## 24. **Provisions** (continued)

**Analysis of provisions**

| | GROUP June 2014 R'000 | GROUP June 2013 R'000 | COMPANY June 2014 R'000 | COMPANY June 2013 R'000 |
|---|---|---|---|---|
| Non-current portion | **8 350** | 8 350 | **–** | – |
| Current portion | **9 105** | 8 677 | **5 740** | 5 660 |
| | **17 455** | 17 027 | **5 740** | 5 660 |

*Loss on guarantees*

The provision for loss on guarantees relates to a deposit put in place by the Company to serve as a good-faith deposit for an overdraft facility extended to a strategic target. The strategic target was placed in provisional liquidation during the 2012 year and as such, the Company has agreed that the R10 million deposit will, under certain conditions, be applied to reduce the overdraft indebtness to Nedbank. Given the notarial bond held by the Company, 50% of the exposure is expected to be recovered.

## 25. **Post-employment medical obligations**

The Medscheme Group operates a post-employment medical benefit scheme. The accumulated post-employment medical aid obligation was determined by independent actuaries in June 2014 using the projected unit credit method prescribed by IAS 19. Future benefits valued are projected using specific actuarial assumptions and the liability for in-service members are accrued over expected working lifetime.

| | June 2014 R'000 | June 2013 R'000 |
|---|---|---|
| Balance at the end of the year | **3 202** | 3 551 |

| | June 2014 R'000 | June 2013 R'000 |
|---|---|---|
| The amounts recognised in the statement of comprehensive income are as follows: | | |
| Current service cost | **–** | – |
| Interest cost | **224** | 267 |
| Expected benefit payments | **(485)** | (490) |
| Net actuarial loss/(gain) recognised in the current year | **(88)** | 270 |
| Net movement for the year | **(349)** | 47 |

The amount recognised in the statement of financial position is determined as follows:

| | GROUP June 2014 R'000 | GROUP June 2013 R'000 |
|---|---|---|
| Present value of funded obligations | **3 551** | 3 504 |
| Interest cost | **224** | 267 |
| Expected employer benefit payments | **(485)** | (490) |
| Actuarial loss/(gain) | **(88)** | 270 |
| Accrued liability in excess of plan assets | **3 202** | 3 551 |

## 25. **Post-employment medical obligations** (continued)

The principal actuarial assumptions used were as follows:

| | June 2014 | June 2013 |
|---|---|---|
| Discount rate | **8.10% p.a.** | 6.80% p.a. |
| Healthcare cost inflation | **8.20% p.a.** | 8.20% p.a. |
| Post-retirement mortality | **PA(90) ultimate table*** | PA(90) ultimate table* |

*Rated down two years with a 1% improvement p.a. from 2006.

No explicit assumption was made about additional mortality or healthcare costs due to AIDS.

The liability was recalculated to show the effect of:

- A one percentage point decrease or increase in the rate of healthcare cost inflation;
- A five or 10 percentage point increase in the rate of healthcare cost inflation for the next five years, thereafter returning to a healthcare cost inflation of 8.20% p.a
- A one percentage point decrease or increase in the discount rate.

| **Disclosure requirement paragraph 120A(o) of IAS 19** | **Healthcare cost inflation** | | |
|---|---|---|---|
| | **Central assumption 8.20%** | **-1%** | **+1%** |
| Accrued liability 30 June 2014 (R million) | 3.202 | 3.179 | 3.226 |
| % change | – | -0.7% | +0.7% |
| Current service cost + interest cost 2014/15 (R million) | 0.239 | 0.237 | 0.241 |
| % change | – | -0.8% | +0.8% |
| Sensitivity results from previous valuation | Central Assumptions 8.20% | -1% | +1% |
| Current service cost + interest cost 2013/14 (R million) | 0.224 | 0.223 | -*0.225 |
| % change | – | -0.4% | +0.4% |

| | **Healthcare cost inflation** | | |
|---|---|---|---|
| | **Central assumption 8.20%** | **+5% for 5 years** | **+10 % for 5 years** |
| Accrued liability 30 June 2014 (R million) | 3.202 | 3.267 | 3.344 |
| % change | – | +2.0% | +4.4% |

| | **Discount rate** | | |
|---|---|---|---|
| | **Central assumption 8.10%** | **-1%** | **+1%** |
| Accrued liability 30 June 2014 (R million) | 3.202 | 3.384 | 3.037 |
| % change | – | +5.7% | -5.1% |