Discovery

# DISCOVERY

## NOTICE AND PROXY

OF THE ANNUAL GENERAL MEETING AND SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED **30 JUNE 2019**

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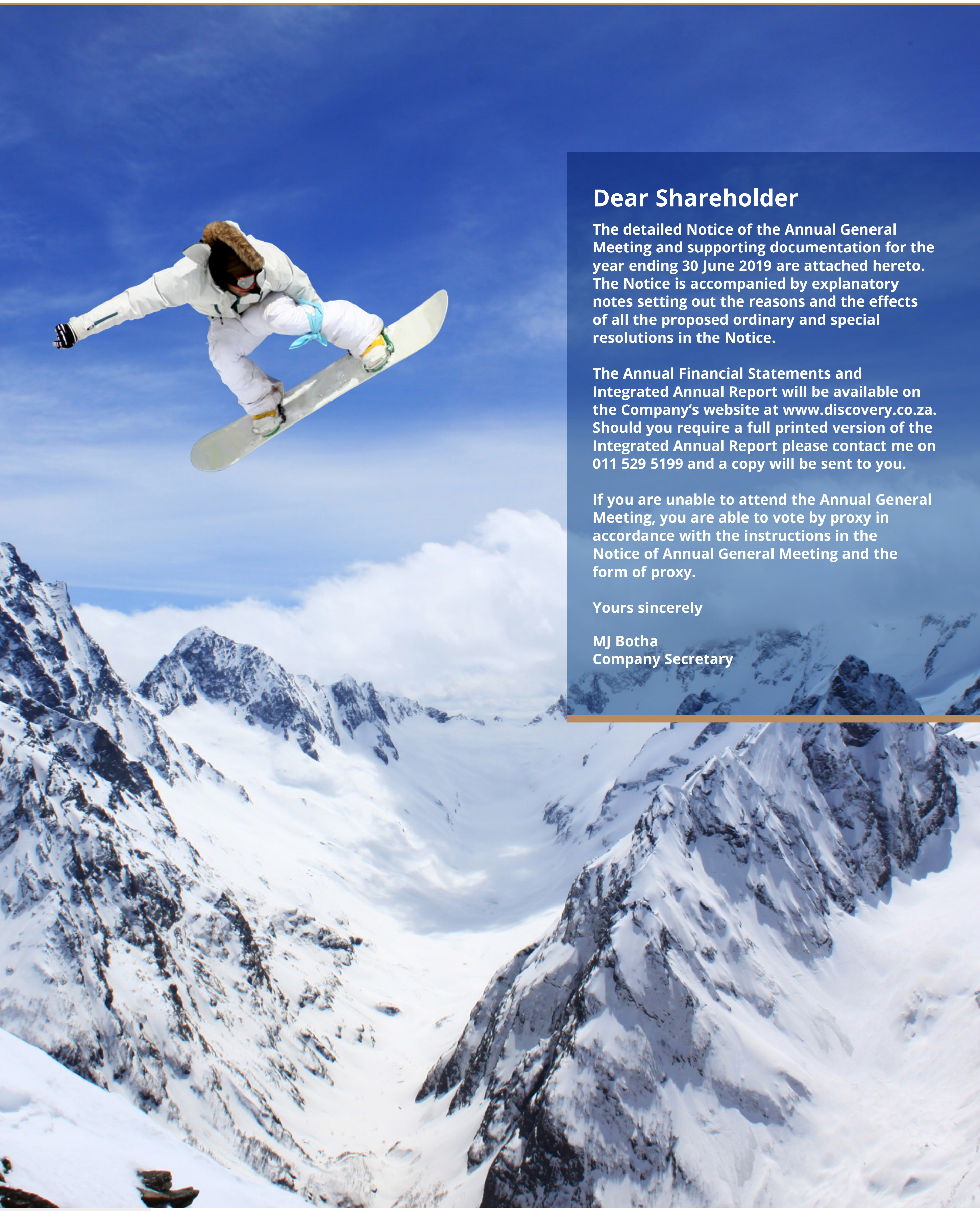


## Dear Shareholder

The detailed Notice of the Annual General Meeting and supporting documentation for the year ending 30 June 2019 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 Annual Financial Statements and Integrated Annual Report will be available on the Company's website at www.discovery.co.za. Should you require a full printed version of the Integrated Annual Report 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

# NOTICE OF THE ANNUAL GENERAL MEETING

for the year ended 30 June 2019

## Discovery Limited

(Registration number: 1999/007789/06)
ISIN: ZAE000022331
Ordinary share code: DSY
Preference share code: DSBP
ISIN: ZAE000158564
("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 twentieth Annual General Meeting ("AGM") of the Company will be held in the Auditorium, Ground Floor, 1 Discovery Place, on Thursday, 28 November 2019 at 09h00 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, 11 October 2019 and only shareholders of the Company who are registered in the securities register of the Company on Friday, 22 November 2019 will be entitled to participate in and vote at the AGM. 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 Tuesday, 19 November 2019.

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 Annual Report and the audited Annual Financial Statements for the year ended 30 June 2019, can be accessed on the Company website: **www.discovery.co.za** from 18 October 2019.

## 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 Wednesday, 27 November 2019 in order to obtain dial-in details for that conference call; and
- Will be required, in terms of section 61(3) 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 or identification card 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.

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 2019 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 2019, are available on the Company website, **www.discovery.co.za**. The summary consolidated annual financial statements are set out within Annexure 1 from page 13 to 37.

## 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 Andrew Taylor is the individual registered auditor who will undertake the audit for the financial year ending 30 June 2020, replacing Mr Jorge Goncalves who is rotating off the audit following a 5-year term as the as the individual registered auditor.

### 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 (comprising Ordinary Resolutions Number 3.1. to 3.3 (inclusive))

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 re-elected as a member and the chairperson of the Company's Audit Committee for the financial year ending 30 June 2020.

**3.2** Ms Sindi Zilwa, who is an independent non-executive director of the Company, be and is hereby re-elected as a member of the Company's Audit Committee for the financial year ending 30 June 2020.

**3.3** Ms Sonja De Bruyn, who is an independent non-executive director of the Company, be and is hereby re-elected as a member of the Company's Audit Committee for the financial year ending 30 June 2020."

### Additional information in respect of Ordinary Resolution Number 3.1 to 3.3

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 38 to 41. 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 AND ELECTION OF DIRECTORS

Ordinary Resolution Number 4 (comprising Ordinary Resolutions Number 4.1. to 4.4 (inclusive))

Shareholders are requested to consider and, if deemed fit, to re-elect Mr Richard Farber, Mr Herman Bosman and Ms Faith Khanyile as directors appointed to the Board and, further to ratify the appointment of Mr Mark Tucker as a director of the Company by way of passing a separate resolution.

By way of a separate ordinary resolution, it is:

**4.1** "Resolved that Mr Richard Farber 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 non-executive director of the Company."

**4.2** "Resolved that Mr Herman Bosman 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 non-executive director of the Company."

**4.3** "Resolved that Ms Faith Khanyile 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 an independent non-executive director of the Company."

**4.4** "Resolved that the appointment of Mr Mark Tucker as an independent non-executive director of the Company, with effect from 1 March 2019, be and is hereby ratified."

### Additional information in respect of Ordinary Resolutions Number 4.1 to 4.4

Clause 41.3 provides that one third of the Company's non-executive directors shall retire at every AGM. Therefore, the reason for the proposed Ordinary Resolutions Number 4.1 to 4.3 (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 Richard Farber, Mr Herman Bosman and Ms Faith Khanyile as directors of the Company. The effect of Ordinary Resolutions 4.1 to 4.3 (inclusive) is that Mr Richard Farber, Mr Herman Bosman and Ms Faith Khanyile will be elected as directors of the Company.

Mr Mark Tucker was appointed by the Board as an independent non-executive director on 1 March 2019 in accordance with clause 41.10 of the MOI. Therefore, the reason for the proposed Ordinary Resolution Number 4.4 is to ratify the appointment of Mr Mark Tucker as a director of the Company.

A brief CV of each of the directors mentioned above appears on pages 38 to 41.

## 5. Ordinary Resolution Number 5

### ADVISORY ENDORSEMENT OF THE REMUNERATION POLICY AND IMPLEMENTATION REPORT

**5.1** "Resolved that to endorse, through a non-binding advisory vote, the Company's remuneration policy, as set out in the Remuneration Report contained in the Integrated Annual Report."

**5.2** "Resolved that to endorse, through a non-binding advisory vote, the Company's remuneration implementation report (excluding the remuneration of the non-executive directors for their services as directors and members of statutory committees), as set out in the Integrated Annual Report."

### Additional information in respect of Ordinary Resolution Number 5

In terms of the South African King IV report on Corporate Governance ("King IV"), shareholders of the Company are provided with an opportunity to pass non-binding advisory votes on the remuneration policy and the implementation report. The vote allows shareholders to express their views on the remuneration policies adopted and the implementation thereof, but will not be binding on the Company.

Furthermore, King IV recommends the remuneration policy should record the measures that the Board commits to in the event that either the remuneration policy or the implementation report, or both have been voted against by 25% or more of the voting rights exercised by the shareholders.

## 6. Ordinary Resolution Number 6

### ADOPTION OF THE DISCOVERY LIMITED LONG-TERM INCENTIVE PLAN (LTIP)

"Resolved that, by way of an ordinary resolution, and in order to allow the Company to replace the existing cash-settled LTIP with an equity-settled LTIP, the adoption of the Discovery Limited Long-Term Incentive Plan (the "LTIP"), be and is hereby ratified and approved."

The salient features of the LTIP are included on page 108 of the Integrated Annual Report available with this notice of AGM, and the Trust Deed relating to the LTIP has been made available for inspection by shareholders for at least 14 days prior to the date of this meeting and has been initialled by the chairperson of the Remuneration Committee for identification purposes, and is tabled at this meeting.

In terms of Schedule 14 of the JSE Listings Requirements, Ordinary Resolution Number 6 is required to be approved by 75% of the votes cast by shareholders present in person or represented by proxy at this AGM, and its approval is necessary in order to implement Special Resolution Number 4 to this notice of AGM.

### Additional information in respect of Ordinary Resolution Number 6

The reason for and the effect of this Ordinary Resolution Number 6 is that the Company wishes to replace the existing cash-settled LTIP with an equity-settled LTIP. In line with local and global best practice, the Company intends to replace the existing cash-settled share plan with an equity-settled share plan to incentivise, motivate and retain the right calibre of executives and senior management with the Company. The performance conditions are outlined in the Remuneration Report. The vesting period and conditions are largely unchanged, but take into account the feedback received following shareholder engagement after the 2018 AGM non-binding advisory vote and is also outlined in the Remuneration Report on page 100 of the Integrated Annual Report.

The Scheme has been approved by the JSE in terms of Schedule 14 of the JSE Listings Requirements on 12 October 2018.

The salient features of the LTIP are included on page 108 of the Integrated Annual Report available with this notice of AGM. In addition, a copy of the LTIP Trust Deed is available for inspection from the date of this notice of AGM until the conclusion of the AGM convened in terms thereof at the registered office of the Company. This ordinary resolution should be read in conjunction with and is intended to enable Special Resolution Number 4.

## 7. Ordinary Resolution Number 7

### 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 7

The reason for Ordinary Resolution Number 7 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 7 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.

## 8. Ordinary Resolution Number 8

### 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 general authority to the Board to issue up to 10 000 000 A Preference Shares and 12 000 000 B Preference Shares and 20 000 000 C Preference Shares by passing the following Ordinary Resolution Numbers 8.1 to Ordinary Resolution Number 8.3:

### 8.1 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 deem 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 8.1, whichever period is shorter."

#### Additional information in respect of Ordinary Resolution Number 8.1

The reason for Ordinary Resolution Number 8.1 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 deem fit. The authority will be subject to the Companies Act and the JSE Listings Requirements respectively. The effect of Ordinary Resolution Number 8.1 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.

### 8.2 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 deem 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 8.2, whichever period is shorter."

#### Additional information in respect of Ordinary Resolution Number 8.2

The reason for Ordinary Resolutions Number 8.2 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 deem fit. The authority will be subject to the Companies Act and the JSE Listings Requirements respectively. The effect of Ordinary Resolution Number 8.2 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.

