17. PROVISIONS CONTINUED

	COMPANY		
	Audit fees R'000	Loss on guarantees R'000	Total R'000
Balance as at 30 June 2015	1 063	5 000	6 063
Charged/(credited) to the statement of comprehensive income:			
– additional provisions	1 060	–	1 060
– prior period under provision	(34)	–	(34)
Utilised during the year	(1 241)	–	(1 241)
Balance as at 30 June 2016	**848**	**5 000**	**5 848**
Charged/(credited) to the statement of comprehensive income:			
– additional provisions	**1 113**	**–**	**1 113**
– prior period under provision	**–**	**–**	**–**
Utilised during the year	**(1 072)**	**–**	**(1 072)**
Balance as at 30 June 2017	**889**	**5 000**	**5 889**

Analysis of provisions:

	GROUP		COMPANY	
	June 2017 R'000	June 2016 R'000	June 2017 R'000	June 2016 R'000
Non-current portion	**8 350**	8 350	**–**	–
Current portion	**8 947**	9 755	**5 889**	5 848
	17 297	18 105	**5 889**	5 848

Audit fees

The provision for audit fees relates to services provided by the external auditors for the 2017 financial year. The fees will be settled within the 2017 financial year.

Litigation liability

A claim was instituted against Medscheme Holdings Proprietary Limited and three of its employees in 2008 for allegations concerning copyright infringements and the breach of the Medware licence agreement. The amount that was raised as a provision was determined by the Directors using the maximum loss and probability theory. The parties are currently engaged in arbitration.

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 indebtedness to Nedbank. Given the notarial bond held by the Company, 50% of the exposure is expected to be recovered in the near future.

18. POST-EMPLOYMENT MEDICAL OBLIGATIONS

The Medscheme Group operates a post-employment medical benefit scheme. Eligible members are entitled to a fixed Rand amount subsidy based on their medical scheme contributions. This post-employment medical benefit scheme is the present value of the employer's share of the expected medical scheme contributions to be paid in respect of current and future continuation members. IAS 19 requires that companies should have provided for the liability by the time that the employee and/or their dependants become entitled to receive the post-employment benefits, which is usually the date of retirement or death in service. Although the post-employment liability usually only vests at retirement or death in service and is generally not dependent on the length of service that an employee has had with the employer, the liability accrues uniformly while in service.

The accumulated post-employment medical aid obligation was determined by independent actuaries in June 2017 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 is accrued over an expected working lifetime.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017

18. POST-EMPLOYMENT MEDICAL OBLIGATIONS CONTINUED

	June 2017 R'000	June 2016 R'000
Balance at the end of the year	**2 771**	2 691
The amounts recognised in the statement of comprehensive income are as follows:		
Interest cost	**229**	231
Expected benefit payment	**(434)**	(468)
Net actuarial loss/(gain) recognised in the current year	**285**	(206)
Net movement for the year	**80**	(443)
The amount recognised in the statement of financial position is determined as follows:		
Present value of funded obligations	**2 691**	3 134
Interest cost	**229**	231
Expected employer benefit payments	**(434)**	(468)
Actuarial loss/(gain)	**285**	(206)
Accrued liability in excess of plan assets	**2 771**	2 691
Assets and liabilities recognised in the statement of financial position is as follows:		
Present value of funded obligations		
Fair value of plan assets	**–**	–
Present value of unfunded obligations	**2 771**	2 691
Accrued liability in excess of plan assets	**2 771**	2 691

The risks faced by the Group as a result of the post-employment healthcare obligation can be summarised as follows:

- Inflation: The risk that future CPI inflation and healthcare cost inflation are higher than expected and uncontrolled.
- Longevity: The risk that pensioners live longer than expected and thus their healthcare benefit is payable for longer than expected.
- Open-ended, long-term liability: The risk that the liability may be volatile in the future and uncertain.
- Future changes in legislation: The risk that changes to legislation with respect to the post-employment healthcare liability may increase the liability for the Group.
- Future changes in the tax environment: The risk that changes in the tax legislation governing employee benefits may increase the liability for the Group.
- Administration: Administration of this liability poses a burden to the Group.
- Enforcement of eligibility criteria and rules: The risk that eligibility criteria and rules are not strictly or consistently enforced.

The principal actuarial assumptions used were as follows:

	June 2017	June 2016
Discount rate	**8.00% p.a.**	9.30% p.a.
Healthcare cost inflation	**7.10% p.a.**	9.10% p.a.
Post-retirement mortality	**PA(90) ultimate table***	PA(90) ultimate table*

* *Rated down two years with a 1% improvement p.a. from a base year of 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 ten 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.; and
- a one percentage point decrease or increase in the discount rate.

18. POST-EMPLOYMENT MEDICAL OBLIGATIONS CONTINUED

Disclosure requirement paragraph 145 of IAS 19

	Healthcare cost inflation		
	Central assumption 7.10%	**(1%)**	**1%**
Accrued liability 30 June 2017 (R'million)	2 770	2 750	2 793
% Change	–	(0.7%)	0.8%
Interest cost 2017/18	0.203	0.201	0.205
% Change	–	(1.0%)	1.0%

	Central assumption 9.10%	**(1%)**	**1%**
Sensitivity results from previous valuation			
Interest Cost 2016/17	0.229	0.227	0.231
% Change	–	(0.9%)	0.9%

	Healthcare cost inflation		
	Central assumption 7.10%	**5% for 5 years**	**10% for 10 years**
Accrued liability 30 June 2017 (R'million)	2.770	2.836	2.913
% Change	–	2.4%	5.1%

	Discount rate		
	Central assumption 8.00%	**(1%)**	**1%**
Accrued liability 30 June 2017 (R'million)	2.770	2.916	2.638
% Change	–	5.3%	(4.8%)

19. ACCRUAL FOR STRAIGHT-LINING OF LEASES

All leased assets in the Group relate to operating leases of property. Below is a summary of the most significant leasing arrangements:

Property Location	Start date	End date	Rental per month	Escalation rate
The Boulevard, Woodstock Cape Town	1 October 2014	30 September 2019	2.8 million	8.0%
Florida North, Roodepoort	1 December 2014	30 November 2019	1.8 million	7.5%