Following the purchase of the remaining 25% in PHHL, the products being offered in the UK-market have been rebranded. PruHealth and PruProtect have been rebranded as VitalityHealth and VitalityLife respectively. These rebranding costs, as well as other once-off costs relating to the acquisition totalled R420 million in the year ended 30 June 2015 and have been excluded from normalised headline earnings.

HumanaVitality partnership concluded

In November 2014, the HumanaVitality partnership concluded. This resulted in the following transactions:

- Humana paid The Vitality Group (TVG) USD 10 million for its initial investment and a further USD 9 million of accrued profits (totalling R201 million) to purchase TVG's 25% shareholding in HumanaVitality. This resulted in a profit from the sale of the associate of R7 million being recognised in profit or loss. A deferred tax liability raised upon recognition of the associate of R35 million has also been released to income tax in the Income Statement. Both these values have been excluded from headline earnings and normalised headline earnings.
- TVG Inc. paid Humana USD 5 million (R54 million) to purchase Humana's 25% shareholding in TVG LLC. The note entitled 'Put options in subsidiaries' gives a detailed description of the impact of this transaction.

AIA joint venture restructure

During the year the joint venture arrangement with AIA was restructured effectively moving from a profit share arrangement to a fee based arrangement. Discovery will now earn fees based on new business written. This resulted in the unwind of the AIA joint venture entity and Discovery realising a loss of R87 million of the accumulated losses. This expense has been included in headline earnings but excluded from normalised headline earnings.

Put options in subsidiaries

During the 2011 financial year, put options were granted to the non-controlling interests of two of Discovery's subsidiaries, entitling the non-controlling interests to sell their interests in the subsidiaries to Discovery at contracted dates at fair value. In accordance with IAS 32, Discovery recognised the fair value of the non-controlling interest, being the present value of the estimated purchase price, as a financial liability in the Statement of Financial Position (Puttable non-controlling interests).

In November 2014, both these put options lapsed, with the purchase by Discovery of the following:
- Prudential's remaining 25% shareholding in PHHL for GBP 155 million (R2 790 million).
- Humana's 25% shareholding in TVG LLC for USD 5 million (R54 million).

The excess between the carrying amount of the puttable non-controlling interest financial liability and the consideration paid, has been recognised in profit or loss as a puttable non-controlling interest fair value adjustment. This profit has been included in headline earnings but reversed when calculating normalised headline earnings.

The aggregate effects of the put options exercised are as follows:

R million	Total
Value of puttable non-controlling interests at 1 July 2014	**4 494**
Finance costs recognised in profit or loss	**64**
Subsidiary purchases	**(2 844)**
Fair value adjustments recognised in profit or loss	**(1 661)**
Net exchange differences arising during the year allocated to the translation reserve	**(53)**
Value of puttable non-controlling interests at 30 June 2015	**–**

Rights-issue

As discussed earlier in this announcement, Discovery raised capital by way of an underwritten renounceable rights issue. This resulted in an increase in capital of R5 billion. Costs of R94 million were incurred in respect of the rights issue and has been written-off against share premium. Shares in issue have increased by 55 555 556 shares to 647 427 946 shares.

When ordinary shares are issued at a discount to the market price, IAS 33 (Earnings per Share) requires that the discount is treated as a bonus given to the shareholders in the form of shares for no consideration and this "bonus" element must be separately taken into account in calculating the weighted average number of shares. Further IAS 33 requires that the "bonus" shares must be added to the previous period in order to reflect the bonus element in the rights issue. This has resulted in a restatement of the prior year's earnings per share calculations for the "bonus" element of 16 065 241 shares.

Cents per share	30 June 2014 Previously reported	30 June 2014 Restated
Weighted number of shares in issue	565 471 445	581 122 914
Diluted weighted number of shares	580 047 142	595 698 611
Earnings per share		
– basic	574.2	558.7
– diluted	559.8	545.1
Headline earnings per share		
– undiluted	542.0	527.4
– diluted	528.4	514.5
Normalised headline earnings per share		
– undiluted	611.3	594.8
– diluted	595.9	580.2

OTHER SIGNIFICANT ITEMS IN THESE RESULTS

Share-based payments

Included in marketing and administration expenses, in employee costs, is R471 million (2014: R371 million) in respect of phantom shares and options granted under the employee share incentive schemes, which is expensed in accordance with the requirements of IFRS 2. Discovery has entered into transactions to hedge its exposure to changes in the Discovery share price arising from these schemes. As at 30 June 2015, approximately 91% (2014: 90.8%) of this exposure was hedged. Fair value gains of R311 million (2014: R145 million) relating to the hedge were recognised in profit or loss resulting in a net expense to Discovery of R160 million (2014: R226 million).

Taxation

For South African entities that are in a tax paying position, tax has been provided at 28% (2014: 28%) in the financial statements. No deferred tax assets have been recognised on the assessed losses in Discovery Insure and The Vitality Group.

A deferred tax asset of R295 million has been raised in respect of the VitalityHealth assessed losses. This approximates 50% of the potential deferred tax asset and is based on forecast taxable income for the next five years.

Material transactions with related parties

Discovery Health administers the Discovery Health Medical Scheme (DHMS) and provides managed care services for which it charges an administration fee and a managed healthcare fee respectively. These fees are determined on an annual basis and approved by the trustees of DHMS. The fees totalled R4 374 million for the year ended 30 June 2015 (2014: R4 046 million). Discovery offers the members of DHMS access to the Vitality programme.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss have increased by R7.4 billion due to the sale of Discovery Invest products.

Negative reserve funding

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

The increase in the negative reserve funding liability relates to the increase in new business written by VitalityLife in the current period.

Deferred tax liability

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

SHAREHOLDER INFORMATION

Directorate

There were no changes to the Board of Discovery Limited during the current financial year.

Dividend policy and capital

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

- Preference share dividend of 465.0 cents per share, paid on 16 March 2015.
- Ordinary share dividend of 85.5 cents per share, paid on 23 March 2015.

On the statutory basis the capital adequacy requirement of Discovery Life was R557 million (2014: R522 million) and was covered 3.9 times (2014: 3.8 times).

ANNEXURE 1

Review of Group results continued

for the year ended 30 June 2015

B preference share cash dividend declaration:

On 27 August 2015, the directors declared a gross cash dividend of 458.699 cents (389.89415 cents net of dividend withholding tax) per B preference share for period 1 January 2015 to 30 June 2015. A dividend withholding tax of 15% 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	Friday, 11 September 2015
Shares commence trading "ex" dividend	Monday, 14 September 2015
Record date	Friday, 18 September 2015
Payment date	Monday, 21 September 2015

B preference share certificates may not be dematerialised or rematerialised between Monday, 14 September 2015 and Friday, 18 September 2015, both days inclusive.

Ordinary share cash dividend declaration:

Notice is hereby given that the directors have declared a final gross cash dividend of 89.0 cents (75.65 cents net of dividend withholding tax) per ordinary share, out of income reserves for the year ended 30 June 2015. A dividend withholding tax of 15% will be applicable to all shareholders who are not exempt.

The issued ordinary share capital at the declaration date is 647 427 946 ordinary shares.

The salient dates for the dividend will be as follows:

Last day of trade to receive a dividend	Friday, 2 October 2015
Shares commence trading "ex" dividend	Monday, 5 October 2015
Record date	Friday, 9 October 2015
Payment date	Monday, 12 October 2015

Share certificates may not be dematerialised or rematerialised between Monday, 5 October 2015 and Friday, 9 October 2015, both days inclusive.

ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with International Financial Reporting Standards including IAS 34, as well as 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.

AUDIT

The consolidated financial statements are considered preliminary based on the JSE Listings Requirements and are summarised from a complete set of the Group financial statements on which the Independent Auditors, PricewaterhouseCoopers Inc., have expressed an unqualified audit opinion, which is available for inspection at the Company's registered office.

This report is extracted from audited information, but is not itself audited. The Auditor's Report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the Auditor's Report together with the accompanying financial information from the Company's registered office.

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

A copy of the Annual Financial Statements that have been summarised in this report can be obtained from the Company's registered office.

Embedded value statement

for the year ended 30 June 2015

The embedded value of Discovery at 30 June 2015 consists of the following components:

- the free surplus attributed to the business at the valuation date;
- plus: the required capital to support the in-force covered 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 value of new business is the present value, at the point of sale, of the projected future after-tax shareholder cash flows of the new business written by Discovery, discounted at the risk discount rate, less an allowance for the reserving strain (for Life), initial expenses and cost of required capital. The value of new business is calculated using the current reporting date assumptions.

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

The embedded value includes the insurance and administration profits of the covered business in the Discovery Limited group. Covered business includes business written in South Africa through Discovery Life, Discovery Invest, Discovery Health and Discovery Vitality, and in the United Kingdom through VitalityLife (previously PruProtect) and VitalityHealth (previously PruHealth). For The Vitality Group (USA), Ping An Health and Discovery Insure, no published value has been placed on the current in-force business as the businesses have not yet reached suitable scale with predictable experience.

In February 2015, Discovery raised capital by way of an underwritten renounceable rights issue. This resulted in an increase in capital of R5 billion. Costs of R94 million were incurred in respect of the rights issue and has been written-off against share capital.

In November 2014, Prudential Assurance Company (Prudential) agreed to sell its remaining 25% shareholding in Prudential Health Holdings Limited (PHHL) to Discovery Limited for GBP 155 million (R2 790 million). Following the purchase of the remaining 25% in PHHL, PruHealth and PruProtect have been rebranded as VitalityHealth and VitalityLife respectively.

In November 2014, the HumanaVitality partnership concluded. As a result, Humana purchased The Vitality Group's 25% shareholding in HumanaVitality and The Vitality Group purchased Humana's 25% shareholding in TVG LLC.

During the 2011 financial year, put options were granted to the non-controlling interests of PHHL and TVG LLC, entitling the non-controlling interest to sell their interests in the subsidiaries to Discovery at contracted dates at fair value. In November 2014, both these put options lapsed, with the purchase by Discovery of the remaining 25% of PHHL and TVG LLC.

For accounting purposes, in accordance with IAS32, Discovery has included 100% of the subsidiaries' results. The fair value of the non-controlling interest, being the present value of the estimated purchase price, is recognised as a financial liability in the Statement of Financial Position (Puttable non-controlling interest). For embedded value purposes, the accounting treatment is unwound to reflect Discovery's 75% shareholding in these subsidiaries up to the date Discovery's shareholding increased to 100%.

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

The auditors, PricewaterhouseCoopers Inc., have reviewed the consolidated value of in-force business and value of new business of Discovery Limited and its subsidiaries as included in the embedded value statement for the year ended 30 June 2015. A copy of the auditors' unqualified review report is available for inspection at the company's registered office.