### 8.3 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 deem 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 8.3, whichever period is shorter."

#### Additional information in respect of Ordinary Resolution Number 8.3

The reason for Ordinary Resolutions number 8.3 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 deem fit. The authority will be subject to the Companies Act and the JSE Listings Requirements respectively. The effect of Ordinary Resolution Number 8.3 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 – 2019/2020

"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 2020:

| | 2018/2019 Excl VAT (if applicable) | | Proposed 2019/2020 Excl VAT (if applicable) |
|---|---|---|---|
| | Retainer | Per meeting attendance | Retainer only |
| **Board** | | | |
| Chairperson | R 4 431 000 | | **GBP 300 000** |
| Member – SA based | R 211 000 | R 35 350 | **R 480 000** |
| Member – UK based | GBP 31 060 | GBP 5 220 | **GBP 66 000** |
| Member – AUS based | AUD 54 350 | AUD 9 130 | **AUD 120 000** |
| Member – USA and other non-SA based | USD 40 800 | USD 6 760 | **USD 82 000** |
| **Audit, Risk and Actuarial committees** | | | |
| Chairperson – SA based | R 237 590 | R 27 500 | **R 455 000** |
| Member – SA based | R 137 550 | R 17 510 | **R 260 000** |
| Chairperson – UK based | GBP 29 390 | GBP 2 890 | **GBP 48 000** |
| Member – UK based | GBP 8 870 | GBP 1 225 | **GBP 16 200** |
| Chairperson – AUS based | | | **AUD 54 600** |
| Member – AUS based | AUD 15 520 | AUD 2 145 | **AUD 31 200** |
| Chairperson – USA and other non-SA based | | | **USD 37 600** |
| Member – USA and other non-SA based | | | **USD 21 500** |
| **Remuneration, Social and Ethics and any other committees** | | | |
| Chairperson – SA based | R 237 590 | R 27 500 | **R 364 000** |
| Member – SA based | R 137 550 | R 17 510 | **R 208 000** |
| Chairperson – UK based | | | **GBP 24 200** |
| Member – UK based | | | **GBP 13 800** |
| Chairperson – AUS based | | | **AUD 43 600** |
| Member – AUS based | | | **AUD 25 000** |
| Chairperson – USA and other non-SA based | | | **USD 30 100** |
| Member – USA and other non-SA based | | | **USD 17 200** |
| Non-resident director travel allowance | | USD 2 700 per return leg | **USD 2 795 per return leg** |

### Additional information in respect of Special Resolution Number 1

In terms of section 66(8) and (9) of the Companies Act, 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 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 2020 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 page 113 of the Integrated Annual Report.

The board has resolved to simplify the fee structure for Non-executive Directors to a fixed retainer basis only, whereas the fee structure for the period ending 30 June 2019 was based on a retainer plus attendance fee structure. This proposed change has been determined in consultation with the Group external remuneration advisor including benchmarking against financial services industry practice.

## 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 10% 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 such general repurchase will be subject to the applicable provisions of the Companies Act (including sections 114 and 115 to the extent that section 48(8) is applicable in relation to that particular repurchase);

**2.3** 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);

**2.4** This authority shall only be valid until the Company's next AGM or the expiry of a period of 15 months from the date of passing of this resolution, whichever occurs first;

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

**2.6** 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;

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

**2.8** 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;

**2.9** 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 has been submitted to the JSE in writing prior to the commencement of the prohibited period; and

**2.10** An 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:

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

**2.12** 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;

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

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

### 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 Listings 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 annual report, there have been no material changes in the financial position of the Company since the date of the audit report and the date of this notice.

## 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 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 (without limitation to the LTIP), 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;

**3.3** The trustees of the LTIP as a capital contribution in order to enable the trustees of the LTIP to subscribe for shares in the Company in respect of which beneficiaries of the LTIP will acquire vested rights.

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, 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

### SPECIFIC AUTHORITY UNDER THE COMPANIES ACT AND THE MOI RELATING TO AN ISSUE OF SHARES TO THE LTIP

"Resolved that, subject to the passing of Ordinary Resolution Number 6, the Company is authorised pursuant to section 41 of the Companies Act and the requirements of the MOI to allot and issue, and representing cumulatively the maximum allotment over the multiple year duration of the LTIP, a maximum of 32 914 537 (thirty two million nine hundred and fourteen thousand five hundred and thirty seven) ordinary shares in the authorised share capital of the Company (representing 5% of the total issued share capital of the Company as at the date of this AGM notice) to the LTIP, in respect of which beneficiaries of the LTIP will acquire vested rights, at a subscription price equal to the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 30 business days immediately preceding the date of the issue of such ordinary shares by the Company."

The employer company of each relevant beneficiary will make a capital contribution to the LTIP in order to enable the LTIP to subscribe for such shares.

### Additional information in respect of Special Resolution Number 4

The reason for this Special Resolution Number 4 is that in terms of section 41(1) of the Companies Act and the MOI, an issue of shares must be approved by a special resolution.

The effect of this Special Resolution Number 4 is that the Board will be authorised to issue a maximum of 32 914 537 (thirty two million nine hundred and fourteen thousand five hundred and thirty seven) ordinary shares in the authorised share capital of the Company (representing 5% of the total issued share capital of the Company as at the date of this AGM Notice) to the LTIP for the benefit of beneficiaries of the LTIP. Such maximum allocation of 5% is the cumulative allocation over the multiple year duration of the LTIP.

## 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 page 168 of the Annual Financial Statements.

- ### Share capital of the Company

  Refer to Group note 17 on page 118 of the Annual Financial Statements.

- ### Directors' responsibility statement

  The directors of the Company, whose names appear on page 14 of the Integrated Annual Report, have no specific intention to effect the provisions of Special Resolution Number 2 but will, however, continually review the Company's position, having regard to prevailing circumstances and market conditions, in considering whether to effect the provisions of Special Resolution Number 2.

  The directors collectively and individually accept full responsibility for the accuracy of the information pertaining to Special Resolution Number 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.

- ### No material changes

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

## APPROVALS REQUIRED FOR RESOLUTIONS

Ordinary Resolutions Number 1 to 8, except for Ordinary Resolution Number 6, 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.

Ordinary Resolution Number 6, contained in this notice of AGM requires the approval by more than 75% of the votes exercised on the resolution 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 MOI and the JSE Listings Requirements.

**The report of the members of the Social and Ethics Committee for the year ended 30 June 2019 can be found on page 36 of the Governance Report (available on the Company's website at www.discovery.co.za). The Chairperson of the Social and Ethics Committee will be present at this AGM and if there are any questions regarding the activities of the Committee then they can be addressed.**

## 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, 22 November 2019.

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 or posted to the Company at 1 Discovery Place, corner Rivonia and Katherine streets, Sandton, 2196 or posted to the Company at PO Box 786722, Sandton, 2146 or lodged with the Company's transfer secretaries, Computershare Investor Services (Proprietary) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 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 Tuesday, 26 November 2019 at 09h00 (South African time), being not less than 48 hours before the AGM to be held at 09h00 on Thursday, 28 November 2019 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 or identification card 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, 1 Discovery Place, on Thursday, 28 November 2019 at 09h00.

By order of the Board

**MJ Botha**
Company Secretary

18 October 2019

## TABLE OF DOCUMENTS

The below listed reports for the year ending 30 June 2019 have been referred to in this Notice and will be available for access on our website from 18 October 2019 via the links below:

| | |
|---|---|
| Annual Financial Statements | **www.discovery.co.za/info/2019financials** |
| Governance Report | **www.discovery.co.za/info/2019governance** |
| Integrated Annual Report | **www.discovery.co.za/info/2019annualreport** |
| Remuneration Report | **www.discovery.co.za/info/2019annualreport** |

# ANNEXURE 1

# SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2019

## GROUP STATEMENT OF FINANCIAL POSITION

at 30 June 2019

| R million | Group 2019 Audited | Group 2018 Audited |
|---|---|---|
| **Assets** | | |
| Assets arising from insurance contracts | 48 781 | 43 625 |
| Property and equipment | 4 212 | 4 272 |
| Intangible assets | 5 597 | 5 491 |
| Deferred acquisition costs[1] | 536 | 1 150 |
| Assets arising from contracts with customers[1] | 752 | – |
| Goodwill | 4 642 | 2 247 |
| Investment in equity-accounted investees | 1 950 | 1 159 |
| Financial assets | | |
| – Available-for-sale investments | – | 7 547 |
| – Investments at amortised cost | 1 943 | – |
| – Investments at fair value through profit or loss | 90 205 | 71 246 |
| – Derivative financial instrument | 375 | 494 |
| Insurance receivables, contract receivables and other receivables | 9 015 | 7 543 |
| Deferred income tax asset | 2 372 | 1 968 |
| Current income tax asset | 136 | 38 |
| Reinsurance contracts | 314 | 308 |
| Cash and cash equivalents | 9 403 | 10 894 |
| **Total assets** | 180 233 | 157 982 |
| **Equity** | | |
| **Capital and reserves** | | |
| Ordinary share capital and share premium | 10 142 | 8 308 |
| Perpetual preference share capital | 779 | 779 |
| Other reserves | 452 | 1 280 |
| Retained earnings | 31 710 | 27 227 |
| Non-controlling interest | * | * |
| **Total equity** | 43 083 | 37 594 |
| **Liabilities** | | |
| Liabilities arising from insurance contracts | 70 522 | 61 488 |
| Liabilities arising from reinsurance contracts | 10 835 | 8 918 |
| Financial liabilities | | |
| – Borrowings at amortised cost | 14 682 | 14 079 |
| – Investment contracts at fair value through profit or loss | 20 674 | 17 927 |
| – Derivative financial instrument | 509 | 78 |
| – Trade and other payables | 10 262 | 9 043 |
| Deferred income tax liability | 8 697 | 8 007 |
| Deferred revenue[1] | – | 324 |
| Contract liabilities to customers[1] | 433 | – |
| Employee benefits | 260 | 232 |
| Current income tax liability | 276 | 292 |
| **Total liabilities** | 137 150 | 120 388 |
| **Total equity and liabilities** | 180 233 | 157 982 |

*1 Refer to note 'Effect of changes in IFRS 9 and IFRS 15 on date of initial application'.*
** Amount is less than R500 000.*

Annexure 1 *continued*

# GROUP INCOME STATEMENT

for the year ended 30 June 2019

| R million | Group 2019 Audited | Group 2018 Audited |
|---|---|---|
| Insurance premium revenue | 43 036 | 36 685 |
| Reinsurance premiums | (5 595) | (4 356) |
| **Net insurance premium revenue** | 37 441 | 32 329 |
| Fee income from administration business | 10 404 | 9 252 |
| Vitality income | 3 653 | 4 491 |
| Other income | 1 063 | – |
| Investment income using the effective interest rate method | 398 | 895 |
| – investment income earned on shareholder investments and cash | 190 | 209 |
| – investment income earned on assets backing policyholder liabilities | 208 | 686 |
| Bank interest and similar income using the effective interest rate | 29 | – |
| Net realised gains on available-for-sale financial assets | – | 10 |
| Net fair value gains on financial assets at fair value through profit or loss | 4 265 | 5 823 |
| **Net income** | 57 253 | 52 800 |
| Claims and policyholders' benefits | (24 538) | (20 714) |
| Insurance claims recovered from reinsurers | 3 659 | 2 735 |
| **Net claims and policyholders' benefits** | (20 879) | (17 979) |
| Acquisition costs | (6 100) | (5 594) |
| Marketing and administration expenses | (19 954) | (17 219) |
| Amortisation of intangibles from business combinations | (99) | (123) |
| Recovery of expenses from reinsurers | 2 830 | 2 542 |
| Transfer from assets/liabilities under insurance contracts | (4 706) | (4 859) |
| – change in assets arising from insurance contracts | 5 321 | 5 141 |
| – change in assets arising from reinsurance contracts | 7 | 36 |
| – change in liabilities arising from insurance contracts | (8 050) | (8 088) |
| – change in liabilities arising from reinsurance contracts | (1 984) | (1 948) |
| Fair value adjustment to liabilities under investment contracts | (809) | (1 308) |
| **Profit from operations** | 7 536 | 8 260 |
| Finance costs | (1 375) | (959) |
| Foreign exchange losses | * | (4) |
| Gain on dilution and disposal of equity-accounted investments | 844 | – |
| Gain on previously held interests in the DiscoveryCard business | 761 | – |
| Impairment of goodwill | (17) | – |
| Share of net profits from equity-accounted investments | 170 | 115 |
| **Profit before tax** | 7 919 | 7 412 |
| Income tax expense[1] | (1 305) | (1 677) |
| **Profit for the year** | 6 614 | 5 735 |
| **Profit attributable to:** | | |
| – ordinary shareholders | 6 533 | 5 652 |
| – preference shareholders | 81 | 83 |
| – non-controlling interest | * | * |
| | 6 614 | 5 735 |
| **Earnings per share for profit attributable to ordinary shareholders of the Company during the year (cents):** | | |
| – basic | 1 001.5 | 876.1 |
| – diluted | 1 001.1 | 875.6 |

*1 The 'Income tax expense' includes both policyholder and shareholder taxation. This therefore distorts the effective tax charge relative to profit before tax.*

** Amount is less than R500 000.*

# GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2019

| R million | Group 2019 Audited | Group 2018 Audited |
|---|---|---|
| **Profit for the year** | **6 614** | 5 735 |
| **Items that are or may be reclassified subsequently to profit or loss:** | | |
| Change in available-for-sale financial assets[1] | – | 37 |
| – unrealised gains | – | 64 |
| – capital gains tax on unrealised gains | – | (19) |
| – realised gains transferred to profit or loss | – | (10) |
| – capital gains tax on realised gains | – | 2 |
| Currency translation differences | **(140)** | 840 |
| – unrealised (losses)/gains | **(142)** | 856 |
| – tax on unrealised losses/gains | **2** | (16) |
| Cash flow hedges | **(175)** | 2 |
| – unrealised (losses)/gains | **(91)** | 200 |
| – tax on unrealised gains/losses | **(7)** | (32) |
| – gains reclassified to profit or loss | **(98)** | (188) |
| – tax on reclassified gains | **21** | 22 |
| Share of other comprehensive income from equity-accounted investments | **(19)** | 42 |
| – change in available-for-sale financial assets[1] | – | (9) |
| – currency translation differences | **(19)** | 51 |
| **Other comprehensive income for the year, net of tax** | **(334)** | 921 |
| **Total comprehensive income for the year** | **6 280** | 6 656 |
| **Attributable to:** | | |
| – ordinary shareholders | **6 199** | 6 573 |
| – preference shareholders | **81** | 83 |
| – non-controlling interest | ***** | * |
| **Total comprehensive income for the year** | **6 280** | 6 656 |

*1 This category is no longer available under IFRS 9: Financial instruments. On transition, the balance on the available-for-sale reserve in equity has been transferred to retained earnings.*

** Amount is less than R500 000.*

Annexure 1 *continued*

# GROUP STATEMENT OF CASH FLOWS

for the year ended 30 June 2019

| R million | Group 2019 Audited | Group 2018 Audited |
|---|---|---|
| **Cash flow from operating activities** | **1 738** | 3 414 |
| Cash generated by operations | **12 154** | 10 875 |
| Purchase of investments held to back policyholder liabilities | **(35 109)** | (24 217) |
| Proceeds from disposal of investments held to back policyholder liabilities | **23 831** | 16 179 |
| Working capital changes | **625** | 250 |
| | **1 501** | 3 087 |
| Dividends received | **339** | 252 |
| Interest received | **2 274** | 2 062 |
| Interest paid | **(1 219)** | (759) |
| Taxation paid | **(1 157)** | (1 228) |
| **Cash flow from investing activities** | **(2 844)** | (2 433) |
| Purchase of financial assets | **(21 725)** | (23 631) |
| Proceeds from disposal of financial assets | **21 831** | 23 621 |
| Purchase of property and equipment | **(510)** | (470) |
| Proceeds from disposal of property and equipment | **95** | 7 |
| Purchase of intangible assets | **(1 999)** | (1 940) |
| Proceeds from disposal of intangible assets | **22** | – |
| Proceeds from disposal of equity-accounted investments | **402** | – |
| Additional investment in equity-accounted investments | **(224)** | (20) |
| Acquisition of business net of cash | **(736)** | – |
| **Cash flow from financing activities** | **(344)** | 609 |
| Proceeds from issuance of ordinary shares | **1 854** | – |
| Share issue costs | **(19)** | – |
| Acquisition of additional interest in subsidiary | **(1 104)** | – |
| Dividends paid to ordinary shareholders | **(1 400)** | (1 284) |
| Dividends paid to preference shareholders | **(81)** | (83) |
| Proceeds from borrowings | **2 147** | 2 654 |
| Repayment of borrowings | **(1 741)** | (678) |
| Net (decrease)/increase in cash and cash equivalents | **(1 450)** | 1 590 |
| Cash and cash equivalents at beginning of the year | **10 888** | 9 097 |
| Exchange (losses)/gains on cash and cash equivalents | **(35)** | 201 |
| **Cash and cash equivalents at end of the year** | **9 403** | 10 888 |
| **Reconciliation to Statement of financial position** | | |
| Cash and cash equivalents | **9 403** | 10 894 |
| Overdrafts with banks included in borrowings at amortised cost | **–** | (6) |
| **Cash and cash equivalents at end of the year** | **9 403** | 10 888 |

Annexure 1 *continued*

# GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2019

| R million (Audited) | Attributable to equity holders of the Company: Share capital and share premium | Preference share capital | Share-based payment reserve | Available-for-sale investments[1] |
|---|---|---|---|---|
| **Year ended 30 June 2018** | | | | |
| **At beginning of the year** | 8 306 | 779 | 314 | 180 |
| **Total comprehensive income for the year** | – | 83 | – | 28 |
| Profit for the year | – | 83 | – | – |
| Other comprehensive income | – | – | – | 28 |
| **Transactions with owners** | 2 | (83) | 13 | – |
| Delivery treasury shares | 2 | – | – | – |
| Employee share option schemes | | | | |
| – Value of employee services | – | – | 13 | – |
| Dividends paid to preference shareholders | – | (83) | – | – |
| Dividends paid to ordinary shareholders | – | – | – | – |
| **At end of the year** | 8 308 | 779 | 327 | 208 |
| **Year ended 30 June 2019** | | | | |
| **At beginning of the year** | **8 308** | **779** | **327** | **208** |
| **IFRS transitional adjustments** | **–** | **–** | **–** | **(208)** |
| IFRS transitional adjustments (tax impact) | **–** | **–** | **–** | **–** |
| Adjusted balance at beginning of the year | **8 308** | **779** | **327** | **–** |
| **Total comprehensive income for the year** | **–** | **81** | **–** | **–** |
| Profit for the year | **–** | **81** | **–** | **–** |
| Other comprehensive income | **–** | **–** | **–** | **–** |
| **Transactions with owners** | **1 834** | **(81)** | **(286)** | **–** |
| Share issue | **1 854** | **–** | **–** | **–** |
| Share issue costs | **(19)** | **–** | **–** | **–** |
| Change in ownership without change in control[2] | **–** | **–** | **–** | **–** |
| Increase in treasury shares | **(5)** | **–** | **–** | **–** |
| Delivery of treasury shares | **4** | **–** | **–** | **–** |
| Proceeds from treasury shares | **–** | **–** | **–** | **–** |
| Employee share option schemes: | | | | |
| – Value of employee services | **–** | **–** | **33** | **–** |
| Transfer of vested equity-settled share schemes | **–** | **–** | **(319)** | **–** |
| Dividends paid to preference shareholders | **–** | **(81)** | **–** | **–** |
| Dividends paid to ordinary shareholders | **–** | **–** | **–** | **–** |
| **At end of the year** | **10 142** | **779** | **41** | **–** |

*1 This relates to the fair value adjustments of available-for-sale financial assets. This category is no longer available under IFRS 9: Financial instruments.*
*2 Refer to 'Significant transactions affecting the current results – Banking'.*
** Amount is less than R500 000.*

| | | | | | |
|---|---|---|---|---|---|
| Attributable to equity holders of the Company | | | | | |
| Foreign currency translation reserve | Hedging reserve | Retained earnings | Total | Non-controlling interest | Total |
| (147) | (1) | 22 859 | 32 290 | * | 32 290 |
| 891 | 2 | 5 652 | 6 656 | * | 6 656 |
| – | – | 5 652 | 5 735 | * | 5 735 |
| 891 | 2 | – | 921 | – | 921 |
| – | – | (1 284) | (1 352) | – | (1 352) |
| – | – | – | 2 | – | 2 |
| – | – | – | 13 | – | 13 |
| – | – | – | (83) | – | (83) |
| – | – | (1 284) | (1 284) | – | (1 284) |
| 744 | 1 | 27 227 | 37 594 | * | 37 594 |
| **744** | **1** | **27 227** | **37 594** | ***** | **37 594** |
| **–** | **–** | **131** | **(77)** | **–** | **(77)** |
| **–** | **–** | **4** | **4** | **–** | **4** |
| **744** | **1** | **27 362** | **37 521** | | **37 521** |
| **(159)** | **(175)** | **6 533** | **6 280** | **–** | **6 280** |
| **–** | **–** | **6 533** | **6 614** | **–** | **6 614** |
| **(159)** | **(175)** | **–** | **(334)** | **–** | **(334)** |
| **–** | **–** | **(2 185)** | **(718)** | **–** | **(718)** |
| **–** | **–** | **–** | **1 854** | **–** | **1 854** |
| **–** | **–** | **–** | **(19)** | **–** | **(19)** |
| **–** | **–** | **(1 104)** | **(1 104)** | **–** | **(1 104)** |
| **–** | **–** | **–** | **(5)** | **–** | **(5)** |
| **–** | **–** | **–** | **4** | **–** | **4** |
| **–** | **–** | **–** | **–** | **–** | **–** |
| **–** | **–** | **–** | **33** | **–** | **33** |
| **–** | **–** | **319** | **–** | **–** | **–** |
| **–** | **–** | **–** | **(81)** | **–** | **(81)** |
| **–** | **–** | **(1 400)** | **(1 400)** | **–** | **(1 400)** |
| **585** | **(174)** | **31 710** | **43 083** | ***** | **43 083** |

Annexure 1 *continued*

# SEGMENTAL INFORMATION

for the year ended 30 June 2019

| R million (Audited) | SA Health | SA Life | SA Invest | SA Vitality |
|---|---|---|---|---|
| **30 June 2019** | | | | |
| **Income statement** | | | | |
| Insurance premium revenue | 167 | 12 131 | 14 267 | – |
| Reinsurance premiums | (1) | (2 410) | – | – |
| Net insurance premium revenue | 166 | 9 721 | 14 267 | – |
| Fee income from administration business | 6 815 | – | 2 050 | – |
| Vitality income | – | – | – | 2 329 |
| Other income | 782 | 42 | – | – |
| Investment income earned on assets backing policyholder liabilities | – | 14 | 1 | – |
| Finance charge on negative reserve funding | – | – | – | – |
| Inter-segment funding[1] | – | (754) | 754 | – |
| Net fair value gains on financial assets at fair value through profit or loss | 7 | 1 056 | 1 849 | – |
| Net income | 7 770 | 10 079 | 18 921 | 2 329 |
| Claims and policyholders' benefits | (65) | (8 205) | (8 989) | – |
| Insurance claims recovered from reinsurers | 1 | 2 168 | – | – |
| Net claims and policyholders' benefits | (64) | (6 037) | (8 989) | – |
| Acquisition costs | (6) | (1 705) | (1 138) | (87) |
| Marketing and administration expenses | | | | |
| – depreciation and amortisation | (223) | (4) | (4) | (8) |
| – impairment of intangible assets | (4) | – | – | (5) |
| – other expenses | (4 423) | (1 876) | (904) | (2 169) |
| Recovery of expenses from reinsurers | – | – | – | – |
| Transfer from assets/liabilities under insurance contracts | | | | |
| – change in assets arising from insurance contracts | – | 3 475 | – | – |
| – change in assets arising from reinsurance contracts | – | 10 | – | – |
| – change in liabilities arising from insurance contracts | (9) | (251) | (6 837) | – |
| – change in liabilities arising from reinsurance contracts | – | (458) | – | – |
| Fair value adjustment to liabilities under investment contracts | – | (3) | (83) | – |
| Share of net profits from equity-accounted investments | 3 | – | – | – |
| **Normalised profit/(loss) from operations** | 3 044 | 3 230 | 966 | 60 |
| Investment income earned on shareholder investments and cash | 57 | 8 | 35 | 42 |
| Net fair value gains/(losses) on financial assets at fair value through profit or loss | – | 224 | (9) | – |
| Gains from dilution and disposal of equity accounted investments | – | – | – | – |
| Gain on previously held interests in DiscoveryCard business | – | – | – | – |
| Impairment of goodwill | – | – | – | – |
| Initial expenses related to Prudential Book transfer | – | – | – | – |
| Amortisation of intangibles from business combinations | – | – | – | – |
| Market rentals related to Head Office building adjusted for finance costs and depreciation | – | – | – | – |
| Finance costs | (10) | (2) | – | – |
| Foreign exchange gains/(losses) | 1 | – | 6 | – |
| **Profit before tax** | 3 092 | 3 460 | 998 | 102 |
| Income tax expense | (741) | (880) | (280) | (29) |
| **Profit for the year** | 2 351 | 2 580 | 718 | 73 |