ANNEXURE 1

Embedded value statement continued

for the year ended 30 June 2015

TABLE 1: GROUP EMBEDDED VALUE

R million	30 June 2015	30 June 2014	% change
Shareholders' funds	**27 356**	17 411	57
Adjustment to shareholders' funds from published basis[1]	**(17 784)**	(11 799)	
Adjusted net worth	**9 572**	5 612	
– Free surplus	**5 188**	2 311	
– Required capital[2]	**4 384**	3 301	
Value of in-force covered business before cost of required capital	**44 006**	38 368	
Cost of required capital	**(1 283)**	(930)	
Discovery Limited embedded value[3]	**52 295**	43 050	21
Number of shares (millions)	**629.0**	574.1	
Embedded value per share	**R83.14**	R74.98	11
Diluted number of shares (millions)	**646.7**	591.2	
Diluted embedded value per share[4]	**R82.29**	R74.13	11

1 *A breakdown of the adjustment to shareholders' funds is shown in the table below:*

R million	*30 June 2015*	*30 June 2014*
Life net assets under insurance contracts	*(13 208)*	*(11 691)*
VitalityHealth and VitalityHealth Insurance Limited deferred acquisition costs (net of deferred tax)	*(230)*	*(243)*
VitalityLife receivable relating to the Unemployment Cover benefit (net of deferred tax)	*(44)*	*(34)*
Goodwill and intangible assets (net of deferred tax) relating to the acquisition of Standard Life Healthcare and the Prudential joint venture	*(3 523)*	*(2 550)*
Unwind puttable non-controlling interest liability	*–*	*3 511*
Non-controlling share of profits/losses included in retained earnings	*–*	*(13)*
Net preference share capital	*(779)*	*(779)*
	(17 784)	*(11 799)*

2 *The required capital at June 2015 for Life is R1 114 million (June 2014: R1 043 million), for Health and Vitality is R642 million (June 2014: R614 million), for VitalityHealth and VitalityHealth Insurance Limited is R1 693 million (June 2014: R1 154 million) and for VitalityLife is R935 million (June 2014: R490 million). For Life, the required capital was set equal to two times the statutory Capital Adequacy Requirement ("CAR"). For Health and Vitality, the required capital was set equal to two times the monthly renewal expense and Vitality benefit cost. For VitalityHealth, the required capital amount was set equal to 1.25 times the capital prescribed by the Prudential Regulatory Authority under the Individual Capital Adequacy Standards ("ICAS") framework. For VitalityLife, the required capital was set equal to the UK Pillar 1 capital requirement.*

3 *The Discovery Limited embedded value is calculated based on a risk discount rate using the CAPM approach with specific reference to the Discovery beta coefficient. The Discovery beta coefficient used at 30 June 2015 is 0.55 (30 June 2014: 0.4). Following a review of the approach to setting an assumed beta, the methodology has been amended. Under this revised methodology, the assumed beta is set with reference to the observed beta calculated using daily returns over a long time period. The beta will continue to be calculated with reference to the ALSI. The resulting assumed beta will be fixed at this level unless the observed beta calculated using daily returns over a long time period departs significantly from this assumption. 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.*

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

TABLE 2: VALUE OF IN-FORCE COVERED BUSINESS

R million	Value before cost of required capital	Cost of required capital	Value after cost of required capital
at 30 June 2015			
Health and Vitality	**15 500**	**(254)**	**15 246**
Life and Invest[1]	**22 464**	**(556)**	**21 908**
VitalityHealth[2]	**4 188**	**(208)**	**3 980**
VitalityLife[2]	**1 854**	**(265)**	**1 589**
Total	**44 006**	**(1 283)**	**42 723**
at 30 June 2014			
Health and Vitality	13 879	(209)	13 670
Life and Invest[1]	20 701	(481)	20 220
VitalityHealth[2]	2 762	(130)	2 632
VitalityLife[2]	1 026	(110)	916
Total	38 368	(930)	37 438

1 *Included in the Life and Invest value of in-force covered business is R884 million (June 2014: R735 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 R19.19/GBP (June 2014: R18.17/GBP). The value of in-force at 30 June 2015 represents Discovery's 100% ownership of VitalityHealth and VitalityLife, compared to 75% at 30 June 2014.*

TABLE 3: GROUP EMBEDDED VALUE EARNINGS

R million	Year ended 30 June 2015	Year ended 30 June 2014
Embedded value at end of period	**52 295**	43 050
Less: Embedded value at beginning of period	**(43 050)**	(35 721)
Increase in embedded value	**9 245**	7 329
Net change in capital	**–**	(1 020)
Dividends paid	**1 036**	878
Transfer to hedging reserve	**(50)**	30
Proceeds from rights-issue	**(5 000)**	–
Rights-issue costs	**94**	–
Embedded value earnings	**5 325**	7 217
Annualised return on opening embedded value	**12.4%**	20.2%

ANNEXURE 1

Embedded value statement continued

for the year ended 30 June 2015

TABLE 4: COMPONENTS OF GROUP EMBEDDED VALUE EARNINGS

R million	Year ended 30 June 2015 Net Worth	Cost of required capital	Value of in-force covered business	Embedded Value	Year ended 30 June 2014 Embedded Value
Total profit from new business (at point of sale)	(2 025)	(155)	4 794	**2 614**	2 248
Profit from existing business					
▪ Expected return	3 575	48	367	**3 990**	3 234
▪ Change in methodology and assumptions[1]	1 762	(127)	(2 434)	**(799)**	21
▪ Experience variances	199	(13)	1 266	**1 452**	1 433
Acquisition of Prudential joint venture[2]	(1 978)	(78)	1 282	**(774)**	(297)
Intangibles no longer allocated to minorities[3]	(765)	–	–	**(765)**	–
Increase in goodwill and intangibles	(277)	–	–	**(277)**	(256)
Other initiative costs[4]	(509)	–	24	**(485)**	(445)
Non-recurring expenses[5]	(488)	–	–	**(488)**	(23)
Acquisition costs[6]	(14)	–	(1)	**(15)**	(2)
Finance costs	(103)	–	–	**(103)**	(37)
Foreign exchange rate movements	257	(28)	352	**581**	986
Other[7]	181	–	(12)	**169**	–
Return on shareholders' funds[8]	225	–	–	**225**	355
Embedded value earnings	40	(353)	5 638	**5 325**	7 217

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 *The net worth item represents the difference between the purchase price and the minority share of PHHL's tangible net asset value at the acquisition date. The value of in-force covered business and cost of required capital items represent the 25% of the value in-force and cost of required capital that Discovery purchased in the transaction at the acquisition date.*
3 *This item reflects the unwinding of the goodwill and intangible assets (net of deferred tax) relating to the acquisition of Standard Life Healthcare and the Prudential joint venture allocated to minorities.*
4 *This item reflects Group initiatives including expenses relating to the investment in The Vitality Group, Vitality International, once-off expenses in Invest, Discovery Insure, other new business initiatives and unallocated head office costs.*
5 *This item includes rebranding costs, as well as other once-off costs relating to the acquisition of 25% of PHHL, totalling R420 million.*
6 *Acquisition costs relate to commission paid on Life business and expenses incurred in writing Health and Vitality business that has been written over the period but will only be activated and on risk after the valuation date. These policies are not included in the embedded value or the value of new business and therefore the costs are excluded.*
7 *This item includes the tax benefit that will be obtained as the VitalityHealth DAC and intangible software assets amortise.*
8 *The return on shareholders' funds is shown net of tax and management charges.*

TABLE 5: EXPERIENCE VARIANCES

	Health and Vitality		Life and Invest		VitalityHealth		VitalityLife		
R million	Net worth	Value of in-force	Net worth	Value of in-force	Net worth	Value of in-force	Net worth	Value of in-force	Total
Renewal expenses	49	–	32	(4)	(86)	–	38	–	**29**
Other expenses	30	–	–	–	–	–	–	–	**30**
Lapses and surrenders	28	343	(107)	161	–	72	(75)	3	**425**
Mortality and morbidity	–	–	140	(35)	224	–	44	–	**373**
Policy alterations[1]	–	44	(381)	212	–	–	(39)	3	**(161)**
Premium and fee income	9	(68)	(96)	78	–	–	–	–	**(77)**
Economic assumptions	–	–	(119)	117	–	–	–	–	**(2)**
Commission	–	–	–	–	44	–	–	–	**44**
Tax[2]	(16)	–	250	(234)	223	–	(70)	–	**153**
Reinsurance	–	–	–	–	61	–	–	–	**61**
Maintain modelling term[3]	–	222	–	201	–	54	–	–	**477**
Vitality benefits	18	–	–	–	(40)	–	–	–	**(22)**
Other	31	1	(66)	87	49	(2)	24	(2)	**122**
Total	149	542	(347)	583	475	124	(78)	4	**1 452**

1 Policy alterations relate to changes to existing benefits at the request of the policyholder.
2 The tax variance for Life and Invest arises due to a movement in the deferred tax asset which delays the payment of tax. A deferred tax asset has been raised in respect of the VitalityHealth assessed losses. This approximates 50% of the potential deferred tax asset and is based on forecast taxable income for the next five years.
3 The projection term for Health and Vitality, Group Life and VitalityHealth at 30 June 2015 has not been changed from that used in the 30 June 2014 embedded value calculation. Therefore, an experience variance arises because the total term of the in-force covered business is effectively increased by twelve months. The projection term for Life has been changed for the 30 June 2015 embedded value calculation and is described in detail in Table 6 below. However, as methodology changes are applied at the end of the year, an experience variance arises because the total term of the in-force covered business is effectively increased by twelve months.

TABLE 6: METHODOLOGY AND ASSUMPTION CHANGES

	Health and Vitality		Life and Invest		VitalityHealth		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]	–	0	(57)	868	–	–	37	(42)	**806**
Expenses	–	(104)	–	–	–	(1 172)	–	–	**(1 276)**
Lapses[2]	–	477	(34)	30	–	–	4	28	**505**
Mortality and morbidity	–	–	66	(49)	–	1 446	–	–	**1 463**
Benefit enhancements	–	–	(22)	(201)	–	–	–	–	**(223)**
Vitality benefits	–	(0)	–	–	–	(264)	–	–	**(264)**
Tax	–	–	–	–	–	–	–	–	**–**
Economic assumptions[3]	–	(36)	2	(1 136)	–	(23)	(214)	120	**(1 287)**
Premium and fee income[4]	–	–	(155)	(206)	–	–	50	(40)	**(351)**
Reinsurance[5]	–	–	1 832	(2 001)	253	(256)	–	–	**(172)**
Other	–	–	–	–	–	–	–	–	**–**
Total	–	337	1 632	(2 695)	253	(269)	(123)	66	**(799)**

1 The impact of the model change for Discovery Life is largely a result of lifting the 40 year projection term limit on the value of in-force and valuing the policies over their full term.
2 The lapse assumption for Health has been reduced reflecting the sustained favourable lapse experience in recent years.
3 The economic assumption changes include the following items:
- *The change in the beta coefficient from 0.4 at 30 June 2014 to 0.55 at 30 June 2015.*
- *For VitalityHealth and VitalityLife, there has been a reduction in the UK risk-free rate since 30 June 2014.*
- *Alignment of the equity risk premium assumption across the Discovery EV, resulting in the VitalityHealth and VitalityLife equity risk premium changing from 4.0% at 30 June 2014 to 3.5% at 30 June 2015.*
- *For Health and Vitality, the risk-free rate is now being set with reference to its own cashflows (previously it was defaulted to the risk free rate set with reference to the Discovery Life cashflows). This reduces the Health and Vitality risk-free rate by 0.5% from the previous methodology.*

4 For Life, higher levels of engagement in the Vitality programme resulted in lower levels of future premium and higher policyholder benefits being projected.
5 For Life and VitalityHealth, the reinsurance item primarily relates to the impact of the financing reinsurance arrangements.

ANNEXURE 1

Embedded value statement continued

for the year ended 30 June 2015

TABLE 7: EMBEDDED VALUE OF NEW BUSINESS

R million	Year ended 30 June 2015	30 June 2014	% change
Health and Vitality			
Present value of future profits from new business at point of sale	**606**	570	
Cost of required capital	**(22)**	(19)	
Present value of future profits from new business at point of sale after cost of required capital[1]	**584**	551	6
New business annualised premium income[2]	**2 829**	2 858	(1)
Life and Invest			
Present value of future profits from new business at point of sale[3]	**1 268**	1 191	
Cost of required capital	**(56)**	(52)	
Present value of future profits from new business at point of sale after cost of required capital[1]	**1 212**	1 139	6
New business annualised premium income[4]	**2 490**	2 163	15
Annualised profit margin[5]	**5.9%**	6.3%	
Annualised profit margin excluding Invest Business	**9.7%**	10.1%	
VitalityHealth			
Present value of future profits from new business at point of sale	**45**	118	
Cost of required capital	**(20)**	(21)	
Present value of future profits from new business at point of sale after cost of required capital[1, 6]	**25**	97	(74)
New business annualised premium income (Rand)[7]	**833**	761	9
Annualised profit margin[5]	**0.6%**	2.3%	
VitalityLife[8]			
Present value of future profits from new business at point of sale	**850**	493	
Cost of required capital	**(57)**	(32)	
Present value of future profits from new business at point of sale after cost of required capital[1, 6]	**793**	461	72
New business annualised premium income (Rand)	**967**	647	49
Annualised profit margin[5]	**11.0%**	10.0%	

1 The Discovery Limited embedded value of new business is calculated based on a risk discount rate using the CAPM approach with specific reference to the Discovery beta coefficient. The Discovery beta coefficient used at 30 June 2015 is 0.55 (30 June 2014: 0.4). Following a review of the approach to setting an assumed beta, the methodology has been amended. Under this revised methodology, the assumed beta is set with reference to the observed beta calculated using daily returns over a long time period. The beta will continue to be calculated with reference to the ALSI. The resulting assumed beta will be fixed at this level unless the observed beta calculated using daily returns over a long time period departs significantly from this assumption. 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.