1 *The inter-segment funding of R754 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 | All other segments | Segment total | IFRS reporting adjustments: UK Life[2] | DUT[3] | Disclosure adjustments[4] | IFRS total |
|---|---|---|---|---|---|---|---|---|
| | 8 429 | 4 750 | 3 959 | 43 703 | (667) | – | – | 43 036 |
| | (1 393) | (2 177) | (281) | (6 262) | 667 | – | – | (5 595) |
| | 7 036 | 2 573 | 3 678 | 37 441 | – | – | – | 37 441 |
| | 15 | – | 1 542 | 10 422 | – | – | (18) | 10 404 |
| | 501 | 157 | 666 | 3 653 | – | – | – | 3 653 |
| | 39 | – | 222 | 1 085 | – | – | (22) | 1 063 |
| | 10 | 42 | 141 | 208 | – | – | – | 208 |
| | – | – | 29 | 29 | – | – | – | 29 |
| | – | (243) | – | (243) | 243 | – | – | – |
| | 40 | 211 | 33 | 3 196 | – | 1 036 | 33 | 4 265 |
| | 7 641 | 2 740 | 6 311 | 55 791 | 243 | 1 036 | (7) | 57 063 |
| | (4 613) | (1 133) | (1 933) | (24 938) | 400 | – | – | (24 538) |
| | 1 088 | 620 | 182 | 4 059 | (400) | – | – | 3 659 |
| | (3 525) | (513) | (1 751) | (20 879) | – | – | – | (20 879) |
| | (732) | (1 888) | (301) | (5 857) | (243) | – | – | (6 100) |
| | (251) | (34) | (520) | (1 044) | – | – | (210) | (1 254) |
| | – | – | (23) | (32) | – | – | – | (32) |
| | (3 148) | (2 060) | (4 025) | (18 605) | (64) | (253) | 254 | (18 668) |
| | 814 | 2 016 | – | 2 830 | – | – | – | 2 830 |
| | – | 1 570 | (4) | 5 041 | 280 | – | – | 5 321 |
| | (8) | 10 | (5) | 7 | – | – | – | 7 |
| | (33) | (17) | (738) | (7 885) | – | (16) | (149) | (8 050) |
| | – | (1 246) | – | (1 704) | (280) | – | – | (1 984) |
| | – | – | – | (86) | – | (767) | 44 | (809) |
| | – | – | 167 | 170 | – | – | – | 170 |
| | 758 | 578 | (889) | 7 747 | (64) | – | (68) | 7 615 |
| | 1 | 14 | 33 | 190 | – | – | – | 190 |
| | – | – | (144) | 71 | – | – | (71) | – |
| | – | – | 823 | 823 | – | – | 21 | 844 |
| | – | – | 761 | 761 | – | – | – | 761 |
| | – | – | (17) | (17) | – | – | – | (17) |
| | – | (28) | – | (28) | – | – | 28 | – |
| | – | – | (99) | (99) | – | – | – | (99) |
| | – | – | (281) | (281) | – | – | 281 | – |
| | – | (3) | (1 020) | (1 035) | – | – | (340) | (1 375) |
| | – | – | (7) | – | – | – | – | – |
| | 759 | 561 | (840) | 8 132 | (64) | – | (149) | 7 919 |
| | (38) | (138) | 588 | (1 518) | 64 | – | 149 | (1 305) |
| | 721 | 423 | (252) | 6 614 | – | – | – | 6 614 |

*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 contractual arrangement, for business written on Prudential Assurance Company's (PAC's) life insurance licence (up to 31 December 2015), is reclassified as a reinsurance contract under IFRS 4.*

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

4 *The effects of eliminating intercompany transactions on consolidation and normalised operating profit adjustments.*

Annexure 1 *continued*

# SEGMENTAL INFORMATION

for the year ended 30 June 2018

| R million (Audited) | SA Health | SA Life Restated[2] | SA Invest | SA Vitality Restated[3] |
|---|---|---|---|---|
| **30 June 2018** | | | | |
| **Income statement** | | | | |
| Insurance premium revenue | 30 | 11 103 | 12 056 | – |
| Reinsurance premiums | (2) | (2 141) | – | – |
| Net insurance premium revenue | 28 | 8 962 | 12 056 | – |
| Fee income from administration business | 6 416 | – | 1 875 | – |
| Vitality income | – | – | – | 2 214 |
| Other income | 495 | 31 | – | – |
| Investment income earned on assets backing policyholder liabilities | – | 400 | 44 | – |
| Finance charge on negative reserve funding | – | – | – | – |
| Inter-segment funding[1] | – | (708) | 708 | – |
| Net fair value gains/(losses) on financial assets at fair value through profit or loss | 2 | 375 | 3 741 | – |
| Net income | 6 941 | 9 060 | 18 424 | 2 214 |
| Claims and policyholders' benefits | (2) | (6 943) | (7 375) | – |
| Insurance claims recovered from reinsurers | 1 | 1 534 | – | – |
| Net claims and policyholders' benefits | (1) | (5 409) | (7 375) | – |
| Acquisition costs | (3) | (1 606) | (1 046) | (76) |
| Marketing and administration expenses | | | | |
| – depreciation and amortisation | (305) | (8) | – | (3) |
| – impairment of intangible assets | (7) | – | – | – |
| – other expenses | (3 855) | (1 639) | (808) | (2 077) |
| Recovery of expenses from reinsurers | – | – | – | – |
| Transfer from assets/liabilities under insurance contracts | | | | |
| – change in assets arising from insurance contracts | – | 3 405 | – | – |
| – change in assets arising from reinsurance contracts | – | 25 | – | – |
| – change in liabilities arising from insurance contracts | (1) | (35) | (8 031) | – |
| – change in liabilities arising from reinsurance contracts | – | (239) | – | – |
| Fair value adjustment to liabilities under investment contracts | – | (3) | (279) | – |
| Share of net profits from equity-accounted investments | 8 | – | – | – |
| **Normalised profit/(loss) from operations** | 2 777 | 3 551 | 885 | 58 |
| Investment income earned on shareholder investments and cash | 66 | 111 | 26 | 30 |
| Net realised gains on available-for-sale financial assets | – | 6 | 1 | – |
| Net fair value gains on financial assets at fair value through profit or loss | – | 214 | – | – |
| Initial expenses related to Prudential Book transfer | – | – | – | – |
| Amortisation of intangibles from business combinations | – | – | – | – |
| Market rentals related to Head Office building adjusted for finance costs | – | – | – | – |
| Finance costs | (41) | (9) | – | – |
| Foreign exchange gains/(losses) | (3) | – | (9) | – |
| **Profit before tax** | 2 799 | 3 873 | 903 | 88 |
| Income tax expense | (718) | (929) | (253) | (25) |
| **Profit for the year** | 2 081 | 2 944 | 650 | 63 |

*1 The inter-segment funding of R708 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.*

*2 With the introduction of the Insurance Act 18 of 2017, on 1 July 2018, the risk reserve is no longer required to be fully backed by tangible assets and hence some assets that previously backed positive risk reserves were released into shareholder funds. Investment income on these investments have been restated to include risk reserve interest of R286 million below operating profit, to afford better comparability. This has been presented as R72 million in 'Investment income earned on shareholder investments and cash' and R214 million of 'Net fair value gains on financial assets at fair value through profit or loss' below operating profit.*

| | | | | IFRS reporting adjustments | | | | |
|---|---|---|---|---|---|---|---|---|
| UK Health | UK Life | All other segments | Segment total | UK Life[3] | DUT[4] | Disclosure adjustments[5] | IFRS 15 adjustments[6] | IFRS total |
| 7 471 | 4 031 | 2 665 | 37 356 | (671) | – | – | – | 36 685 |
| (1 165) | (1 559) | (160) | (5 027) | 671 | – | – | – | (4 356) |
| 6 306 | 2 472 | 2 505 | 32 329 | – | – | – | – | 32 329 |
| 30 | – | 1 090 | 9 411 | – | – | 4 | (163) | 9 252 |
| 444 | 91 | 697 | 3 446 | – | – | – | 1 045 | 4 491 |
| – | – | 247 | 773 | – | – | – | (773) | – |
| 11 | 18 | 141 | 614 | – | – | 72 | – | 686 |
| – | (160) | – | (160) | 160 | – | – | – | – |
| – | – | – | – | – | – | – | – | – |
| (1) | 92 | 18 | 4 227 | – | 1 312 | 284 | – | 5 823 |
| 6 790 | 2 513 | 4 698 | 50 640 | 160 | 1 312 | 360 | 109 | 52 581 |
| (4 029) | (997) | (1 590) | (20 936) | 447 | (225) | – | – | (20 714) |
| 938 | 584 | 125 | 3 182 | (447) | – | – | – | 2 735 |
| (3 091) | (413) | (1 465) | (17 754) | – | (225) | – | – | (17 979) |
| (536) | (1 887) | (280) | (5 434) | (160) | – | – | – | (5 594) |
| (238) | (18) | (242) | (814) | – | – | (126) | – | (940) |
| (193) | – | – | (200) | – | – | – | – | (200) |
| (2 849) | (1 620) | (3 163) | (16 011) | (27) | – | 68 | (109) | (16 079) |
| 625 | 1 917 | – | 2 542 | – | – | – | – | 2 542 |
| – | 2 855 | – | 6 260 | (1 119) | – | – | – | 5 141 |
| 5 | 6 | (1) | 35 | 1 | – | – | – | 36 |
| 76 | (10) | (49) | (8 050) | (1) | (21) | (16) | – | (8 088) |
| – | (2 828) | – | (3 067) | 1 119 | – | – | – | (1 948) |
| – | – | – | (282) | – | (1 066) | 40 | – | (1 308) |
| – | – | 107 | 115 | – | – | – | – | 115 |
| 589 | 515 | (395) | 7 980 | (27) | – | 326 | – | 8 279 |
| 1 | 6 | 41 | 281 | – | – | (72) | – | 209 |
| – | – | 3 | 10 | – | – | – | – | 10 |
| – | – | 110 | 324 | – | – | (324) | – | – |
| – | (2) | – | (2) | – | – | 2 | – | – |
| – | – | (123) | (123) | – | – | – | – | (123) |
| – | – | (208) | (208) | – | – | 208 | – | – |
| (1) | (2) | (713) | (766) | – | – | (193) | – | (959) |
| – | (3) | 11 | (4) | – | – | – | – | (4) |
| 589 | 514 | (1 274) | 7 492 | (27) | – | (53) | – | 7 412 |
| (13) | (85) | 303 | (1 720) | 27 | – | 16 | – | (1 677) |
| 576 | 429 | (971) | 5 772 | – | – | (37) | – | 5 735 |

*The segment total is then adjusted for accounting reclassifications and entries required to produce IFRS compliant results. These adjustments include the following:*

*3 The contractual arrangement, for business written on Prudential Assurance Company's (PAC's) life insurance license (up to 31 December 2015), is reclassified as a reinsurance contract under IFRS 4.*

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

*5 The effects of eliminating intercompany transactions on consolidation and normalised operating profit adjustments.*