2 Health new business annualised premium income is the gross contribution to the medical schemes. The new business annualised premium income shown above excludes premiums in respect of members who join an existing employer where the member has no choice of medical scheme, as well as premiums in respect of new business written during the period but only activated after 30 June 2015.
The total Health and Vitality new business annualised premium income written over the period was R5 622 million (June 2014: R5 206 million).

3 Included in the Life and Invest embedded value of new business is R60 million (June 2014: R39 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.

4 Life new business is defined as Life policies or Discovery Retirement Optimiser policies which incepted during the reporting period and which are on risk at 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.
The new business annualised premium income of R2 490 million (June 2014: R2 163 million) (single premium APE: R1 005 million (June 2014: R865 million)) shown above excludes automatic premium increases and servicing increases in respect of existing business. The total Life new business annualised premium income written over the period, including automatic premium increases of R887 million (June 2014: R773 million) and servicing increases of R500 million (June 2014: R473 million) was R3 877 million (June 2014: R3 409 million) (single premium APE: R1 048 million (June 2014: R904 million)). Single premium business is included at 10% of the value of the single premium.
Policy alterations, 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.

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

6 VitalityHealth and VitalityLife new business values have been adjusted to allow for Discovery's ownership increasing from 75% to 100% in November 2014.

7 VitalityHealth new business is defined as individuals and employer groups which incepted during the reporting period. The new business annualised premium income shown above has been adjusted to exclude premiums in respect of members who join an existing employer group after the first month as well as premiums in respect of new business written during the period but only activated after 30 June 2015.

8 VitalityLife new business is defined as policies which incepted during the reporting period and which are on risk at the valuation date.

ANNEXURE 1

Embedded value statement continued

for the year ended 30 June 2015

TABLE 8: EMBEDDED VALUE ECONOMIC ASSUMPTIONS

	30 June 2015	30 June 2014
Beta coefficient		
South Africa	**0.55**	0.40
United Kingdom	**0.55**	0.40
Equity risk premium (%)		
South Africa	**3.50**	3.50
United Kingdom	**3.50**	4.00
Risk discount rate (%)		
Health and Vitality	**10.675**	10.650
Life and Invest	**11.175**	10.650
VitalityHealth	**4.05**	4.24
VitalityLife	**5.045**	5.50
Rand/GB Pound Exchange Rate		
Closing	**19.19**	18.17
Average	**18.04**	17.06
Medical inflation (%)		
South Africa	**8.25**	8.25
United Kingdom	**6.50**	6.50
Expense inflation (%)		
South Africa	**5.25**	5.25
United Kingdom	**3.30**	3.30
Pre-tax investment return (%)		
South Africa – Cash	**7.75**	7.75
– Bonds	**9.25**	9.25
– Equity	**12.75**	12.75
United Kingdom – VitalityHealth investment return	**2.12**	3.16
– VitalityLife investment return	**3.12**	3.90
Income tax rate (%)		
South Africa	**28.00**	28.00
United Kingdom – Long Term	**20.00**	20.00
Projection term		
– Health and Vitality	**20 years**	20 years
– Life	**No cap**	40 years
– Group Life	**10 years**	10 years
– VitalityHealth	**20 years**	20 years

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

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

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

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

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

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

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

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

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

Sensitivity to the embedded value assumptions

The embedded value has been calculated in accordance with the Actuarial Society of South Africa’s Advisory Practice Note APN 107: Embedded Value Reporting. The risk discount rate, calculated in accordance with the guidance note, uses the CAPM approach with specific reference to the Discovery beta coefficient. As beta values reflect the historic performance of share prices relative to the market they may not allow fully for non-market related and non-financial risk. Investors may want to form their own view on an appropriate allowance for these risks which have not been modelled explicitly. The sensitivity of the embedded value and the embedded value of new business at 30 June 2015 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.

ANNEXURE 1

Embedded value statement continued

for the year ended 30 June 2015

TABLE 9: EMBEDDED VALUE SENSITIVITY

R million	Adjusted net worth	Health and Vitality: Value of in-force	Health and Vitality: Cost of required capital
Base	9 572	15 500	(254)
Impact of:			
Risk discount rate +1%	9 572	14 562	(282)
Risk discount rate -1%	9 572	16 545	(221)
Lapses -10%	9 572	16 040	(266)
Interest rates -1%[1]	9 572	15 451	(242)
Equity and property market value -10%	9 564	15 500	(254)
Equity and property return +1%	9 572	15 500	(254)
Renewal expenses -10%	9 572	17 073	(235)
Mortality and morbidity -5%	9 572	15 500	(254)
Projection term +1 year	9 572	15 749	(257)

1 All economic assumptions were reduced by 1%.
2 The sensitivity impact on the VitalityLife value of in-force excludes the net of tax change in negative reserves.

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
Base	606	(22)
Impact of:		
Risk discount rate +1%	549	(25)
Risk discount rate -1%	668	(19)
Lapses -10%	649	(24)
Interest rates -1%[1]	611	(21)
Equity and property return +1%	606	(22)
Renewal expense -10%	713	(21)
Mortality and morbidity -5%	606	(22)
Projection term +1 year	621	(22)
Acquisition costs -10%	627	(22)

1 All economic assumptions were reduced by 1%.

Life and Invest		VitalityHealth		VitalityLife[2]			
Value of in-force	Cost of required capital	Value of in-force	Cost of required capital	Value of in-force	Cost of required capital	Embedded value	% change
22 464	(556)	4 188	(208)	1 854	(265)	**52 295**	
19 914	(480)	3 912	(306)	1 641	(326)	**48 207**	(8)
25 682	(655)	4 494	(95)	2 120	(184)	**57 258**	9
24 487	(598)	4 770	(221)	1 956	(296)	**55 444**	6
23 040	(611)	3 893	(188)	2 400	(311)	**53 004**	1
22 248	(556)	4 187	(207)	1 854	(265)	**52 071**	(0)
22 670	(556)	4 187	(207)	1 854	(265)	**52 501**	0
22 728	(555)	4 731	(207)	1 824	(263)	**54 668**	5
23 842	(545)	5 359	(207)	1 823	(260)	**54 830**	5
22 516	(556)	4 259	(208)	1 854	(265)	**52 664**	1

Life and Invest		VitalityHealth		VitalityLife			
Value of new business	Cost of required capital	Value of new business	Cost of required capital	Value of new business	Cost of required capital	Value of new business	% change
1 268	(56)	45	(20)	850	(57)	**2 614**	
1 006	(48)	22	(28)	820	(71)	**2 225**	(15)
1 594	(66)	70	(10)	888	(37)	**3 088**	18
1 517	(60)	87	(21)	992	(62)	**3 078**	18
1 337	(62)	68	(20)	871	(64)	**2 720**	4
1 312	(56)	45	(20)	850	(57)	**2 658**	2
1 300	(56)	77	(20)	881	(56)	**2 818**	8
1 385	(55)	146	(20)	894	(55)	**2 879**	10
1 273	(56)	49	(20)	850	(57)	**2 638**	1
1 374	(56)	61	(20)	916	(56)	**2 824**	8

Board of directors

for the year ended 30 June 2015

Herman Bosman (47)

Non-Executive Director

LLM (cum laude)

Herman is the Chief Executive Officer of RMB Holdings and Rand Merchant Insurance Holdings, having joined the companies in April 2014. Prior to his current role he was Chief Executive Officer of Deutsche Bank South Africa (2006 – 2013) and Head of Corporate Finance at Rand Merchant Bank (2000 – 2006). In these capacities, Herman has acted as professional advisor to the Discovery executive team on numerous occasions since 1999. Herman also serves on the Board of Governors at the University of Johannesburg, is a director of Endeavor South Africa, and Business and Arts South Africa. He is a Chartered Financial Analyst.

Dr Brian Brink (63)

Non-Executive Director (Independent)

BSc (Med), MBBCh, DMed (Hon)

Brian retired as Chief Medical Officer of Anglo American plc at the end of 2014. He was awarded an honorary doctorate in medicine by the University of the Witwatersrand in recognition of his contribution to the private sector response to HIV/AIDS in South Africa. He has been closely associated with The Global Fund to Fight AIDS, Tuberculosis, and Malaria since its inception in 2002. Brian is a respected thought leader on the role of the private sector in improving health in developing countries, with a particular interest in strengthening health systems in resource-poor settings. He chairs the private sector constituency on health for the Southern African Development Community (SADC) and also serves on a number of NGO boards in the field of health and human rights.

Sonja De Bruyn Sebotsa (43)

Non-Executive Director (Independent)

LLB (Hons), MA, SFA,
Harvard Executive Programme

Sonja is the founder and Principal Partner of Identity Partners, an investment firm which makes equity investments, carries out advisory work, and provides debt and equity finance for SMEs through the Identity Development Fund. Sonja's areas of study include law, business, and economics. Until 2007, she was an Executive Director of Women's Development Bank (WDB) Investment Holdings where she led the structuring of several of its investment transactions. Before this, she was a Vice President in the investment banking division of Deutsche Bank, where she worked in Mergers and Acquisitions and Corporate Finance in South Africa and the UK.

Jan Durand (48)

Non-Executive Director (Independent)

BAcc (Hons), MPhil, CA (SA)

Jan is a qualified chartered accountant and Rhodes Scholar with a BAcc (Hons) from the University of Stellenbosch and an MPhil in Management Studies from Oxford University. He is the Chief Executive Officer of Remgro Ltd and before its delisting was the Financial Director and Chief Executive Officer of Venfin Ltd. Jan is a Director of RCL Foods Ltd, RMI Holdings Ltd, Distell Limited, and Mediclinic Limited. He has been a Director of Remgro Ltd since November 2009 and served as a Non-Executive Director of Alexander Forbes Ltd from October 2004 to July 2007.

Steven Epstein (72)

Non-Executive Director

JD (Columbia University Law School),
BA (Tufts University)

Steven is the founder and Senior Partner of Epstein Becker & Green, one of the largest US-based health law firms that support clients in redundant practice on issues that range from health policy and strategic partnering to complex compliance issues. He sits on the board of The Vitality Group and a number of healthcare companies, and the advisory boards of several venture capital firms. For over 30 years, he has played a unique role in establishing the concept that healthcare organisations need a dedicated form of legal representation.

Richard Farber (44)

Executive Director and Chief Financial Officer

BCom (Hons), CA (SA), FCMA

Richard was a Partner at Fisher Hoffman Sithole (PKF) from 1998 until 2001 before joining Investec Bank, where he was the Group Accountant from 2002 to 2003. He joined Discovery as the Chief Financial Officer in 2003 and was appointed as the Financial Director in 2009. Richard was a member of the Financial Reporting Investigation Panel (FRIP) – previously known as the GAAP Monitoring Panel – from 2005 until 2014. He is a fellow of the Chartered Institute of Management Accountants.

Adrian Gore (51)

Executive Director and Group Chief Executive

BSc (Hons), FFA, ASA, MAAA, FASSA

Adrian is the founder and Chief Executive Officer of the Discovery Group. He is a Fellow of the Actuarial Society of South Africa and of the Faculty of Actuaries (Edinburgh), an Associate of the Society of Actuaries (Chicago), and a member of the American Academy of Actuaries. In 1998, he was recognised as South Africa's Best Entrepreneur by Ernst & Young, and in 2004 was chosen as South Africa's leading CEO in the annual Moneyweb CEO's Awards. In 2008 he received the Investec Award for Considerable Contribution in a Profession, and in 2010, was named the Sunday Times Business Leader of the Year. In 2015, Adrian received the McKinsey Geneva Forum for Health Award. He chairs the South African chapter of Endeavor and sits on the World Economic Forum Industry Agenda Council on Future Health. He also sits on the Columbia University Mailman School of Public Health Board of Overseers, the World Health Organization Commission to end Childhood Obesity and on the Massachusetts General Hospital Global Health Advisory Board. In 2015 Adrian also became a member of the Brookings International Advisory Council.

Monty Hilkowitz (75)

Non-Executive Director and Chairperson (Independent)

FIA

Monty worked for Southern Life Association and Swiss Re before joining Liberty Life in 1971, where he was appointed Managing Director in 1978. He was appointed Chief Executive Officer of Westpac Life in Australia in 1986. He has been self-employed since 1989 and has been involved in investment management, financial services, and insurance interests in several countries. He is currently a director of Acuvest, a specialist financial services company in Ireland and serves as Chairperson of Pioneer International. Monty is Chairperson of the Discovery Board of Directors.