*6 Items disclosed in the various revenue line items have been reallocated to align with performance obligations in terms of IFRS 15. As a result, the prior year figures presented in the segmental report have been restated to include such adjustments. In order to achieve comparability with previously reported figures these adjustments are being reversed in the 'IFRS 15 adjustments' column.*

Annexure 1 *continued*

# HEADLINE EARNINGS

for the year ended 30 June 2019

| R million | Group 2019 Audited | Group 2018 Audited | % change |
|---|---|---|---|
| **Basic earnings per share (cents):** | | | |
| – undiluted | 1 001.5 | 876.1 | 14% |
| – diluted | 1 001.1 | 875.6 | 14% |
| **Headline earnings per share (cents):** | | | |
| – undiluted | 789.0 | 899.6 | (12%) |
| – diluted | 788.7 | 899.0 | (12%) |
| **Normalised headline earnings per share (cents):** | | | |
| – undiluted | 771.9 | 837.4 | (8%) |
| – diluted | 771.6 | 836.9 | (8%) |
| **The reconciliation between earnings and headline earnings is shown below:** | | | |
| Net profit attributable to ordinary shareholders | 6 533 | 5 652 | 16% |
| Adjusted for: | | | |
| – gain on dilution and disposal of equity-accounted investments, net of tax | (666) | – | |
| – gain on previously held interests in DiscoveryCard business | (761) | – | |
| – impairment of goodwill | 17 | – | |
| – impairment of intangible assets, net of tax | 23 | 162 | |
| – losses/(gains) on disposal of property and equipment net of capital gains tax | 1 | (3) | |
| – realised gains on available-for-sale financial assets net of capital gains tax | – | (8) | |
| **Headline earnings** | 5 147 | 5 803 | (11%) |
| – accrual of dividends payable to preference shareholders | – | 1 | |
| – amortisation of intangibles from business combinations net of deferred tax | 84 | 109 | |
| – costs relating to disposal of equity-accounted investments net of tax | 15 | – | |
| – debt restructuring costs resulting from DiscoveryCard business transaction | 33 | – | |
| – deferred tax asset raised on assessed losses | (326) | (352) | |
| – deferred tax related to Discovery Life 'new adjusted IFRS basis' and Corporate Policyholder Fund assessed loss | (38) | (119) | |
| – duplicate building costs | – | 37 | |
| – unrealised losses/(gains) on foreign exchange contracts not designated as a hedge | 97 | (77) | |
| – initial expenses related to Prudential Book transfer | 23 | (1) | |
| **Normalised headline earnings** | 5 035 | 5 401 | (7%) |
| Weighted number of shares in issue (000's) | 652 295 | 645 014 | |
| Diluted weighted number of shares (000's) | 652 568 | 645 408 | |

Refer to 'Other significant items in these results' for details on the accounting treatment of Discovery's new head office.

Normalised operating profit per the segmental information, reflects the cash rental costs separately from the International Financial Reporting Standards (IFRS) finance lease treatment, as individual business expenses and margins are managed on underlying cash rental costs incurred by each business. The IFRS results reflect deemed finance costs and depreciation as required by IAS 17 and this prescribed accounting treatment is not normalised for purposes of determining normalised headline earnings.

If normalised headline earnings were to be adjusted for the impact of the accounting treatment of the new head office lease, it would result in an increase of R202 million (2018: R150 million), net of tax, in normalised headline earnings to R5 237 million (2018: R5 551 million) (decrease of 6% compared to the prior financial year). This adjustment would be calculated by replacing the depreciation of R210 million and finance charges of R357 million recognised in line with IFRS, with the actual market related rentals of R286 million, adjusting for tax.

Normalised headline earnings per share (with market related cash rentals) would be 802.9 cents per share on an undiluted basis and 802.6 cents per share on a diluted basis.

# ADDITIONAL INFORMATION

at 30 June 2019

## 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 2019 | | | |
|---|---|---|---|---|
| R million (Audited) | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets** | | | | |
| Financial instruments at fair value through profit or loss: | | | | |
| – Equity securities | 33 966 | 1 015 | – | 34 981 |
| – Equity linked notes | 23 | 3 178 | – | 3 201 |
| – Debt securities | 19 531 | 1 599 | – | 21 130 |
| – Inflation linked securities | 554 | – | – | 554 |
| – Money market securities | 7 359 | 6 406 | – | 13 765 |
| – Mutual funds | 16 574 | – | – | 16 574 |
| Derivative financial instruments at fair value: | | | | |
| – used for cash flow hedges | – | 176 | – | 176 |
| – not designated as hedging instruments | – | 199 | – | 199 |
| | 78 007 | 12 573 | – | 90 580 |
| **Financial liabilities** | | | | |
| Investment contracts at fair value through profit or loss | – | 20 674 | – | 20 674 |
| Derivative financial instruments at fair value: | | | | |
| – used for cash flow hedges | – | 250 | – | 250 |
| – not designated as hedging instruments | – | 259 | – | 259 |
| | – | 21 183 | – | 21 183 |

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

## Fair value hierarchy of financial instruments continued

### SPECIFIC VALUATION TECHNIQUES USED TO VALUE FINANCIAL INSTRUMENTS IN LEVEL 2

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

| | 30 June 2018 | | | |
|---|---|---|---|---|
| R million (Audited) | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets** | | | | |
| Financial instruments at fair value through profit or loss: | | | | |
| – Equity securities | 29 769 | 873 | – | 30 642 |
| – Equity linked notes | – | 211 | – | 211 |
| – Debt securities | 15 241 | 413 | – | 15 654 |
| – Inflation linked securities | 1 096 | – | – | 1 096 |
| – Money market securities | 610 | 5 256 | – | 5 866 |
| – Mutual funds | 17 777 | – | – | 17 777 |
| Available-for-sale financial instruments: | | | | |
| – Equity securities | 166 | 9 | – | 175 |
| – Equity linked notes | – | 20 | – | 20 |
| – Debt securities | 840 | 573 | – | 1 413 |
| – Inflation linked securities | 2 | – | – | 2 |
| – Money market securities | 2 382 | 1 787 | – | 4 169 |
| – Mutual funds | 1 768 | – | – | 1 768 |
| Derivative financial instruments at fair value: | | | | |
| – used for cash flow hedges | – | 337 | – | 337 |
| – not designated as hedging instruments | – | 157 | – | 157 |
| | 69 651 | 9 636 | – | 79 287 |
| **Financial liabilities** | | | | |
| Investment contracts at fair value through profit or loss | – | 17 927 | – | 17 927 |
| Derivative financial instruments at fair value: | | | | |
| – used for cash flow hedges | – | 55 | – | 55 |
| – not designated as hedging instruments | – | 23 | – | 23 |
| | – | 18 005 | – | 18 005 |

## Exchange rates used in the preparation of these results

| | USD | GBP |
|---|---|---|
| **30 June 2019** | | |
| – Average | **14.17** | **18.32** |
| – Closing | **14.15** | **17.98** |
| 30 June 2018 | | |
| – Average | 12.86 | 17.33 |
| – Closing | 13.81 | 18.16 |

Annexure 1 *continued*

# REVIEW OF GROUP RESULTS

for the year ended 30 June 2019

## New business annualised premium income

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

Core new business API increased by 13% for the year ended 30 June 2019 when compared to the prior financial year.

| R million | June 2019 | June 2018 | % change |
|---|---|---|---|
| Discovery Health – DHMS | **5 352** | 5 422 | (1) |
| Discovery Health – Closed Schemes[1] | **1 288** | 1 151 | 12 |
| Discovery Life | **2 312** | 2 188 | 6 |
| Discovery Invest | **2 604** | 2 454 | 6 |
| Discovery Insure | **1 041** | 1 047 | (1) |
| Discovery Vitality | **161** | 162 | (1) |
| VitalityHealth | **1 346** | 1 107 | 22 |
| VitalityLife | **1 291** | 1 172 | 10 |
| Ping An Health (25% interest) | **2 518** | 1 434 | 76 |
| Other new businesses[2] | **386** | – | – |
| **Core new business API of Group** | **18 299** | 16 137 | 13 |
| New Closed Schemes[1] | **25** | 96 | (74) |
| **New business API of Group including new Closed Schemes** | **18 324** | 16 233 | 13 |
| Gross revenue Vitality Group[3] | **922** | 645 | 43 |
| **Total new business API and other new business** | **19 246** | 16 878 | 14 |

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

2 *Other new businesses include the Umbrella Fund business, Discovery Insure commercial business and the VitalityInvest business.*

3 *Vitality Group new business includes gross recurring and lump sum revenues earned by Vitality Group and specifically excludes revenue related to cost recoveries and rewards.*

### CALCULATION OF NEW BUSINESS API

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

In the table above, new business is included when the policy has been contractually committed.

The table above includes automatic premium increases and servicing increases on existing life policies.

## Gross inflows under management

Gross inflows under management measures the total funds collected by Discovery. Gross inflows under management increased by 11% for the year ended 30 June 2019 when compared to the prior financial year.

| R million | June 2019 | June 2018 Restated[1] | % change |
|---|---|---|---|
| Discovery Health | **82 148** | 75 430 | 9 |
| Discovery Life | **12 173** | 11 134 | 9 |
| Discovery Invest | **22 132** | 19 901 | 11 |
| Discovery Insure | **3 198** | 2 675 | 20 |
| Discovery Vitality | **2 329** | 2 214 | 5 |
| VitalityHealth | **8 984** | 7 945 | 13 |
| VitalityLife | **4 907** | 4 122 | 19 |
| All other businesses | **3 191** | 2 024 | 58 |
| **Gross inflows under management** | **139 062** | 125 445 | 11 |
| Less: collected on behalf of third parties | **(80 199)** | (74 459) | 8 |
| Discovery Health | **(74 384)** | (68 489) | 9 |
| Discovery Invest | **(5 815)** | (5 970) | (3) |
| **Gross income of Group per the segmental information** | **58 863** | 50 986 | 15 |
| **Gross income is made up as follows:** | | | |
| – Insurance premium revenue | **43 703** | 37 356 | 17 |
| – Fee income from administration business | **10 422** | 9 411 | 11 |
| – Vitality income | **3 653** | 3 446 | 6 |
| – Other income | **1 085** | 773 | 40 |
| **Gross income of Group per the segmental information** | **58 863** | 50 986 | 15 |

1 *Comparatives have been restated in order to meet requirements of IFRS 15.*

Annexure 1 *continued*

## Normalised profit from operations

The following table shows the main components of the normalised profit from operations for the year ended 30 June 2019:

| R million | June 2019 | June 2018 | % change |
|---|---|---|---|
| Discovery Health | 3 044 | 2 777 | 10 |
| Discovery Life[1] | 3 230 | 3 551 | (9) |
| Discovery Invest | 966 | 885 | 9 |
| Discovery Vitality | 60 | 58 | 3 |
| VitalityHealth | 758 | 589 | 29 |
| VitalityLife | 578 | 515 | 12 |
| **Normalised profit from established businesses** | 8 636 | 8 375 | 3 |
| Emerging businesses | 422 | 218 | 94 |
| – Discovery Insure | 155 | 68 | 128 |
| – Vitality Group[2] | 267 | 150 | 78 |
| Development and other segments[2] | (1 311) | (613) | (114) |
| **Normalised profit from operations** | 7 747 | 7 980 | (3) |

1 *Investment income earned on assets backing policyholder liabilities is accounted for in operating profit while investment income earned on tangible shareholder funds are shown as investment income below operating profit. With the introduction of the Insurance Act 18 of 2017, on 1 July 2018, the risk reserve is no longer required to be fully backed by tangible assets and hence some assets that previously backed positive risk reserves were reclassified into shareholder funds. Investment income on these investments have therefore not been included in operating profit for the current period and the comparative has been restated in the table above, to exclude risk reserve interest of R286 million to afford better comparability.*

2 *Strategic initiatives previously included in Vitality Group have been reallocated to 'Development and other segments' as new initiatives, as they have evolved into larger opportunities and strategic initiatives across the Group. The comparatives have been restated by R60 million. A significant part of this includes the Vitality1 system which was originally envisaged as a replacement for the legacy Vitality system used across the globe. The vision for Vitality1 has evolved into making it the leading behavioural change platform enabling shared-value insurance and financial services products across the Discovery Group.*

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

Development and other segments include costs of start-up businesses and expenses incurred to investigate, research and develop new products and markets. Start-up costs include costs in relation to, amongst others, Discovery Bank, the UK investment business VitalityInvest, a commercial offering in Discovery Insure, and an Umbrella Fund offering in Discovery Invest. Certain unallocated head office costs are also included in this segment.

## Significant transactions affecting the current results

### BANKING

During the current financial year Discovery obtained control over the DiscoveryCard business as well as full ownership of Discovery Bank. Consistent with Discovery's communication in its annual results for June 2018, the total combined acquisition price payable by Discovery to the FirstRand Group was R1.8 billion. The concluded transaction included:

- the acquisition of FirstRand Bank Limited Group's (FirstRand) equity interest in Discovery Bank
- acquiring the remaining 25.01% economic interest that FirstRand owned in the DiscoveryCard business
- Discovery Bank acquiring all rights to the DiscoveryCard book and related assets, which Discovery Bank has started to migrate during the current financial period.

The transaction received final approval by the respective regulatory authorities, including the Prudential Authority and the Competition Authorities, in November 2018.

The acquisition of FirstRand's equity interest in Discovery Bank constituted a transaction with non-controlling interest, and is accounted for as a separate transaction between equity holders. This resulted in R1 104 million being recognised in the Statement of changes in equity.

The acquisition of all rights to the DiscoveryCard book and related assets, together with the acquisition of the remaining 25.01% economic interest in the DiscoveryCard business, resulted in a business combination in accordance with IFRS. Discovery has not early adopted the amendments to the definition of a business in IFRS 3 *Business Combinations.*

The accounting for the above transactions with FirstRand has been finalised, resulting in the recognition of the following assets, liabilities and changes in equity:

| R million | Reference | June 2019 |
|---|---|---|
| **Acquisition of DiscoveryCard Business** | | |
| Purchase price of acquiring DiscoveryCard business | i | 2 350 |
| Plus: Identifiable liabilities – expected credit loss derivative | ii | 175 |
| Less: Identifiable Intangible assets | ii | (150) |
| Client Relationships | ii | (130) |
| Core Deposit Funding benefit | ii | (20) |
| Plus: Deferred tax liability associated with business combination | | 42 |
| Goodwill | ii | 2 417 |
| **Acquisition of FirstRand Interest** | | |
| Retained earnings | iii | (1 104) |

## i. Funding of acquisition

The total combined purchase price payable by Discovery to FirstRand was R1.8 billion. Since the acquisition of the remaining 25.01% constitutes a new initiative and presents an important opportunity for the Group, the Board decided that this acquisition should be funded by way of an equity issuance limited to the purchase price.

Discovery raised capital by way of a vendor consideration placement as contemplated in the JSE Listings Requirements and allowed for in its Memorandum of Incorporation. This resulted in an increase in share capital and share premium of R1.8 billion. Costs of R19 million were incurred in respect of the vendor consideration placement and has been written-off against share premium. Shares in issue have increased by 11 445 744 shares (9 963 483 shares on 12 November 2018 and 1 482 261 shares on 29 November 2018) to 658 290 736 shares.

Included in the purchase price is the fair value of the previously held interest in the DiscoveryCard business. As part of accounting for a Business Combination, any previously held interests are re-measured to fair value at the acquisition date and treated as part of the consideration transferred to obtain control(IFRS 3.37, 42). These previously held interests included the 54.99% economic interest (acquired in 2015) and 20% economic interest held since inception of the DiscoveryCard business. The gain on previously held interests in the DiscoveryCard business amounted to R761 million. This gain is adjusted for in the determination of headline earnings and normalised headline earnings.

## ii. Identifiable asset acquired, liabilities assumed and Goodwill

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the identifiable assets and liabilities, is recognised as goodwill.

The Core Deposit Funding benefit represents core deposits held by customers in the DiscoveryCard book which gives rise to lower than normal cost of funding for loans and advances. Both the Client Relationships and Core Deposit Funding benefit will be amortised to profit or loss over their respective useful life of 10 years.

The expected credit loss derivative represents a potential obligation to migrate the book at an amount that is not reflective of the book's fair value. The liability will release to profit or loss during migration of the book.

The existing individual customer accounts in the DiscoveryCard business will only be recognised by Discovery Bank when the individual loans and advances are migrated onto the Discovery Bank platform.

## iii. Acquisition of FirstRand Investment Holdings Limited share of Discovery Bank

Discovery has acquired the remaining 48.87% interest in Discovery Bank from FirstRand (effective ultimate intended shareholding of 25.01%), being the non-controlling interest. The transaction resulted in Discovery now wholly owning Discovery Bank. The transaction has resulted in a change of ownership without a change in control. No additional goodwill can be recognised to reflect subsequent purchases of additional shares in a subsidiary if there is no change in control. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid, is recorded in the Statement of changes in equity as a transaction between equity holders in accordance with the requirements of IFRS. This required treatment resulted in a reduction in retained earnings of R1 104 million in the Statement of changes in equity.

## CAMBRIDGE MOBILE TELEMATICS TRANSACTION

Shareholders are referred to the announcement on 20 December 2018 advising that Cambridge Mobile Telematics ("CMT"), an associate investment of Discovery and strategic partner to Discovery Insure since 2014, announced a USD 500 million (R7.2 billion) investment from the SoftBank Vision Fund. The transaction subsequently received the required approval from the U.S. regulators.

Upon the completion of the transaction, Discovery's effective shareholding in CMT reduced from 16.5% to 10% on a fully diluted basis. Discovery's profit from the transaction was USD 55.7 million (R790 million), USD 28.4 million (R402 million) of which was realised in cash. The profit has been included in the 'Gain on dilution and disposal of equity-accounted investments' in the Income Statement. Discovery Insure's strategic partnership with CMT remains in place following the transaction.

## BORROWINGS AT AMORTISED COST

| R million | Reference | June 2019 | June 2018 |
|---|---|---|---|
| Borrowings from Banks | | **11 034** | 9 050 |
| – United Kingdom borrowings | i | **1 612** | 1 810 |
| – South African borrowings | ii | **9 422** | 7 240 |
| Redeemable preference shares | iii | **–** | 1 402 |
| Finance lease liability | | **3 648** | 3 621 |
| – 1 Discovery Place | | **3 321** | 3 237 |
| – Other finance lease liabilities | | **327** | 384 |
| Overdrafts with Banks | | **–** | 6 |
| **Total borrowings at amortised cost** | | **14 682** | 14 079 |

### i. United Kingdom borrowings

Discovery previously entered into term facilities totalling GBP 150 million. These borrowings have been used to fund the new business acquisition costs incurred by VitalityLife, which were previously funded by The Prudential Assurance Company Limited (Prudential).

Discovery repaid GBP 50 million of this facility in previous financial periods and a further voluntary prepayment of GBP 10 million of this facility on 30 November 2018. The balance owing at 30 June 2019 amounts to GBP 90 million (R1 612 million) (2018: GBP 99.7 million (R1 810 million)). Included in the outstanding balance is GBP 39.5 million (R710 million) which matures on 23 June 2020.

These facilities carry interest at floating 3 month LIBOR, payable quarterly in arrears. Finance costs of R42 million (2018: R40 million) in respect of these borrowings have been recognised in profit or loss.

### ii. South African borrowings

| R million | Reference | June 2019 | June 2018 |
|---|---|---|---|
| Balance at beginning of the period | | **7 240** | 4 600 |
| Issuance of listed debt | a. | **700** | 1 500 |
| Draw down on existing and new bank facilities | b. | **1 447** | 1 154 |
| Repayment of borrowings | b. | **(30)** | (80) |
| Accrued interest | | **68** | 77 |
| Finance costs capitalised to intangible assets | | **47** | 64 |
| Finance costs accrued to profit or loss | | **787** | 492 |
| Finance costs paid | | **(766)** | (479) |
| Raising fees capitalised | | **(4)** | (11) |
| Net foreign exchange differences | | **1** | – |
| **Balance at end of the period** | | **9 422** | 7 240 |

Moody's reaffirmed a Aa3.za issuer rating to Discovery Limited on 29 January 2019.

a. During the previous financial year, Discovery registered an unsecured R10 billion Domestic Medium Term Note (DMTN) programme. In terms of this programme, Discovery issued R1.5 billion JSE Listed Notes in its inaugural issuance on 21 November 2017. Discovery issued further Floating Rate Notes of R700 million, on 29 August 2018, with a coupon interest rate of 10.29% per annum, fixed through an interest rate swap. Interest is payable quarterly in arrears and capital is payable in full at maturity date on 21 August 2026.

b. Discovery Central Services, a subsidiary of the Discovery Group, entered into a new unsecured R1.4 billion 5 year loan facility in December 2018, as part of a broader debt refinancing programme (refer iii below). Interest on this facility has been fixed at 10.60% per annum. Interest is payable quarterly in arrears and capital is repayable in full at maturity on 20 December 2023.

Finance costs of R832 million (2018: R512 million) in respect of South African borrowings and related hedges, have been recognised in profit or loss.

### iii. Redeemable preference shares

In 2016 Discovery Pref Holding Company (RF) Limited, a subsidiary of the Discovery Group, issued 1 400 A preference shares at an issue price of R1 million each, as part of a debt syndication programme. The preference shares were issued at a fixed coupon rate of 8.225% per annum, paid bi-annually, redeemable on 29 June 2021. As part of a broader debt refinancing programme (referred to in b above), these preference shares were voluntarily redeemed on 20 December 2018, at nominal value. A breakage fee of R33 million was payable and has been accounted for in finance costs. For the calculation of normalised headline earnings, these costs have been added back.

Finance costs of R58 million (2018: R116 million) in respect of the redeemable preference shares have been recognised in profit or loss.

## Other significant items in these results

### DEFERRED TAX

With the promulgation of the South African Insurance Act 18 of 2017, the new 'adjusted IFRS' tax basis is effective as from 1 July 2018 for Discovery Life. Deferred tax has been provided for on the difference between IFRS and tax liabilities to the extent that timing differences arise.

A deferred tax liability of R8 854 million is attributable to assets/liabilities arising from insurance contracts. In June 2018 an amount of R119 million relating to timing differences on transition was recognised as a reduction in deferred tax liabilities for Discovery Life. As the new tax basis is now in effect, this item has been derecognised in the current period.

During the current year a deferred tax asset of R291 million has been recognised on the assessed loss in Vitality Group International. Further amounts were raised during the current year in respect of the Discovery Life Company Policyholder Fund and VitalityHealth assessed losses (R157 million and R35 million respectively) which have now been recognised in full. These items have been adjusted for in the calculation of normalised headline earnings.

In respect of the Discovery Life Individual Policyholder Fund, the net deferred tax asset which is implicit in the valuation of insurance contract liabilities and explicitly reclassified in terms of IFRS has increased to R728 million this period (2018: R579 million). The impact on the income statement for the current financial year is an increase in 'Net transfer to/from liabilities arising from insurance contracts' of R147 million and a corresponding decrease in Income tax expense (2018: R16 million decrease in Income tax expense). The net effect, after tax, for both the current and prior year is therefore zero.

### DISCOVERY'S NEW HEAD OFFICE

Discovery entered into a 15 year lease agreement for its new head office which comprised two phases of development. The lease commenced November 2017 and March 2018 for Phase I and Phase II respectively. Discovery started taking occupancy of the buildings at those dates, on a phased approach.

Consistent with IFRS, Discovery recognises the transaction as a finance lease. This accounting treatment has resulted in the recognition of an asset of R3 155 million, which has been disclosed in 'Property and equipment' and a corresponding lease liability, which has been disclosed in 'Borrowings' in the Statement of financial position in 2018. It should be noted that ownership of the building does not transfer at the end of the lease period but remains that of the landlord.