Hylton Kallner (40)

Executive Director and Chief Marketing Officer

BEconSc, FFA, FASSA

Hylton graduated from the University of the Witwatersrand with a BEconSc in Actuarial Science. In 2000, he was admitted as a Fellow of the Faculty of Actuaries and a Fellow of the Actuarial Society of South Africa. In 1996 Hylton started his career at Liberty Life in the actuarial division. In October 1996, he joined Discovery where he has held various positions in marketing, actuarial, and strategic projects. He is currently the Chief Marketing Officer for the Discovery Group and plays a key role in the executive committees of Discovery Limited, Discovery Health, Discovery Life, Discovery Invest, Discovery Insure, and Discovery Vitality. Hylton was also appointed to the boards of Discovery Health and Discovery Life in April 2010.

Neville Koopowitz (51)

Executive Director and Chief Executive, VitalityHealth

BCom, CFP

Neville joined Discovery as Marketing Director in 1996 and has played a key role in defining and building the Discovery identity as well as the development of Discovery's sales and distribution network. His particular area of focus has been the development of Vitality where he was the Chief Executive Officer from the company's inception in 1997 until 2005. In this role he was responsible for the launch of Discovery Card. In 2005 he took up the role of Chief Executive Officer of Discovery Health; a position he held until his move to the UK in 2010. He is currently the Chief Executive Officer of VitalityHealth and Vitality in the UK. He sits on the Health Committee of the Association of British Health Insurers.

Herschel Mayers (55)

Executive Director and Chief Executive, Discovery Life, Discovery Invest and VitalityLife

BSc (Hons), FIA, FASSA

Herschel qualified as an actuary in 1986 and is a Fellow of the Institute of Actuaries. He joined Liberty Life after qualifying, and as a member of their executive committee, served as the Head of Individual and Group Business, Underwriting and Systems, Technology, Product Development, and Finance. Herschel joined Discovery in 2000 as the Managing Director of Discovery Life. In 2001, he was appointed to the Board of the Life Offices Association (LOA) and he currently serves on the Board of the Association for Savings and Investment South Africa (previously LOA). In January 2006, Herschel was appointed as Chief Executive Officer of Discovery Life and Discovery Invest. He is a member of the Discovery Limited Executive Committee and is currently also the Chief Executive Officer of VitalityLife in the UK.

Vincent Maphai (63)

Non-Executive Director (Independent)

BA, BA (Hons), M Phil, D Phil,
Advanced Management Programme (Harvard University)

Vincent was, until end of 2014 when he retired, the Director of Corporate Affairs and Transformation at SAB. Previously, he was the Southern African Chairperson of BHP Billiton. Vincent has served on the boards of various companies as Non-Executive Chairperson including the SABC, the Presidential Review Commission into the restructuring of the public sector, and the South African Responsible Gambling Trust. Vincent is also the Chairperson of the Discovery Foundation.

Tito Mboweni (56)

Non-Executive Director (Independent)

BA Economics and Political Science (NUL), MA Development Economics (UEA), Diploma in International Business Diplomacy (Georgetown University)

Tito is the former Governor of the Reserve Bank of South Africa, (1999 – 2009). He was also Chairperson of the Committee of Central Bank Governors (SADC). He is the former Deputy Head of the ANC's Department of Economic Policy (1990 and 1998) and the Head of the ANC Policy Department (1994 – 1998). He is an Honorary Professor in Economics at Stellenbosch University and Honorary Professor in the School of Economics & Business Sciences at University of Witwatersrand, a Fellow of the Stellenbosch Institute for Advanced Study (STIAS) as well as the Bellagio Rockefeller Centre, Italy. Tito currently serves as Chairperson of the Board of Nampak Ltd, SacOil Holdings Ltd, and Accelerate Property Fund, as well as African Center for Economic Transformation (ACET). He is an International Advisor for Goldman Sachs International and a member of the Advisory Board for Total Oil Marketing's Strategic Consultative Committee for Africa and Middle East, a Non-Executive Director for PPC Ltd and is South Africa's Representative to the BRICS New Development Bank's Board of Directors as a Non-Executive Director.

In December 2012 he was elected to the African National Congress (ANC) National Executive Committee, and is a member of its Economic Transformation, Social Transformation, Finance and Fundraising, and Free State Province sub-committees. On the community side, he is a member of the Thabo Mbeki Foundation Council of Advisors and Chairperson and Trustee of the Fund Raising Committee for the Nelson Mandela Children's Hospital.

Board of directors continued

for the year ended 30 June 2015

Dr Ayanda Ntsaluba (55)

Executive Director

MBChB, MSc (Lond), FCOG (SA)

Before joining Discovery in 2011, Ayanda served as Director General of the Department of International Relations and Co-operation. Before this, he was Director General of the Department of Health. A qualified obstetrician and gynaecologist, Ayanda completed further tertiary education in the fields of health policy planning, international relations, and business at eminent universities including Harvard University, the University of London, and the Moscow Institute of Social Science. He has served on a number of statutory bodies including the Medical Research Council (SA) and the Health Professions Council of South Africa. Ayanda is playing an instrumental role in Discovery's overall strategic planning, particularly within the healthcare system and in Discovery's international expansion strategy.

Les Owen (66)

Non-Executive Director (Independent)

BSc (Hons), FIA, FPMI

Les is a qualified actuary with over 40 years of experience in the UK and Asia Pacific insurance markets. He was the Group Chief Executive of AXA Asia Pacific Holdings Limited (2000 – 2006) and Chief Executive of AXA Sun Life in the UK from 1995 to 1999. Les brings to the Board extensive experience and expertise in international insurance markets. He is the Non-Executive Chairman of Jelf plc and a non-executive director of Computershare Ltd and Royal Mail plc. Les joined the Board of Discovery in 2007 and is Chairperson of the Discovery Limited Audit Committee and the Risk and Compliance Committee.

Alan Pollard (46)

Executive Director and Chief Executive, The Vitality Group

BSc (Hons), FIA, FASSA

Alan, a qualified actuary, joined Discovery in 1994 and was Head of Research and Development where he was responsible for the design and development of the Discovery Health products. From 2005 he served as Chief Executive Officer of Discovery Vitality until relocating in 2012 to serve as Chief Executive Officer of The Vitality Group in the US. Alan is a member of the Executive Committee of Discovery Limited.

John Robertson (67)

Executive Director and Group Chief Information Officer

BCom, CTA, CA (SA), HDipTax

John joined Discovery in 1993 and was responsible for information technology strategy, systems development, information technology networks, and finance. He is currently responsible for technology infrastructure services that support Discovery Group companies in South Africa and internationally. He is also responsible for corporate applications and shared services and facilities.

Barry Swartzberg (50)

Executive Director and Chief Executive, Discovery Partner Markets

BSc, FFA, ASA, FASSA, CFP

Barry was a co-founder of Discovery in 1992 and was involved in developing the Discovery concept. After Discovery Health was launched, he was involved in setting up the administration and systems infrastructure for the company. Following that, he served as Marketing Director and then Chief Executive Officer of Discovery Health (2000 – 2005). From 2005 to 2014, he was Executive Director leading the diversification of Discovery's operations both locally and internationally.
He is currently CEO of Discovery Partner Markets which focuses on internationalising Discovery's unique intellectual property. He serves on the boards of Discovery Limited, Vitality in the US, Ping An Health in China, and Discovery Insure.

Tania Slabbert (48)

Non-Executive Director

BA, MBA

Tania is a Director and co-founder of WDB Investment Holdings where she served as CEO for 12 years, managing the growth of the company's investment portfolio from inception. Tania also served as CEO of the WDB Trust, supporting programmes providing rural women with access to financial and non-financial resources. Before joining WDB, Tania spent four years in the diplomatic corps in France and several years in West Africa working in the non-governmental sector. Her other directorships include the Bidvest Group and Caxton. Tania also serves as a Trustee of the BPSA Education Foundation.

Sindi Zilwa (48)

Non-Executive Director (Independent)

BCompt (Hons), CTA, CA (SA), Advanced Taxation Certificate (SA), Advanced Diploma in Financial Planning (UOFS), Advanced Diploma in Banking (RAU)

Sindi is the Chief Executive Officer of Nkonki, a chartered accountancy firm. In 1990, she became the second black woman to qualify as a chartered accountant in South Africa. In 1998, she was awarded the Businesswoman of the Year Award by the Executive Women's Club, and in 2008, the Woman of Substance Award by the African Women Chartered Accountants Forum. She serves on the boards of Aspen, Rebosis, Metrofile, Gijima, Alexkor SOC Limited, and Air Traffic Navigation Services Limited. She has authored a book, "ACE Model-Winning Formula for Audit Committees" which is used by the Institute of Directors to train audit committee members.

ANNEXURE 3

Group remuneration policy

for the year ended 30 June 2015

Discovery aims to be an "employer of choice" with a firm belief that the long-term success of the organisation is directly linked to the calibre of its people and the working environment created. This manifests in the Discovery values of great people and liberating the best in our people. We strive to ensure that our pay framework rewards our people for their performance, while at the same time meeting stakeholder expectations.

REMUNERATION POLICY

Discovery's remuneration policy is intended to recruit and retain employees whose values are aligned to our culture and core purpose. We aim to create an environment that motivates high performance so that all employees can positively contribute to our strategy and values.

Our philosophy is to balance a flexible approach that recognises differences in individual performance, value and contribution to the organisation. We achieve this through a robust performance management practice, which ensures equitable and competitively benchmarked pay levels with incentives geared to agreed performance outcomes, where appropriate.

The key principles that underpin our reward policy, reward structures and individual rewards are:

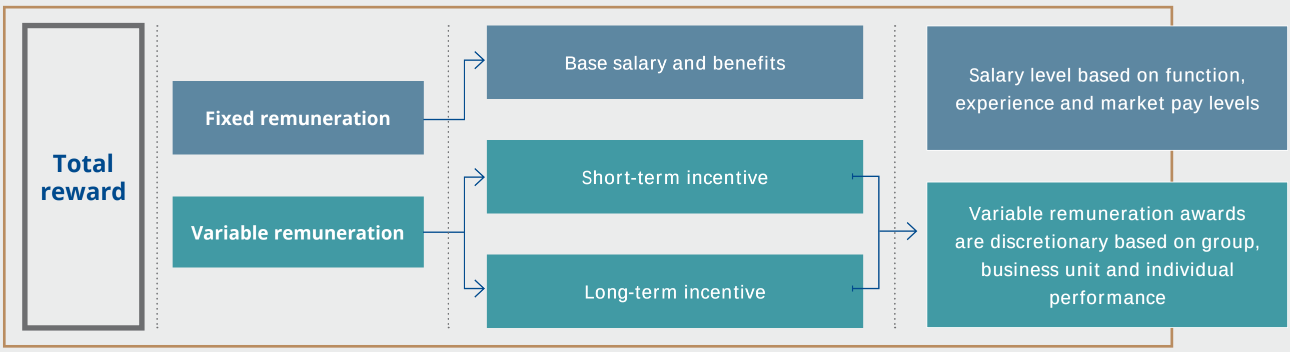
- We offer pay packages that are competitive in the market to attract and retain the right people.
- Pay for performance is at the heart of our remuneration philosophy – exceptional performance is recognised and rewarded.
- We believe in pay that is right and fair – we conduct regular internal and external salary surveys to ensure fairness and consistency across the business.
- We are non-discriminatory – all remuneration policies and practices are free from unfair discrimination based on race, gender, age, religion, marital status and ethnic or social origin.
- We employ a Total Cost to Company approach to remuneration, which includes both financial and non-financial components.
- Our short-term incentive schemes are designed to encourage, recognise and reward performance and allow sufficient flexibility to respond to different business needs. They are not a function of a guaranteed package.
- Our long-term incentive schemes create a sense of ownership in the company.
- Our remuneration policy assists managers to make educated and defendable pay decisions.
- Individual performance appraisals identify talent at all levels in the business and enable fair and competitive pay.
- Pay designs comply with all tax and regulatory requirements.

REMUNERATION STRUCTURE

Our remuneration structure is designed to support the successful execution of our strategy by:

- Attracting, motivating and retaining quality employees.
- Encouraging and rewarding employees to achieve or exceed the objectives of the business.
- Aligning the economic interest of employees with those of other stakeholders.
- Enhancing Discovery's owner-manager culture.
- Striving for the appropriate mix between fixed and variable pay for our employees, depending on their roles.

The diagram below shows the composition of our total reward offering. The elements of this diagram are explained in the sections that follow.



Group remuneration policy continued

for the year ended 30 June 2015

FIXED REMUNERATION

The purpose and key components of our general reward arrangements are summarised in the following table:

Element	Purpose	Detail
Base salary	To attract and retain employees.	Discovery seeks to remain competitive relative to peers and similar size companies. International benchmarks are considered for employees in our international operations. Discovery takes cognisance of the 50th percentile of the financial services market. Our philosophy is to pay above market average where required to attract the best talent, especially for critical skills. Increases take effect on 1 July each year and are based on individual performance and market inflation.
Compulsory benefits	To encourage retirement savings and to cater for unforeseen life events.	Pension and provident plans, disability and death cover and medical insurance are compulsory benefits.
Optional benefits	To enhance the package available to employees.	Access to Discovery Creche and the Discovery Gym are optional benefits.

VARIABLE REMUNERATION

We provide incentives to reward performance. Variable remuneration comprises short-term and long-term incentives. All variable remuneration awards are discretionary.

Element	Purpose	Detail
Short-term incentive	To incentivise achievement of stipulated semi-annual and annual short-term objectives.	Individual awards are based on Group, business unit and individual performance (utilising both financial and non-financial metrics).
Long-term incentive	To incentivise the executive directors and senior management to execute the long-term strategy of the Group successfully to achieve its long-term objectives.	Individual allocations are based on overall individual performance. The incentive awards are considered to be a direct link to performance through the share price and are intended to attract and retain talent.

SHORT-TERM INCENTIVE AWARDS

In many business areas, incentives paid to employees relate directly to their function and are paid monthly, bi-annually or annually. These awards are based on individual performance.

Short-term incentives are paid to executive directors and managers in arrears in March and September each year and comprise two components (depending on management level):

- A personal incentive linked to individual goals for each employee; and
- A "profit pool" element which allows senior management to share in the profit if the Group's performance is above certain profit hurdles.

The September payments are based on the audited results of the previous financial year. For executive directors, the split between individual and profit pool components is 25% and 50% of salary respectively.

The Remuneration Committee approves the Group primary bonus pools and oversees the principles applied in allocating these pools to business units and individuals. In each case, there is a threshold below which no incentive is paid. These thresholds are set strategically based on the business area and level.

Individual performance is determined by:

- Setting performance criteria at the start of each period (annually for executive directors, six-monthly for management)
- Evaluating individual performance
- Determining variable pay based on individual performance.

For management, individual performance is moderated by the business unit's balanced scorecard. The business unit's balanced scorecard contains financial and non-financial metrics and is based on short-term delivery.

The profit pool element is an annual profit pool with a 30% drawdown paid mid-year (March payout). The actual value of the profit pool is calculated at the end of the financial year based on a profit hurdle related to the change in operating profit of the Group compared with the year before. This hurdle is set in line with the Group's ambition of growing operating profit by 20% per annum.

LONG-TERM INCENTIVE PLANS

The Group has several long-term incentive plans in place to encourage executive directors and senior management (approximately 5% of total employees) to execute the long-term strategy of the Group successfully to achieve its long-term objectives. For all long-term incentive plans, employment on vesting date is a condition of vesting.

A particular individual may be a participant in one or more of the plans detailed below.

Plan	Phantom share-based incentive plan	Phantom option-based incentive plan
Purpose	This incentive plan is a direct link to the Group's performance through the share price. The plan is primarily intended to attract and retain critical employees.	This incentive plan is a direct link to the Group's performance through the growth in the share price. The plan is primarily intended to attract and retain critical employees.
Detail	▪ Overall individual performance and level is taken into account when the Remuneration Committee decides on each individual allocation. ▪ The value of the annual allocation on the date of allocation is in the range of 18% to 36% of fixed remuneration. Each year the Remuneration Committee considers the prior year's allocations and current salary level in assessing the allocation. ▪ Participants earn a cash bonus based on the allocation of the bonus scheme units, which in turn are linked to the performance of the Discovery share price. ▪ Units are issued in September each year. The vesting of the units is equally two, three, four and five years after allocation. ▪ The 2014 allocation of phantom shares are subject to performance criteria (compound growth in normalised HEPS exceeding a hurdle rate of CPI+1.5%). ▪ As the scheme is a phantom bonus scheme, there is no dilution created by these awards. ▪ Discovery has implemented a programme to hedge the economic risk linked to the share price based on the anticipated payout of the incentive.	▪ Overall individual performance and level is taken into account when the Remuneration Committee decides on each individual allocation. ▪ The value of the annual allocation on the date of allocation is in the range of 12% to 24% of fixed remuneration. Each year the Remuneration Committee considers the prior year's allocations and current salary level in assessing the allocation. ▪ Participants earn a cash bonus based on the allocation of the bonus scheme units, which in turn are linked to the growth in the Discovery share price. ▪ Units are issued in September each year. The vesting of the units is equally two, three, four and five years after allocation. ▪ As the scheme is a phantom bonus scheme, there is no dilution created by these awards. ▪ Discovery has implemented a programme to hedge the economic risk linked to the share price based on the anticipated payout of the incentive.

From 2008 to 2011, allocations were only made in the phantom share-based incentive plan. From 2012, allocations consisted of a fixed combination of the phantom share-based incentive plan and the phantom option-based incentive plan.

Group remuneration policy continued

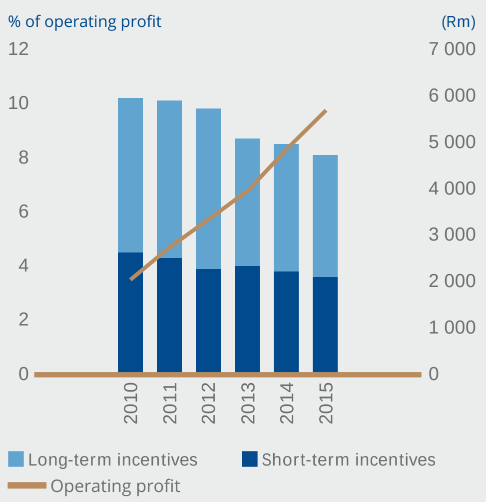
for the year ended 30 June 2015

Plan	Purpose	Detail
Black Economic Empowerment staff share trust	The trust is intended to recruit and retain senior black talent.	▪ Shares/options are allocated to attract or retain senior black employees who are highly skilled. The allocations are based on level of seniority. ▪ Vesting takes place equally two, three, four and five years after allocation.
Start-up long-term incentive plan for new ventures	These plans are intended to foster Discovery's owner manager culture and to attract and retain talent for our new businesses.	▪ Allocation may be in the form of phantom shares or shares in the new entity. ▪ Performance criteria is a hurdle rate relating to value created over cost of capital. ▪ Vesting periods vary by plan. ▪ Restricted to executives in the new ventures, such as Discovery Insure.

Plan	Purpose	Detail
Executive Outperformance Scheme	This scheme is intended to recognise and reward executives who contribute to the five-year plan to realise our 2018 ambition of becoming the best insurance organisation in the world and a powerful force for social good.	▪ Demanding key performance measures have been set at individual level and are linked to the 2018 ambition. ▪ Vesting of the units is equally two, three and four years after allocation. ▪ Restricted to the Group Executive Committee.

The chart alongside illustrates total short-term and total long-term incentives for executive directors and management as a percentage of operating profit. It illustrates a disciplined approach toward variable remuneration. Total incentives indicate a reducing trend over time. This is due to incentives growing in line with salary and staff growth, while operating profit has grown faster. Incentives have been included based on the amount expensed in the income statement in the relevant year. The amount and timing of the payments to employees will differ from the amount expensed.

Incentives as a % of operating profit (2010 – 2015)



REMUNERATION COMMITTEE GOVERNANCE

The Board is ultimately responsible for the remuneration policy. To assist the Board in fulfilling its responsibilities, it has appointed and mandated a Remuneration Committee, which consists of non-executive directors and is advised by an independent expert.

The primary objective of the Remuneration Committee is to provide input into and approve the reward strategy. It is responsible for:

- Ensuring alignment with Discovery's overall remuneration philosophy.
- Approving remuneration packages for executive directors and ensuring they are market and performance related.
- Reviewing policy relating to the bonus and share incentive schemes.
- Recommending the base for non-executive directors' fees.
- Reviewing annual salary increases.

The Remuneration Committee has delegated some of its functions to the Internal Remuneration Committee (comprising the executive directors). This latter body is responsible for:

- Detailed analysis and development of research-based recommendations to the Remuneration Committee.
- The remuneration packages of management and employees in general (with the exception of directors) in line with the policy.
- Supervising the increase process and reporting any anomalies to the Remuneration Committee.

The Remuneration Committee uses the services of a number of advisers to assist in tracking market trends related to all levels of employees, including PE Corporate Services, Khokhela Consulting (Mabili Reward), PwC's Remchannel, 21st Century Pay Solutions, and Vasdex Associates.

REMUNERATION COMMITTEE MEMBERSHIP

JJ Durand is the Chairperson of the Remuneration Committee. Other Remuneration Committee members are MI Hilkowitz and H Bosman (appointed 1 July 2014). T Slabbert and B Olivier (independent remuneration expert), who both have experience in this area, attend the meeting by invitation.

The Remuneration Committee met twice during the last financial year and attendance was as follows:

	August 2014	June 2015
H Bosman	✓	✓
JJ Durand (Chairperson)	✓	✓
MI Hilkowitz	✓	✓

All Remuneration Committee members have the relevant skills and experience to perform their duties. The majority of Remuneration Committee members have no business or other relationships that could materially interfere with their independent judgement. The Remuneration Committee members are also members of key oversight committees so that they are able to monitor risk trends across the Group. Members of Executive Management and the Chairperson of the Internal Remuneration Committee also attend the meetings by invitation. Executive directors are not allowed to participate in discussions regarding their own remuneration and are not entitled to a vote at the meetings.

REMUNERATION FOR EXECUTIVE DIRECTORS

Evaluation of Executive Directors

The performance of the executive directors is measured against:

- Business performance
- Transformation and people
- Innovation
- Achievement of strategic initiatives for the year

Quantitative elements have pre-determined measures and qualitative elements have strategic objectives. This is determined annually in advance and agreed to by the Remuneration Committee.

The Remuneration Committee monitors the correlation between remuneration and profitability over time, and the variability of pay over time.

Terms of employment

All executive directors are employed on employment contracts that can be cancelled with between one month and three months' notice by either the executive or the company.

NON-EXECUTIVE DIRECTORS

Non-Executive Directors receive a combination of fixed and meeting fees for their participation on the Board and Board Committees. Black Non-Executive Directors also participated in the Discovery broad-based black economic empowerment (BBBEE) transaction which was implemented in 2005. This initiative was approved as the Board believed it is necessary to secure the services of black non-executive directors with the relevant skill and experience. At the Annual General Meeting held on 1 December 2009, shareholders approved that Ms SE Sebotsa, a black non-executive director, participate in the Discovery Limited phantom share-based incentive scheme to replicate participation in the Discovery BBBEE transaction. Non-executive directors do not receive annual incentive awards.

Group remuneration policy continued

for the year ended 30 June 2015

The Board proposes the fees for non-executive directors, following a recommendation from the Remuneration Committee. The fees are reviewed annually taking into consideration the individual's responsibilities and Board Committee membership. The Chairperson is not present when his remuneration is reviewed. In addition, from time to time, the fees are benchmarked to other local and international financial services companies and companies with similar market capitalisation to ensure the fees remain competitive. Recommendations are made to the Board for consideration.

The fee structure has two components:

1. A retainer.
2. A Board or Board Committee meeting attendance fee.

The Chairperson of the Board receives a fixed retainer and does not receive any other fees or retainer for attendance at Board or Committee meetings. Following recommendations from the Remuneration Committee, the Board proposes the fees for non-executive directors for shareholder approval.

The proposed fees for non-executive directors for the 2016 financial year have been based on an increase of 5% for Rand-based fees and 2.5% for fees based in US Dollars and Pounds. The Chairperson's remuneration has been increased from a fixed R3 000 000 to R3 600 000 to take into account the extra responsibilities created by Solvency Assessment and Management (SAM) and other regulatory changes.

Terms for Non-Executive Directors

There is no limitation on the number of times a non-executive director may stand for re-election. Proposals for re-election are based on individual performance and contribution, which is reviewed by the Board.