Effective 1 July 2019, Discovery will apply the new IFRS standard for leases, IFRS 16 *Leases*. The new standard would result in a similar treatment as is currently being applied. The recognised asset is depreciated over the lease term, using the straight-line method. The table below summarises subsequent measurement:

| R million | **June 2019** | June 2018[1] | % change |
|---|---|---|---|
| Finance costs recognised in profit or loss | **(357)** | (210) | (70) |
| Depreciation recognised in profit or loss | **(210)** | (126) | (67) |
| Market related rentals recognised as a reduction of the lease liability | **286** | 128 | 123 |
| | **(281)** | (208) | (35) |

*1 The comparative included 8 months of charges as the initial recognition date was 1 November on Phase I. Phase II was only recognised in March 2018 and hence only 4 months were included in the comparative number.*

Annexure 1 *continued*

Normalised operating profit per the segmental information, reflects the cash rental costs separately from the IFRS finance lease treatment, as individual business expenses and margins are managed on underlying cash rental costs incurred by each business. The IFRS results reflect deemed finance costs and depreciation as required by IAS 17 and this prescribed accounting treatment is not normalised for purposes of determining normalised headline earnings.

This accounting treatment is not normalised in normalised headline earnings and has a significant impact during the initial and final stages of the lease. If normalised headline earnings were to be adjusted for the impact of the accounting treatment of the new head office lease, it would result in an increase of R202 million (2018: R150 million), net of tax, in normalised headline earnings to R5 237 million (2018: R5 551 million) (decrease of 6% compared to the prior financial year).

This adjustment would be calculated by replacing the depreciation of R210 million and finance charges of R357 million recognised in line with IFRS, with the actual market related rentals of R286 million, and adjusting for tax.

### CONSOLIDATION OF DISCOVERY UNIT TRUSTS

The Discovery Unit Trusts are consolidated into Discovery's results for accounting purposes, which results in the recognition of the underlying assets and liabilities of each of the funds.

Assets and liabilities of the Discovery Unit Trusts increased by R2 821 million respectively, compared to the prior financial year with movements in the following line items on the Group's Statement of financial position:

Changes in assets

- Investments at fair value through profit or loss increased by R1 685 million.
- Cash and cash equivalents increased by R1 003 million.
- Other assets increased by R133 million.

Changes in liabilities

- Investment contracts at fair value through profit or loss increased by R2 574 million.
- Trade and other payables increased by R237 million.
- Other liabilities increased by R10 million.

As these policies are linked, the consolidation of the Discovery Unit Trusts has no impact on the net asset value for shareholders.

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

- Purchase of investments held to back policyholder liabilities includes cash outflows of R15.6 billion.
- Proceeds from the disposal of investments held to back policyholder liabilities includes cash inflows of R14.2 billion.

### MATERIAL TRANSACTIONS WITH RELATED PARTIES

#### Discovery Health Medical Scheme (DHMS)

Discovery Health administers DHMS and provides managed care services for which it charges an administration fee and a managed healthcare fee respectively. These fees are determined on an annual basis and approved by the trustees of DHMS. The fees totalled R5 853 million for the year (2018: R5 496 million). Discovery offers the members of DHMS access to the Vitality programme.

#### Equity issued to related parties

Pursuant to the approval granted by shareholders at the Company's annual general meeting, held on 26 November 2018, certain directors of Discovery including, A Gore, B Swartzberg and H Mayers, collectively subscribed for 1 482 261 shares as part of the vendor consideration placement, described earlier in this announcement.

Rand Merchant Insurance Holdings Limited (RMI) subscribed for 2 865 565 shares as part of the vendor consideration placement and maintained its 25.04% shareholding in Discovery Limited. RMI pre-agreed to participate in the share placement and earned an underwriting commission of R1 million.

## New accounting standards

The following two International Financial Reporting Standards (IFRS) became effective for the first time during the current financial year. The impact of the first time adoption of these standards is set out below.

### IFRS 9 FINANCIAL INSTRUMENTS

#### Classification

IFRS 9 introduces new requirements for the classification of financial assets. In classifying financial assets, consistent with IFRS 9, Discovery considers:

- Whether the contractual cash flows of the financial asset are solely payments of principal and interest (SPPI). Such contractual cash flows are consistent with a basic lending arrangement, and compensates Discovery for the elements of time value of money, credit risk and other basic lending risks and a profit margin. Examples of such instruments include Treasury Bills, Government Bonds, cash and fixed term deposits. It excludes instruments such as equity-linked financial assets or puttable investments in unit trusts; and
- The business model for holding the financial assets.

Based on the criteria above, Discovery will classify a financial asset at:

- Amortised cost, if the financial asset meets the SPPI criterion and is held for the purpose to collect the contractual cash flows. Examples of this include loans and advances to customers (e.g. credit card advances) and fixed term deposits;

- Fair value with changes in other comprehensive income (debt instruments), if the financial asset meets the SPPI criterion and is held both to collect contractual cash flows and by selling the financial assets. Discovery currently does not hold financial assets in this category.
- Fair value with changes in other comprehensive income (equity instruments), if Discovery irrevocably designates the equity instrument in this category. Discovery currently does not hold financial assets in this category.
- Fair value through profit or loss, for all other financial assets that do not meet the criteria above (mandatorily). In addition, Discovery can designate financial assets into this category if this will reduce measurement inconsistencies (i.e. 'accounting mismatch') (designated). For those financial assets backing insurance contracts, Discovery measures these financial assets at fair value through profit or loss. Unit-linked investment contracts are also mandatorily classified at fair value through profit or loss.

Shareholder investments were previously classified as available-for-sale under IAS 39 *Financial Instruments: Recognition and Measurement*. This category no longer exists under IFRS 9. These investments have been reclassified as at fair value through profit or loss (mandatorily). On reclassification, the balance on the available-for-sale reserve in equity has been transferred to retained earnings.

### Impairment

IFRS 9 introduces a new impairment model, namely the expected credit loss model, which will result in earlier recognition of credit losses by requiring allowances to cover both already-incurred losses and losses expected in the future. The impairment requirements relate to financial assets measured at amortised cost, fair value through profit or loss (debt instruments), contract assets recognised in accordance with IFRS 15 *Revenue from Contracts with Customers* and lease receivables recognised in accordance with IAS 17 *Leases*.

For Discovery, this relates to items disclosed on the Statement of financial position as 'Investments at amortised cost', 'Insurance receivables, contract receivables and other receivables' and 'Contract assets disclosed with 'Assets arising from contracts with customers'. Discovery has assessed these balances for expected credit losses and raised R83 million on balances outstanding at 1 July 2018. This opening adjustment, in accordance with IFRS, has been reflected in retained earnings.

### Financial liabilities

No changes were introduced for the classification and measurement of financial liabilities, except for the recognition of changes in own credit risk, which is required to be recognised in other comprehensive income for liabilities designated at fair value through profit or loss with limited exceptions. Discovery has not reclassified any financial liabilities.

Discovery has investment contracts which have financial risk, and are consequently recognised and measured in terms of IFRS 9 rather than IFRS 4 *Insurance Contracts*. These contracts are classified at fair value through profit or loss. The policies are linked to the return on underlying financial assets and are directly matched. The movement on Discovery's own credit risk is considered immaterial. The remaining financial liabilities are carried at amortised cost.

## IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 establishes a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of goods or services transfer to a customer. Performance obligations are those promised goods or services delivered to the customer per the contract in exchange for payment.

Discovery's revenue comprises primarily insurance premium revenue which is accounted for in terms of IFRS 4 *Insurance contracts*.

For non-insurance revenue, Discovery has performed detailed assessments on underlying contractual arrangements with customers. This included detailed assessments in respect of fee income for investment management services, fee income from administration business and vitality income.

A R6 million increase to the opening balance of retained earnings was processed, for a change in the timing of revenue recognition on several contracts. The impact was minimal as the majority of Discovery's non-insurance contracts transfers goods and render services within a short period. The disaggregation of revenue is disclosed in the segment report and in the income statement categories.

Annexure 1 *continued*

## EFFECT OF CHANGES IN IFRS 9 AND IFRS 15 ON DATE OF INITIAL APPLICATION

at 1 July 2018

| R million | Group 30 June 2018 Previously reported Audited | IFRS 9 Adjustments | IFRS 15 Adjustments | Group 1 July 2018 Restated |
|---|---|---|---|---|
| **Assets** | | | | |
| Deferred acquisition costs | 1 150 | – | (681) | 469 |
| Assets arising from contracts with customers | – | – | 681 | 681 |
| Financial assets | | | | |
| – Available-for-sale investments | 7 547 | (7 547) | – | – |
| – Investments at fair value through profit or loss – Designated | 71 246 | (71 246) | – | – |
| – Investments at fair value through profit or loss – Mandatorily | – | 77 393 | – | 77 393 |
| – Investments at amortised cost[1] | – | 1 400 | – | 1 400 |
| – Insurance receivables, contract receivables and other receivables | 7 543 | (83) | 6 | 7 466 |
| Deferred tax asset | 1 968 | 4 | – | 1 972 |
| **Equity** | – | – | – | – |
| Other reserves | 1 280 | (208) | – | 1 072 |
| Retained earnings | 27 227 | 129 | 6 | 27 362 |
| Non-controlling interest | * | – | – | * |
| **Liabilities** | | | | |
| Deferred revenue | 324 | – | (324) | – |
| Contract liabilities to customers | – | – | 324 | 324 |

** Amount is less than R500 000.*

*1 Note that there are no changes in carrying amount arising from a changing measurement attribute on transition to IFRS 9. The fair value of the investments transferred to amortised cost approximated the amortised cost value, and hence no measurement adjustment was required on transition.*

# Shareholder information

## DIRECTORATE

Changes to the Board of Discovery Limited from 1 July 2018 to the date of this announcement are as follows:

- Mr R Enslin has tendered his resignation as a non-executive director effective 19 June 2019. His resignation followed his appointment as President of Google Cloud Services' Global Customer Operations.

As previously reported in interim results:

- Mr JM Robertson has retired as executive director and Group Chief Information Officer from the Board of Discovery Limited with effect from 31 August 2018.
- Mr TT Mboweni has tendered his resignation as a non-executive director from the Board of the Company and various subsidiaries including Discovery Bank, following his appointment as the new Minister of Finance of the Republic of South Africa, with effect from 11 October 2018.
- Mr MI Hilkowitz, independent non-executive Chairperson and Director, has informed the Board of his intention to retire, effective 28 February 2019. Mr Hilkowitz will continue to serve as non-executive Director on the Boards of certain of the Group's UK subsidiaries.
- Mr M Tucker has been appointed as independent non-executive Chairperson and Director of the Board, with effect from 1 March 2019.

## DIVIDEND AND CAPITAL

### Interim dividends paid in respect of the 2019 financial year

The following interim dividends were paid during the current period:

- B preference share dividend of 506.71233 cents per share (504.36986 cents net of dividend withholding tax), paid on 11 March 2019.
- Ordinary share dividend of 101 cents per share (80.8 cents net of dividend withholding tax), paid on 18 March 2019.

### Final dividend declaration in respect of the 2019 financial year

**B preference share cash dividend declaration:**

On 29 August 2019, the directors declared a final gross cash dividend of 508.28767 cents (406.63014 cents net of dividend withholding tax) per B preference share for the period 1 January 2019 to 30 June 2019, payable from the income reserves of the Company. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

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

The salient dates for the dividend will be as follows:

| | |
|---|---|
| Last day of trade to receive a dividend | Tuesday, 17 September 2019 |
| Shares commence trading "ex" dividend | Wednesday, 18 September 2019 |
| Record date | Friday, 20 September 2019 |
| Payment date | Monday, 23 September 2019 |

B preference share certificates may not be dematerialised or rematerialised between Wednesday, 18 September 2019 and Friday, 20 September 2019, both days inclusive.

### Ordinary share cash dividend declaration:

The directors declared a final gross cash dividend of 114 cents (91.2 cents net of dividend withholding tax) per ordinary share, out of income reserves for the year ended 30 June 2019. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

The issued ordinary share capital at the declaration date is 658 290 736 ordinary shares.

The salient dates for the dividend will be as follows:

| | |
|---|---|
| Last day of trade to receive a dividend | Tuesday, 1 October 2019 |
| Shares commence trading "ex" dividend | Wednesday, 2 October 2019 |
| Record date | Friday, 4 October 2019 |
| Payment date | Monday, 7 October 2019 |

Share certificates may not be dematerialised or rematerialised between Wednesday, 2 October 2019 and Friday, 4 October 2019, both days inclusive.

### Capital requirements

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

With effect from 1 July 2018, the Insurance Act 18 of 2017, and the related Prudential Standards were implemented in South Africa. Discovery Life and Discovery Insure are regulated under the Insurance Act, while VitalityHealth and VitalityLife are regulated under the European Solvency II regulatory regime, which was implemented from 1 January 2016.