The fee structure for 2015 and proposed 2016 financial years is shown below:

	2014/2015	2015/2016
Retainer for the Chairperson of the Board	R3 000 000	**R3 600 000**
SA-based Board retainer	R154 000	**R161 700**
SA-based Board attendance fees	R25 700 per meeting	**R27 000 per meeting**
SA-based committee Chairperson retainer	R190 000	**R199 500**
SA-based committee members' retainer	R110 000	**R115 500**
SA-based committee Chairperson attendance fees	R22 000 per meeting	**R23 100 per meeting**
SA-based committee members' attendance fee	R14 000 per meeting	**R14 700 per meeting**
US-based Board retainer	USD 36 800	**USD 37 720**
US-based Board attendance fee	USD 6 100 per meeting	**USD 6 250 per meeting**
UK-based Board retainer	GBP 28 000	**GBP 28 700**
UK-based Board attendance fee	GBP 4 700 per meeting	**GBP 4 820 per meeting**
UK-based committee Chairperson retainer	GBP 26 500	**GBP 27 160**
UK-based committee Chairperson attendance fee	GBP 2 600 per meeting	**GBP 2 665 per meeting**
UK-based committee members' retainer	GBP 8 000	**GBP 8 200**
UK-based committee members' attendance fee	GBP 1 100 per meeting	**GBP 1 130 per meeting**
Non-resident director travel allowance	USD 2 500 per return leg	**USD 2 575 per return leg**

DIRECTORS' REMUNERATION

Remuneration and fees

Payments to directors for the year ended 30 June 2015 for services rendered are as follows:

R'000	Services as directors	Basic salary	Performance bonus	Phantom scheme bonus	Provident fund contributions	Other benefits[1]	Total
Executive							
A Gore	–	4 288	3 831	4 480	643	206	13 448
R Farber	–	3 618	2 977	4 480	181	102	11 358
HD Kallner	–	3 645	3 115	3 984	182	104	11 030
NS Koopowitz[2]	–	14 232	7 658	17 857	787	441	40 975
HP Mayers	–	6 999	5 393	4 480	735	259	17 866
Dr A Ntsaluba	–	3 209	3 055	7 429	561	163	14 417
A Pollard[3]	–	4 852	1 979	4 720	120	184	11 855
JM Robertson	–	3 244	2 794	4 480	650	7	11 175
B Swartzberg	–	3 420	3 240	4 480	579	106	11 825
Sub-total	–	47 507	34 042	56 390	4 438	1 572	143 949
Prescribed officers							
Dr J Broomberg	–	3 613	2 522	11 551	271	103	18 060
K Rabson	–	3 176	2 432	3 763	397	241	10 009
Dr P Tlhabi	–	2 557	1 822	3 641	255	80	8 355
Sub-total	–	9 346	6 776	18 955	923	424	36 424
Non-executive							
MI Hilkowitz	3 000	–	–	–	–	–	3 000
Dr BA Brink	718	–	–	–	–	–	718
HL Bosman[4]	918	–	–	–	–	–	918
JJ Durand[5]	696	–	–	–	–	–	696
SB Epstein[6]	4 772	–	–	953	–	–	5 725
Dr TV Maphai	778	–	–	–	–	–	778
TT Mboweni	314	–	–	–	–	–	314
AL Owen[7]	2 658	–	–	–	–	–	2 658
SE De Bruyn Sebotsa	684	–	–	6 176	–	–	6 860
T Slabbert[8]	584	–	–	–	–	–	584
SV Zilwa	1 044	–	–	–	–	–	1 044
Sub-total	16 166	–	–	7 129	–	–	23 295
Total	16 166	56 853	40 818	82 474	5 361	1 996	203 668
Less: paid by subsidiaries	(16 166)	(56 853)	(40 818)	(82 474)	(5 361)	(1 996)	(203 668)
Paid by holding company	–	–	–	–	–	–	–

1 "Other benefits" comprise medical aid contributions, travel and other allowances.
2 Salary and incentive are paid in GBP.
3 Salary and incentive are paid in USD.
4 Directors' fees for services rendered by HL Bosman were paid to Rand Merchant Insurance Holdings Limited.
5 Directors' fees for services rendered by JJ Durand were paid to Remgro Limited.
6 Included in directors' fees for SB Epstein is USD 100 000 for services rendered as director of TVG Inc. Directors' fees are paid in USD.
7 Directors' fees are paid in GBP.
8 Directors' fees for services rendered by T Slabbert were paid to WDB Investment Holdings Proprietary Limited.

Group remuneration policy continued

for the year ended 30 June 2015

Remuneration and fees continued

Payments to directors for the year ended 30 June 2014 for services rendered are as follows:

R'000	Services as directors	Basic salary	Per-formance bonus	Phantom scheme bonus	Provident fund contri-butions	Other benefits[1]	Total
Executive							
A Gore	–	4 229	3 176	4 555	616	168	12 744
R Farber	–	3 554	2 216	12 998	168	86	19 022
HD Kallner	–	3 681	2 533	14 392	174	96	20 876
NS Koopowitz[2]	–	12 557	13 656	15 846	748	271	43 078
HP Mayers	–	7 541	3 892	20 380	702	236	32 751
Dr A Ntsaluba	–	3 180	2 424	4 054	539	122	10 319
A Pollard[3]	–	4 275	–	13 433	108	97	17 913
JM Robertson	–	3 158	2 111	10 494	603	16	16 382
B Swartzberg	–	3 837	2 558	19 588	551	97	26 631
Sub-total	–	46 012	32 566	115 740	4 209	1 189	199 716
Prescribed officers							
Dr J Broomberg	–	3 584	2 263	10 487	256	84	16 674
K Rabson	–	3 077	2 047	14 635	360	228	20 347
Dr P Tlhabi	–	2 533	1 557	7 967	241	74	12 372
Sub-total	–	9 194	5 867	33 089	857	386	49 393
Non–executive							
MI Hilkowitz	2 836	–	–	–	–	–	2 836
Dr BA Brink	466	–	–	–	–	–	466
HL Bosman[4]	75	–	–	–	–	–	75
P Cooper[4]	764	–	–	–	–	–	764
JJ Durand[5]	535	–	–	–	–	–	535
SB Epstein[6]	1 782	–	–	882	–	–	2 664
Dr TV Maphai	370	–	–	–	–	–	370
TT Mboweni	146	–	–	–	–	–	146
AL Owen[7]	2 108	–	–	–	–	–	2 108
SE De Bruyn Sebotsa	633	–	–	5 223	–	–	5 856
T Slabbert[8]	580	–	–	–	–	–	580
SV Zilwa	781	–	–	–	–	–	781
Sub-total	11 076	–	–	6 105	–	–	17 181
Total	11 076	55 206	38 433	154 934	5 066	1 575	266 290
Less: paid by subsidiaries	(11 076)	(55 206)	(38 433)	(154 934)	(5 066)	(1 575)	(266 290)
Paid by holding company	–	–	–	–	–	–	–

1 *"Other benefits" comprise medical aid contributions, travel and other allowances.*
2 *Salary and incentive are paid in GBP.*
3 *Salary and incentive are paid in USD.*
4 *Directors' fees for services rendered by P Cooper and HL Bosman were paid to Rand Merchant Insurance Holdings Limited.*
5 *Directors' fees for services rendered by JJ Durand were paid to Remgro Limited.*
6 *Included in directors' fees for SB Epstein is USD 100 000 for services rendered as director of TVG Inc. Directors' fees are paid in USD.*
7 *Directors' fees are paid in GBP.*
8 *Directors' fees for services rendered by T Slabbert were paid to WDB Investment Holdings Proprietary Limited.*

Directors are paid short-term incentives three months after the year end. The following table includes the short-term incentives in the year to which they relate, rather than the year of payment. The fixed remuneration and short-term incentives for the year ended 30 June 2015 were:

R'000	Basic salary	Performance bonus	Provident fund contributions	Other benefits[1]	Total
Executive					
A Gore	4 288	3 410	643	206	8 547
R Farber	3 618	3 005	181	102	6 906
HD Kallner	3 645	2 890	182	104	6 821
NS Koopowitz	14 232	6 599	787	441	22 059
HP Mayers	6 999	5 449	735	259	13 442
Dr A Ntsaluba	3 209	2 635	561	163	6 568
A Pollard	4 852	2 184	120	184	7 340
JM Robertson	3 244	2 308	650	7	6 209
B Swartzberg	3 420	2 948	579	106	7 053
Sub-total	47 507	31 428	4 438	1 572	84 945
Prescribed officers					
Dr J Broomberg	3 613	2 522	271	103	6 509
K Rabson	3 176	2 432	397	241	6 246
Dr P Tlhabi	2 557	1 822	255	80	4 714
Sub-total	9 346	6 776	923	424	17 469
Total	56 853	38 204	5 361	1 996	102 414
Less: paid by subsidiaries	(56 853)	(38 204)	(5 361)	(1 996)	(102 414)
Paid by holding company	–	–	–	–	–

1 "Other benefits" comprise medical aid contributions, travel and other allowances.

Group remuneration policy continued

for the year ended 30 June 2015

DIRECTORS' REMUNERATION continued

Directors' participation in share incentive schemes

Discovery's directors and prescribed officers participate in the various share incentive schemes offered by the Group – their participation is disclosed below. Refer to Group Annual Financial Statements note 33.1 for a detailed description of the various schemes offered.

Discovery Limited phantom share scheme

Directors and prescribed officers participation as at 30 June 2015:

Directors and prescribed officers	Outstanding shares	Date granted	Strike price (R)	Final vesting date	Value at 30 June 2015 (R)
J Broomberg	10 000	30/09/2010	–	30/09/2015	**1 264 700**
	20 700	30/09/2011	–	30/09/2016	**2 617 929**
	12 945	30/09/2012	–	30/09/2017	**1 637 154**
	38 835	30/09/2012	54,75	30/09/2017	**2 857 262**
	11 893	30/09/2013	–	30/09/2018	**1 504 108**
	23 786	30/09/2013	84,76	30/09/2018	**1 200 510**
	84 337	01/07/2013	–	30/06/2017	**10 666 100**
	10 967	30/09/2014	–	30/09/2019	**1 386 996**
	21 934	30/09/2014	97,89	30/90/2019	**1 042 617**
R Farber	10 726	30/09/2010	–	30/09/2015	**1 356 517**
	22 250	30/09/2011	–	30/09/2016	**2 813 958**
	13 915	30/09/2012	–	30/09/2017	**1 759 830**
	41 744	30/09/2012	54,75	30/09/2017	**3 071 289**
	13 592	30/09/2013	–	30/09/2018	**1 718 980**
	27 184	30/09/2013	84,76	30/09/2018	**1 372 012**
	108 434	01/07/2013	–	30/09/2017	**13 713 648**
	12 534	30/09/2014	–	30/09/2019	**1 585 175**
	25 068	30/09/2014	97,89	30/09/2019	**1 191 589**
A Gore	10 726	30/09/2010	–	30/09/2015	**1 356 517**
	22 250	30/09/2011	–	30/09/2016	**2 813 958**
	13 915	30/09/2012	–	30/09/2017	**1 759 830**
	41 744	30/09/2012	54,75	30/09/2017	**3 071 289**
	20 388	30/09/2013	–	30/09/2018	**2 578 470**
	40 776	30/09/2013	84,76	30/09/2018	**2 058 018**
	108 434	01/07/2013	–	30/09/2017	**13 713 648**
	18 801	30/09/2014	–	30/09/2019	**2 377 762**
	37 601	30/09/2014	97,89	30/09/2019	**1 787 336**
HD Kallner	10 726	30/09/2010	–	30/09/2015	**1 356 517**
	22 250	30/09/2011	–	30/09/2016	**2 813 958**
	13 915	30/09/2012	–	30/09/2017	**1 759 830**
	41 744	30/09/2012	54,75	30/09/2017	**3 071 289**
	13 592	30/09/2013	–	30/09/2018	**1 718 980**
	27 184	30/09/2013	84,76	30/09/2018	**1 372 012**
	108 434	01/07/2013	–	30/09/2017	**13 713 648**
	55 441	30/09/2014	–	30/09/2019	**7 011 623**
	110 882	30/09/2014	97,89	30/09/2019	**5 270 696**
NS Koopowitz	180 723	01/07/2013	–	30/06/2017	**22 856 038**

Directors and prescribed officers	Outstanding shares	Date granted	Strike price (R)	Final vesting date	Value at 30 June 2015 (R)
HP Mayers	10 726	30/09/2010	–	30/09/2015	**1 356 517**
	22 250	30/09/2011	–	30/09/2016	**2 813 958**
	13 915	30/09/2012	–	30/09/2017	**1 759 830**
	41 744	30/09/2012	54,75	30/09/2017	**3 071 289**
	13 592	30/09/2013	–	30/09/2018	**1 718 980**
	27 184	30/09/2013	84,76	30/09/2018	**1 372 012**
	108 434	01/07/2013	–	30/06/2017	**13 713 648**
	12 534	30/09/2014	–	30/09/2019	**1 585 175**
	25 068	30/09/2014	97,89	30/09/2019	**1 191 589**
A Ntsaluba	13 915	30/09/2012	–	30/09/2017	**1 759 830**
	41 744	30/09/2012	54,75	30/09/2017	**3 071 307**
	13 592	30/09/2013	–	30/09/2018	**1 718 980**
	27 184	30/09/2013	84,76	30/09/2018	**1 372 012**
	108 434	01/07/2013	–	30/06/2017	**13 713 648**
	12 534	30/09/2014	–	30/09/2019	**1 585 175**
	25 068	30/09/2014	97,89	30/09/2019	**1 191 589**
A Pollard	10 726	30/09/2010	–	30/09/2015	**1 356 517**
	22 250	30/09/2011	–	30/09/2016	**2 813 958**
	4 638	30/09/2012	–	30/09/2017	**586 568**
	13 914	30/09/2012	54,75	30/09/2017	**1 023 714**
	4 587	30/09/2013	–	30/09/2018	**580 118**
	9 175	30/09/2013	84,76	30/09/2018	**463 074**
	144 578	01/07/2013	–	30/06/2017	**18 284 780**
	4 178	30/09/2014	–	30/09/2019	**528 392**
	8 356	30/09/2014	97,89	30/09/2019	**397 196**
K Rabson	10 000	30/09/2010	–	30/09/2015	**1 264 700**
	20 700	30/09/2011	–	30/09/2016	**2 617 929**
	12 945	30/09/2012	–	30/09/2017	**1 637 154**
	38 835	30/09/2012	54,75	30/09/2017	**2 857 261**
	11 893	30/09/2013	–	30/09/2018	**1 504 108**
	23 786	30/09/2013	84,76	30/09/2018	**1 200 510**
	84 337	01/07/2013	–	30/06/2017	**10 666 100**
	10 967	30/09/2014	–	30/09/2019	**1 386 996**
	21 934	30/09/2014	97,89	30/09/2019	**1 042 617**
JM Robertson	10 726	30/09/2010	–	30/09/2015	**1 356 517**
	22 250	30/09/2011	–	30/09/2016	**2 813 958**
	13 915	30/09/2012	–	30/09/2017	**1 759 830**
	41 744	30/09/2012	54,75	30/09/2017	**3 071 289**
	13 592	30/09/2013	–	30/09/2018	**1 718 980**
	27 184	30/09/2013	84,76	30/09/2018	**1 372 012**
	108 434	01/07/2013	–	30/06/2017	**13 713 648**
	12 534	30/09/2014	–	30/09/2019	**1 585 175**
	25 068	30/09/2014	97,89	30/09/2019	**1 191 589**

ANNEXURE 3

Group remuneration policy continued

for the year ended 30 June 2015

Discovery Limited phantom share scheme continued

Directors and prescribed officers	Outstanding shares	Date granted	Strike price (R)	Final vesting date	Value at 30 June 2015 (R)
B Swartzberg	10 726	30/09/2010	–	30/09/2015	**1 356 517**
	22 250	30/09/2011	–	30/09/2016	**2 813 958**
	13 915	30/09/2012	–	30/09/2017	**1 759 830**
	41 744	30/09/2012	54,75	30/09/2017	**3 071 289**
	13 592	30/09/2013	–	30/09/2018	**1 718 980**
	27 184	30/09/2013	84,76	30/09/2018	**1 372 012**
	108 434	01/07/2013	–	30/06/2017	**13 713 648**
	12 534	30/09/2014	–	30/09/2019	**1 585 175**
	25 068	30/09/2014	97,89	30/09/2019	**1 191 589**
P Tlhabi	8 750	30/09/2010	–	30/09/2015	**1 106 613**
	20 700	30/09/2011	–	30/09/2016	**2 617 929**
	12 945	30/09/2012	–	30/09/2017	**1 637 154**
	38 835	30/09/2012	54,75	30/09/2017	**2 857 262**
	11 893	30/09/2013	–	30/09/2018	**1 504 108**
	23 786	30/09/2013	84,76	30/09/2018	**1 200 510**
	84 337	01/07/2013	–	30/06/2017	**10 666 100**
	10 967	30/09/2014	–	30/09/2019	**1 386 996**
	21 934	30/09/2014	97,89	30/09/2019	**1 042 617**

ANNEXURE 4

Directors' interests in shares

According to the Register of Directors' Interests, maintained by Discovery in accordance with the provisions of section 30(4)(d) of the Companies Act, directors and prescribed officers of Discovery have disclosed the following interest in the ordinary shares of the Company at 30 June:

Directors and prescribed officers	Direct beneficial	Indirect beneficial	Total 2015	Direct beneficial	Indirect beneficial	Total 2014
SE De Bruyn Sebotsa	**85 595**	**–**	**85 595**	78 250	–	78 250
R Farber	**247 276**	**–**	**247 276**	226 057	–	226 057
A Gore	**–**	**50 220 524**	**50 220 524**	–	46 010 492	46 010 492
HD Kallner	**183 398**	**–**	**183 398**	167 661	–	167 661
NS Koopowitz	**–**	**1 102 764**	**1 102 764**	–	1 008 136	1 008 136
HP Mayers	**341 948**	**8 449 550**	**8 791 498**	312 606	7 724 497	8 037 103
A Ntsaluba	**60 164**	**–**	**60 164**	25 000	–	25 000
A Pollard	**1 633 099**	**–**	**1 633 099**	1 633 099	–	1 633 099
JM Robertson	**1 404 439**	**3 390 812**	**4 795 251**	1 404 439	3 390 812	4 795 251
B Swartzberg	**3 484 227**	**22 279 011**	**25 763 238**	3 484 227	20 068 276	23 552 503
Dr J Broomberg	**240 842**	**–**	**240 842**	220 175	–	220 175
K Rabson	**–**	**925 000**	**925 000**	–	900 000	900 000
Dr P Tlhabi	**13 284**	**–**	**13 284**	12 140	–	12 140
H Bosman	**–**	**77 027**	**77 027**	–	70 000	70 000
Dr BA Brink	**35 004**	**–**	**35 004**	32 000	–	32 000
SB Epstein	**19 250**	**–**	**19 250**	19 250	–	19 250
Dr TV Maphai	**149**	**1 410 784**	**1 410 933**	149	1 270 070	1 270 219
AL Owen	**33 747**	**–**	**33 747**	30 668	–	30 668
SV Zilwa	**73 355**	**–**	**73 355**	–	67 060	67 060
	7 855 777	**87 855 472**	**95 711 249**	7 645 721	80 509 343	88 155 064

There has been no change in the directors' interests in Discovery Limited's shares between 30 June 2015 and the date of publication of this annual report.

ANNEXURE 5

Analysis of shareholders

at 30 June 2015

	Number of shareholders	%	Number of shares	%
SHAREHOLDER SPREAD				
1 – 1 000 shares	20 420	65.63	6 512 610	1.01
1 001 – 10 000 shares	9 289	29.86	19 992 175	3.09
10 001 – 100 000 shares	1 121	3.60	31 984 941	4.94
100 001 – 1 000 000 shares	220	0.71	66 917 621	10.33
1 000 001 shares and over	63	0.20	522 020 599	80.63
	31 113	100.00	647 427 946	100.00
DISTRIBUTION OF SHARES				
Corporate holding	2	0.01	161 944 576	25.01
Charity	9	0.03	561 033	0.09
Custodians	32	0.10	10 847 412	1.68
Exchange-traded fund	9	0.03	1 772 800	0.27
Foreign government	3	0.01	290 561	0.05
Hedge fund	7	0.02	663 002	0.10
Black Economic Empowerment	9	0.03	54 984 641	8.49
Pension funds	203	0.65	85 555 825	13.21
Private investor	210	0.67	133 266 958	20.58
Insurance companies	26	0.08	11 954 284	1.85
Investment trusts	8	0.03	4 595 881	0.71
Local authority	3	0.01	200 265	0.03
Unit trusts and mutual funds	312	1.00	107 657 041	16.63
Other managed funds	114	0.37	34 751 197	5.37
University	2	0.01	99 541	0.02
Venture capital	6	0.02	470 238	0.07
Sovereign wealth	33	0.11	28 018 445	4.33
Remainder	30 125	96.82	9 794 246	1.51
	31 113	100.00	647 427 946	100.00
PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	26	0.08	367 919 397	56.83
– Directors of the Company	15	0.05	93 121 190	14.38
– Empowerment*	5	0.01	54 771 319	8.46
– Own holdings	1	0.00	680 268	0.11
– Key management personnel	3	0.01	1 179 126	0.18
Strategic holdings (more than 5%)	2	0.01	218 167 494	33.70
Public shareholders	31 087	99.92	279 508 549	43.17
	31 113	100.00	647 427 946	100.00

* *Included in empowerment are 1 410 933 shares that are held by a director of Discovery Limited*

	Number of shares	%
BENEFICIAL SHAREHOLDERS' HOLDING OF 5% OR MORE		
Rand Merchant Insurance Holdings Limited	161 944 576	25.01
Government Employees Pension Fund	56 222 918	8.68
A Gore	50 220 524	7.76

ANNEXURE 6

Share capital and share premium

for the year ended 30 June 2015

ORDINARY SHARE CAPITAL AND SHARE PREMIUM

	Issued		Treasury shares			
R million	Share capital	Share premium	Discovery Health	BEE share trust	BEE transaction partners	Total outstanding
At 30 June 2013	1	1 623	(14)	(42)	(98)	1 470
Share movements:						
– treasury shares delivered	*	1 031	–	–	105	1 136
– treasury share purchases	–	–	–	(8)	(14)	(22)
Share issue costs	–	(2)	–	–	–	(2)
At 30 June 2014	**1**	**2 652**	**(14)**	**(50)**	**(7)**	**2 582**
Share movements:						
– rights issue	*****	**5 000**	**–**	**–**	**–**	**5 000**
– treasury shares delivered	**–**	**–**	**–**	*****	**–**	*****
Share issue costs	**–**	**(94)**	**–**	**–**	**–**	**(94)**
At 30 June 2015	**1**	**7 558**	**(14)**	**(50)**	**(7)**	**7 488**

** Amount is less than R500 000*

		Treasury shares			
Number of shares	Issued	Discovery Health	BEE share trust	BEE transaction partners	Total outstanding
At 30 June 2013	591 872 390	(680 268)	(1 583 727)	(35 595 469)	554 012 926
Share movements:					
– treasury shares delivered	–	–	117 931	20 270 560	20 388 491
– treasury share purchases	–	–	(95 000)	(171 342)	(266 342)
At 30 June 2014	591 872 390	(680 268)	(1 560 796)	(15 496 251)	574 135 075
Share movements:					
– rights issue	**55 555 556**	**–**	**–**	**(814 770)**	**54 740 786**
– treasury shares delivered	**–**	**–**	**122 580**	**–**	**122 580**
At 30 June 2015	**647 427 946**	**(680 268)**	**(1 438 216)**	**(16 311 021)**	**628 998 441**

The total authorised number of ordinary shares is 1 billion (2014: 1 billion), with a par value of 0.1 cent per share.

ANNEXURE 6

Share capital and share premium continued

for the year ended 30 June 2015

Rights issue

Discovery raised capital by way of an underwritten renounceable rights issue. This resulted in an increase in capital of R5 billion. Costs of R94 million were incurred in respect of the rights issue and have been written-off against share premium. Shares in issue have increased by 55 555 556 shares to 647 427 946 shares.

Refinancing of BEE transaction by a BEE partner

In September 2005, Discovery concluded a BEE transaction pursuant to which 38 725 909 shares were issued to a consortium of BEE parties. 17 703 273 of these shares were issued to WDB Discovery Investment Proprietary Limited (WDB) at R0.113 each, being one of the BEE consortium members. The difference between the market value of the ordinary shares issued to the BEE parties and the subscription consideration represented an outstanding funded amount provided by Discovery shareholders (funded amount).