## Basis of preparation

The Group's summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements, and the requirements of the Companies Act of South Africa applicable to summary financial statements. The Listings Requirements require summarised reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, except for the new accounting standards as set out earlier in this report.

## Audit

The summary consolidated financial statements are extracted from audited information, but are not audited. The annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon.

The audited annual financial statements and the auditor's report thereon are available for inspection at the Company's registered office, or on our website from 18 October, via the link www.discovery.co.za/info/2019financials together with the financial statements identified in the respective auditor's reports.

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.

## Annual financial results

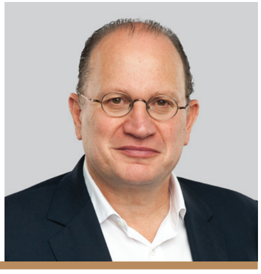
- prepared by L van Jaarsveldt CA(SA) and A Nel CA(SA)
- supervised by DM Viljoen CA(SA)

# ANNEXURE 2

## BRIEF CVS OF DIRECTORS STANDING FOR ELECTION/RE-ELECTION AS DIRECTORS OR AUDIT COMMITTEE MEMBERS

### MARK TUCKER (61)

**Discovery Limited Independent Non-executive Chairperson**



**Qualifications:** BA (Hons), University of Leeds, ACA, ICAEW

**Appointed:** 1 March 2019

**Areas of expertise:** Mark is a qualified Chartered Accountant with over 30 years' experience in the financial services industry (insurance, asset management and banking) in the UK, the US and in Asia, including 25 years based in Hong Kong.

**EXPERIENCE:** Mark is currently the Non-executive Group Chairman of HSBC Holdings and was most recently Group Chief Executive and President of AIA Group Limited where he spearheaded its world-record-breaking initial public offering in Hong Kong in 2010. AIA is today the largest life insurance company in the world. Prior to AIA, he held various senior executive roles with Prudential, including Group Chief Executive of Prudential plc, and was the founding Chief Executive of Prudential Corporation Asia Limited. Mark was also an independent Non-executive Director of the Goldman Sachs Group and served on the Court of the Bank of England as a Non-executive Director from 2009 to 2012.

**OTHER DIRECTORSHIPS:** Mark serves as the Non-executive Group Chairman of HSBC Holdings plc as well as being the Chairman of TheCityUK and a Director of the Peterson Institute for International Economics. He serves on the Asia Business Council and the Advisory Board of the Asia Global Institute, and is an Associate Professor at the Chinese University of Hong Kong and a member of the International Council of Advisers of the Hong Kong Academy of Finance.

**PROFESSIONAL BODY MEMBERSHIPS:** Member of Asia Business Council and is an Associate of Institute of the Chartered Accountants in England and Wales.

### HERMAN BOSMAN (50)

**Non-executive Director**

**Qualifications:** BCom LLB, LLM (cum laude), CFA

**Appointed:** 14 April 2014

**Areas of expertise:** Professional strategy adviser and financial analyst.

**Committee memberships:** Risk and Compliance Committee (Chairperson), Remuneration Committee.

**EXPERIENCE:** Herman is the CEO of RMB Holdings and Rand Merchant Insurance Holdings, having joined the companies in April 2014. Prior to this, he served as CEO 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 on numerous occasions since 1999.

**OTHER DIRECTORSHIPS:** Herman serves on the boards of FirstRand, Hastings Group plc, and OUTsurance. He is also the Chairperson of Endeavor South Africa, a member of University of Johannesburg Advancement Advisory board, and serves on the St Katharine's School board.

SONJA DE BRUYN (47)

**Independent Non-executive Director**

**Qualifications:** LLB (Hons), MA, SFA, Harvard Executive Programme

**Appointed:** 8 December 2005

**Areas of expertise:** Law, business and economics.

**Committee memberships:** Audit Committee, Remuneration Committee (Chairperson).

**EXPERIENCE:** Sonja is the Founder and Principal Partner of Identity Partners, an investment firm that makes equity investments, carries out advisory work and is growing into the Private Equity space through the Identity Managers Fund. Until August 2007, she was an Executive Director of WDB Investment Holdings where she led the structuring of several of WDB's 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.

**OTHER DIRECTORSHIPS:** Serves on the boards of RMB Holdings Ltd, RMI Holdings Ltd, Dimension Data SA and Remgro Ltd.

**PROFESSIONAL BODY MEMBERSHIPS:** Association of Black Securities and Investment Professionals (ABSIP).

RICHARD FARBER (48)

**Non-executive Director**

**Qualifications:** BCom (Hons), CA(SA), FCMA, CA ANZ, MAICD

**Appointed:** 1 July 2009

**Areas of expertise:** Strategy and policy development, and financial management.

**Committee memberships:** Risk and Compliance Committee, Actuarial Committee.

**EXPERIENCE:** 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 CFO in 2003 and was appointed as Financial Director on 1 July 2009. Richard relinquished these roles on 30 April 2017 and has remained a member of the Discovery Board since then.

**PROFESSIONAL BODY MEMBERSHIPS:** 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.

Annexure 2 *continued*

## FAITH KHANYILE (52)

**Independent Non-executive Director**

**Qualifications:** BA Econ, MBA (Finance), HDIP Tax, Executive Leadership Programme

**Appointed:** 1 October 2015

**Areas of expertise:** Financial services, corporate and investment banking, and strategy development.

**Committee memberships:** Social and Ethics Committee.

**EXPERIENCE:** Faith is a founding member and the CEO of WDB Investment Holdings. She held various senior and executive roles with Standard Bank, Corporate and Investment Bank (2001 to 2013). In her last role, she was the Head of Corporate Banking, where she was responsible for strategy development and execution, people leadership, key client relationship management and business development. She also served on their Executive and Credit Committees. Before joining Standard Bank, Faith was with Brait Private Equity and seconded to start and manage WDB Investment Holdings (1995 to 2000). She completed a BA Economics degree with honours at Wheaton College, USA, has an MBA (Finance) from Bentley Graduate School of Business, and completed an HDIP Tax. She also participated in the Columbia University Executive Leadership Programme in 2007 and was named Doctor of Law by Wheaton College in May 2016. She is also a recipient of the 2017 Business Woman of the Year Award (Corporate Category) from the Business Women Association of South Africa (BWASA).

**OTHER DIRECTORSHIPS:** Safari RSA Limited, Transcend Residential Ltd, JSE Limited, Tsebo Solutions Group, Seed Academy (Pty) Ltd and Primestars (Pty) Ltd.

**PROFESSIONAL BODY MEMBERSHIPS:** International Women's Forum (IWF) South Africa.

## LES OWEN (70)

**Independent Non-executive Director**

**Qualifications:** BSc (Hons), FPMI, FIA

**Appointed:** 6 December 2007

**Areas of expertise:** International insurance markets.

**Committee memberships:** Audit Committee (Chairperson), Risk and Compliance Committee, Actuarial Committee.

**EXPERIENCE:** Les has 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 to 2006) and Chief Executive of AXA Sun Life in the UK (1995 to 1999). Les joined the Board of Discovery in 2007 and is Chairperson of the Discovery Audit Committee.

**PROFESSIONAL BODY MEMBERSHIPS:** Fellow of the Pensions Management Institute (UK) and Fellow of the Institute of Actuaries.

## SINDI ZILWA (52)

**Independent Non-executive Director**

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

**Appointed:** 20 February 2003

**Areas of expertise:** Accounting, auditing, compliance, governance, risk management and transformation.

**Committee memberships:** Social and Ethics Committee (Chairperson), Audit Committee, Risk and Compliance Committee.

**EXPERIENCE:** Sindi is a retired Chartered Accountant, previously an entrepreneur and CEO of Nkonki, a firm she co-founded in 1993 and managed until she retired through a management buyout 23 years later on 31 October 2016. She received the Businesswoman of the Year Award from the Executive Women's Club in 1998 and, in 2008, the Woman of Substance Award by the African Women Chartered Accountants Forum. In 2014, she received an Overall Professional Woman of the Year from SA Professional Services Awards (SAPSA) and, in 2016, she was acknowledged as the Outstanding CEO of the Black Audit Firm's Award. In 2013, she authored her first book, **The ACE Model: Winning Formula for Audit Committees** and also published **Creating Effective Boards and Committees** in 2016.

**OTHER DIRECTORSHIPS:** Aspen, Metrofile, Mercedes Benz of South Africa Limited, Tourvest Limited, and Gijima.

**PROFESSIONAL BODY MEMBERSHIPS:** South African Institute of Chartered Accountants (SAICA), and Institute of Directors Southern African (IODSA).

Discovery

Discovery Limited
(Registration number: 1999/007789/06)
ISIN: ZAE000022331 Ordinary share code: DSY
Preference share code: DSBP ISIN: ZAE000158564
("the Company")

# Form of proxy

**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 twentieth Annual General Meeting ("AGM") of the Company to be held in the Auditorium, Ground Floor, 1 Discovery Place, on Thursday, 28 November 2019 at 09h00.

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 or identification card 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)

______________________________ (contact number)

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 | | | |
| 4. Re-election and election of Directors | | | |
| 4.1 Mr Richard Farber | | | |
| 4.2 Mr Herman Bosman | | | |
| 4.3 Ms Faith Khanyile | | | |
| 4.4 Mr Mark Tucker | | | |
| 5. Advisory endorsement of the remuneration policy and implementation report | | | |
| 5.1 Non-binding advisory vote on the remuneration policy | | | |
| 5.2 Non-binding advisory vote on the implementation of the remuneration policy | | | |
| 6. Adoption of the Discovery Limited Long-Term Incentive Plan (LTIP) | | | |
| 7. Directors' authority to take all such actions necessary to implement the aforesaid ordinary resolutions and the special resolutions mentioned below. | | | |
| 8. General authority to issue preference shares | | | |
| 8.1 To give the Directors the general authority to allot and issue 10 000 000 A Preference Shares | | | |
| 8.2 To give the Directors the general authority to allot and issue 12 000 000 B Preference Shares | | | |
| 8.3 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 – 2019/2020 | | | |
| 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. Specific authority under the Companies Act and the MOI relating to an issue of shares to the LTIP | | | |

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 ______________ 2019.

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 Annual General Meeting.
- 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 1 Discovery Place, 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 Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, 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 Tuesday, 26 November 2019 at 09h00 (South African time), being at least 48 hours before the AGM to be held at 09h00 on Thursday, 28 November 2019 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.

**Transfer secretaries** Computershare Investor Services Pty Limited
(Registration number: 2004/003647/07)
Rosebank Towers, 15 Biermann Avenue, Rosebank 2196
PO Box 61051, Marshalltown 2107

**Sponsors** Rand Merchant Bank (A division of FirstRand Bank Limited)

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

| | |
|---|---|
| JSE share code: | DSY ISIN: ZAE000022331 |
| JSE share code: | DSBP ISIN: ZAE000158564 |
| JSE bond code: | DSY01 ISIN: ZAG000148362 |
| JSE bond code: | DSY02 ISIN: ZAG000148347 |
| JSE bond code: | DSY03 ISIN: ZAG000148354 |
| JSE bond code: | DSY04 ISIN: ZAG000153271 |

1 Discovery Place, Sandton 2146 PO Box 786722, Sandton 2146
Tel: (011) 529 2888 Fax: (011) 539 8003

**Directors** MI Hilkowitz (Chairperson)[1], ME Tucker (UK) (Chairperson)[2], A Gore* (Chief Executive Officer), HL Bosman, Dr BA Brink, SE De Bruyn, R Enslin (USA)[3], R Farber, HD Kallner*, F Khanyile, NS Koopowitz*, Dr TV Maphai, HP Mayers*, TT Mboweni[4], Dr A Ntsaluba*, AL Owen (UK), A Pollard*, JM Robertson[5], B Swartzberg*, DM Viljoen* (Financial Director), SV Zilwa

* *Executive.*
1 *Retired effective 28 February 2019.*
2 *Appointed effective 1 March 2019.*
3 *Resigned effective 19 June 2019.*
4 *Resigned effective 11 October 2018.*
5 *Retired 31 August 2018.*

STUDIO 5

Discovery

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