In December 2013, WDB decided to refinance the funded amount provided by Discovery with a third-party financial institution, which resulted in the following transactions:

The repurchase by Discovery of 12 440 910 Discovery shares held by WDB at a price of R0.001 per share to repay the funded amount. The remaining 5 262 363 shares were retained by WDB as fully paid.

The issue to WDB by Discovery of 12 440 910 new Discovery shares at a price of R82.75 per Discovery share (representing the 30 day VWAP to 4 December 2013).

The treasury shares decreased by 20 270 560, being the 17 703 273 shares from the original transaction, as well as 2 567 287 shares that were purchased with the dividends received by WDB. This increased share premium by R1 135 million.

PREFERENCE SHARE CAPITAL

R million	Group 2015	Group 2014
Authorised		
40 000 000 A no par value preference shares		
20 000 000 B preference shares of R100 each	**2 000**	2 000
20 000 000 C no par value preference shares		
	2 000	2 000
Issued		
8 000 000 class B preference shares of R100 each	**800**	800
Share issue costs	**(21)**	(21)
At 30 June	**779**	779

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

Form of proxy

Discovery Limited

(Registration number: 1999/007789/06)
ISIN: ZAE000022331
Share code: DSY
(the Company)

This form of proxy is only for use by:
1. Registered shareholders who have not yet dematerialised their shares in the Company.
2. Registered shareholders who have already dematerialised their shares in the Company and are registered in their own names in the Company's sub-register.*

For use by registered shareholders of the Company at the sixteenth Annual General Meeting (AGM) of the Company to be held in the Auditorium, Ground Floor, 155 West Street on Tuesday, 1 December 2015 at 14h00.

Each shareholder entitled to attend and vote at the AGM is entitled to appoint one or more proxy or proxies (who need not be a shareholder of the Company) to attend, participate in and speak and vote in place of that shareholder at the AGM, and at any adjournment thereof.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own-name" registration, must not complete this form of proxy but should contact their Central Securities Depository Participant (CSDP) or broker in the manner and time stipulated in their agreement, in order to furnish them with their voting instructions or to obtain the necessary letter of authority to attend the AGM, in the event that they wish to attend the AGM.

Please note the following:
- The appointment of your proxy may be suspended at any time to the extent that you choose to act directly and in person in the exercise of your rights as a shareholder at the AGM.
- The appointment of the proxy is revocable; and you may revoke the proxy appointment by – (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and the Company.

Kindly note that, meeting participants (including a proxy or proxies) are required in terms of section 63(1) of the Companies Act No. 71 of 2008 as amended (Companies Act) to provide reasonably satisfactory identification before being entitled to attend or participate in the AGM. Forms of identification include a green bar-coded identification document issued by the South African Department of Home Affairs, a driver's licence or a valid passport.

A proxy may not delegate his/her authority to act on behalf of a shareholder of the Company to another person.

I/We (please print) ____________________ (name)

of ____________________ (address)

being the holder(s) of ____________________ ordinary shares in the Company, hereby appoint (see instruction 1 overleaf):

1. ____________________ or failing him/her,

2. ____________________ or failing him/her,

3. the Chairperson of the AGM,

as my/our proxy to attend, participate in and speak and vote for me/us and on my/our behalf or to abstain from voting at the AGM which will be held for the purposes of considering and, if deemed fit, passing the resolutions to be passed thereat, with or without modification, and at any adjournment thereof, in accordance with the instructions as follows (see note 2 and instruction 2 overleaf):

Insert the number of votes exercisable (one vote per share)

	For	Against	Abstain
Ordinary Resolutions			
1. Consideration of Annual Financial Statements			
2. Re-appointment of External Auditor			
3. Election of independent Audit Committee			
3.1 Mr Les Owen			
3.2 Ms Sindi Zilwa			
3.3 Ms Sonja De Bruyn Sebotsa			
3.4 Mr Jannie Durand			
4. Re-election of Directors			
4.1 Mr Monty Hilkowitz			
4.2 Dr Brian Brink			
4.3 Mr Jannie Durand			
4.4 Mr Steven Epstein			
4.5 Ms Sindi Zilwa			
4.6 Ratification of the appointment of Ms Faith Khanyile			
5. Approval of Group remuneration policy			
6. Directors' authority to take all such actions necessary to implement the aforesaid ordinary resolutions and the special resolutions mentioned below.			
7. General authority to issue preference shares			
7.1 To give the directors the general authority to allot and issue 10 000 000 A Preference Shares			
7.2 To give the directors the general authority to allot and issue 12 000 000 B Preference Shares			
7.3 To give the directors the general authority to allot and issue 20 000 000 C Preference Shares			
Special Resolutions			
1. Approval of non-executive directors' remuneration – 2015/2016			
2. General authority to repurchase shares in terms of the JSE Listings Requirements			
3. Authority to provide financial assistance in terms of section 44 and 45 of the Companies Act			
4. Amendment of the Company's MOI to bring it in line with the provisions of the Companies Act and Schedule 10 of the JSE Listings Requirements			

Note: Insert an "X" in the relevant spaces above or the number of votes exercisable (one vote per share) according to how you wish your votes to be cast. An "X" in the relevant spaces above indicates the maximum number of votes exercisable. If you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of shares held in respect of which you wish to vote (see instruction 3 overleaf).

Signed at ____________________ on ____________________ 2015.

Signature/s ____________________

Assisted by me (where applicable) ____________________

Please read the summary of the rights in respect of proxy appointments established by section 58 of the Companies Act, notes and instructions overleaf.

*See explanatory note 3 overleaf.

Notes to the form of proxy

Summary of shareholders rights in respect of proxy appointments as contained in section 58 of the Companies Act

Please note that in terms of section 58 of the Companies Act:

- This form of proxy must be in writing, dated and signed by the shareholder appointing the proxy.
- You may appoint an individual as a proxy, including an individual who is not a shareholder of the Company, to participate in, and speak and vote at, the AGM, on your behalf.
- Your proxy may delegate his/her authority to act on your behalf to another person, subject to any restriction set out in this form of proxy.
- This form of proxy must be delivered to the Company, or to the Company's transfer secretaries, Computershare Investor Services Proprietary Limited, before your proxy exercises any of your voting rights as a shareholder at the AGM. Any form of proxy not received by the Company or the Company's transfer secretaries must be handed to the Chairperson of the AGM before your proxy may exercise any of your voting rights as a shareholder at the AGM.
- The appointment of your proxy or proxies will be suspended at any time to the extent that you choose to act directly in person in the exercise of any of your rights as a shareholder at the AGM.
- The appointment of your proxy is revocable unless you expressly state otherwise in this form of proxy.
- As the appointment of your proxy is revocable, you may revoke the proxy appointment by – (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy and to the Company. Please note that the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to act on your behalf as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered to the proxy and the Company as aforesaid.
- If this form of proxy has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the MOI to be delivered by the Company to you must be delivered by the Company to you or your proxy or proxies, if you have directed the Company to do so, in writing, and paid any reasonable fees charged by the Company for doing so.
- Your proxy is entitled to exercise, or abstain from exercising, any voting rights of yours without direction at the AGM, except to the extent that this form of proxy provides otherwise.
- The appointment of your proxy remains valid only until the end of the AGM or any adjournment or postponement thereof, unless it is revoked by you before then on the basis set out above.

Explanatory notes

1. A shareholder entitled to attend and vote at the AGM is entitled to appoint one or more proxy or proxies to attend, participate in and speak and vote in his/her stead at the AGM. A proxy need not be a shareholder of the Company. Satisfactory identification must be presented by any person wishing to attend the AGM, as set out in the notice of AGM (to which this form of proxy is included).

2. Every shareholder present in person or by proxy and entitled to vote at the AGM of the Company shall, on a show of hands, have one vote only, irrespective of the number of shares such shareholder holds, but in the event of a poll, each shareholder shall be entitled to one vote in respect of each ordinary share in the Company held by him/her.

3. Shareholders who have dematerialised their shares in the Company and are registered in their own names are shareholders who appointed Computershare Custodial Services as their Central Securities Depository Participant (CSDP) with the express instruction that their uncertificated shares are to be registered in the electronic subregister of shareholders in their own names.

Instructions on signing and lodging the form of proxy

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided overleaf, with or without deleting "the Chairperson of the AGM", but any such deletion must be initialled by the shareholder. Should this space be left blank, the Chairperson of the AGM will exercise the proxy. The person whose name appears first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.

2. A shareholder's voting instructions to the proxy must be indicated by the insertion of an "X" or the number of votes exercisable by that shareholder in the appropriate spaces provided overleaf. An "X" in the appropriate box indicates the maximum number of votes exercisable by that shareholder. Failure to do so shall be deemed to authorise the proxy to vote or to abstain from voting at the AGM, as he/she thinks fit in respect of all the shareholder's exercisable votes. A shareholder or his/her proxy is not obliged to use all the votes exercisable by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the shareholder or by his/her proxy.

3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.

4. Forms of proxy must be lodged with the Company at 155 West Street, Sandton, South Africa or posted to the Company at PO Box 786722, Sandton 2146, South Africa or lodged with the transfer secretaries of the Company, Computershare Investor Services Proprietary Limited, at 70 Marshall Street, Johannesburg, South Africa or posted to the transfer secretaries of the Company at PO Box 61051, Marshalltown 2107, South Africa, to be received by them not later than Friday, 27 November 2015 at 12h00 (South African time), being at least 48 hours before the AGM to be held at 14h00 on Tuesday, 1 December 2015 in accordance with clause 27.3.2 of the MOI. Any forms of proxy not received by this time must be handed to the Chairperson of the AGM immediately prior to the commencement of the AGM.

5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries of the Company or waived by the Chairperson of the AGM.

6. The completion and lodging of this form of proxy shall not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy or proxies appointed in terms hereof, should such shareholder wish to do so.

7. Where two or more persons are registered as the holders of any security they shall be deemed to hold that security jointly, and any one of the joint holders of any security conferring a right to vote on any matter may vote either personally or by proxy, at any meeting in respect of that security, as if he were solely entitled to exercise that vote, and if more than one of those joint holders is present at any such meeting, either personally or by proxy, the joint holder, who tenders a vote (including an abstention) and whose name stands in the securities register before the other joint holders whom are present, in person or by proxy, shall be the joint holder who is entitled to vote in respect of that security.

8. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this form of proxy must be initialled by the signatory/ies.

9. The Chairperson of the AGM may reject or accept any form of proxy which is completed other than in accordance with these instructions provided that he is satisfied as to the manner in which a shareholder wishes to vote.

10. A proxy may not delegate his/her authority to act on behalf of the shareholder of the Company, to another person.

Administration

DISCOVERY LIMITED'S DIRECTORS AND PRESCRIBED OFFICERS

Executive directors

A Gore (Chief executive officer)
R Farber (Financial director)
HD Kallner
NS Koopowitz
HP Mayers
Dr A Ntsaluba
A Pollard
JM Robertson
B Swartzberg

Non-executive directors

MI Hilkowitz (Chairperson)
HL Bosman (appointed 14 April 2014)
Dr BA Brink
P Cooper (resigned 10 April 2014)
SE De Bruyn Sebotsa
JJ Durand
SB Epstein
Dr TV Maphai
TT Mboweni (appointed 1 January 2014)
AL Owen
T Slabbert
SV Zilwa

Prescribed officers

J Broomberg
K Rabson
P Tlhabi

SPONSORS

Rand Merchant Bank
(A division of FirstRand Bank Limited)
1 Merchant Place, Cnr Fredman Drive and Rivonia Road, Sandton 2196

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
(Registration number: 2004/003647/07)
Ground Floor, 70 Marshall Street, Johannesburg 2001
PO Box 61051, Marshalltown 2107

AUDITORS

PricewaterhouseCoopers Inc.
2 Eglin Road, Sunninghill 2157

COMPANY SECRETARY

MJ Botha

REGISTERED OFFICE

155 West Street, Sandton 2146
PO Box 786722, Sandton 2146
Tel: (011) 529 2888 Fax: (011) 539 8003

DISCOVERY LIMITED

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
www.discovery.co.za

Discovery

+27 11 529 2888 | info@discovery.co.za | www.discovery.co.za