NOTES TO CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2020

12. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	2020 R'm	2019 R'm
Unlisted ordinary shares		
Balance at 1 October	**53**	35
Share of net profit after tax	**14**	18
Share of current year profit before tax	**14**	19
Share of current year tax	**–**	(1)
Dividends declared by associates and joint ventures	**(6)**	–
Capital distributions	**(6)**	(5)
Effect of foreign currency movement	**10**	5
Balance at 30 September	**65**	53

Refer annexure C – associate undertakings.

Aggregate information of individually immaterial associates and joint ventures adjusted for percentage ownership by the Group:

	Associates		Joint ventures	
	2020 R'm	2019 R'm	2020 R'm	2019 R'm
Carrying amount	**–**	–	**14**	12
Group's share of profit after tax	**4**	4	**10**	14

The aggregate post-acquisition reserves (adjusted for the Group's ownership) for associates and joint ventures are R48 million (2019: R10 million loss).

13. EMPLOYEE BENEFIT ASSETS AND LIABILITIES

	2020 R'm	2019 R'm
Retirement benefit asset	**315**	304
Employer surplus asset	**56**	136
Post-employment medical aid asset	**16**	16
Post-employment medical aid obligation	**(8)**	(8)
	379	448
Employee benefit liabilities		
Trattamento di Fine Rapporto (TFR) retirement benefit obligation	**161**	130

The Group currently participates in the following pension and provident funds in southern Africa:

Name of fund	Life Healthcare DB Pension Fund	Lifecare Group Holdings Pension Fund	Life Healthcare Provident Fund	Life Healthcare DC Pension Fund	Lifecare National Provident Fund	Old Healthcare Provident Fund
Fund description	Closed fund	Dormant	Active	Active	Dormant	Dormant
Classification	Defined benefit	Defined benefit	Defined contribution provident fund	Defined contribution pension fund	Defined benefit	Defined benefit

13. EMPLOYEE BENEFIT ASSETS AND LIABILITIES continued

The assets of all the funds, whether they are defined benefit or defined contribution, are held and administered separately from the Group's assets. The assets are administered on behalf of the funds by external financial services companies. All the funds are governed by the Pension Funds Act of 1956.

The active pension and provident funds require triennial statutory financial reviews. Financial reviews are, however, carried out annually to determine the solvency of the plans. Defined contribution funds are not guaranteed by the employer.

On 2 May 2019 approval was obtained from the Financial Sector Conduct Authority to transfer R166 million to the Employer Surplus Account (ESA) of the Life Healthcare Provident Fund with the effective date of transfer set as 31 January 2019. Life Healthcare has taken a partial contribution holiday in the Provident Fund, resulting in a portion of the employer contributions being paid from the ESA in the Provident Fund, and the balance being paid by the employer over the next remaining 5 months from 30 September 2020.

Pension funds

Actuarial assumptions applied in the valuation of the defined benefit funds:

	Life Healthcare DB Pension Fund (LHC Fund)		**Lifecare Group Holdings Pension Fund**	
	2020 %	2019 %	**2020 %**	2019 %
Discount rate	**11.3**	9.64	**3.9**	7.50
CPI	**6.23**	6.07	**2.40**	4.10
Expected long-term investment return	**11.3**	9.64	**3.9**	7.50
Compensation increase rate	**7.23**	7.07	**n/a**	n/a
Pension increase rate	**6.23[1]**	6.07[1]	**n/a**	n/a
Rates of mortality	**0.50[2]**	0.50[2]	**n/a**	n/a

The long-term investment return assumption is based on the expected long-term returns on equities, cash and bonds. In setting these assumptions the actual asset split of the various funds is used.

[1] A future pension increase assumption of 100% of the long-term inflation assumption was used. This is in excess of the LHC Fund's formal pension increase target of 75% of CPI but is in line with the LHC Fund's secondary target of providing increases of up to 100% of CPI, subject to affordability. It is assumed that, in line with actual LHC Fund experience, 85% of members uplift the capital value of their benefits on retirement, calculated as per the rules of the LHC Fund, and use these to purchase pensions outside of the LHC Fund. Only 15% of members are assumed to retire and draw a pension from the LHC Fund.

[2] The full mortality assumption is as follows: PA(90) rated down 1 year plus 0.5% improvement per annum from 2015.

The last statutory actuarial valuations for the funds were:

Life Healthcare DB Pension Fund	30 June 2018. The next statutory valuation report will be prepared as at 30 June 2021.
Lifecare Group Holdings Pension Fund	31 March 2019. The next statutory valuation report is currently being prepared for the valuation date ended 31 March 2022.

The main risk to the Company of sponsoring a defined benefit plan is that a net loss/deficit may arise.

In terms of legislation any deficit arising from a triennial statutory valuation will need to be funded by the participating employer over the next three years.

Fund deficits tend to arise from any of the following events:

- Reduction in asset values and/or investment returns lower than the valuation assumptions
- Higher than expected salary and pension increases
- A strengthening of the valuation assumptions from time to time
- Increasing pensioner longevity
- Cost increases resulting from unexpected legislation and tax changes

The Company contribution rate could increase in real terms in future.

Increases in the Company's contribution in real terms could be caused by an ageing membership, a strengthening of the actuarial valuation assumptions and increases in future real pensionable salaries.

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for the year ended 30 September 2020

13. EMPLOYEE BENEFIT ASSETS AND LIABILITIES continued

The Group's obligations in respect of retirement benefits as measured in terms of IAS 19 are tabled below.

	Life Healthcare DB Pension Fund		Lifecare Group Holdings Pension Fund		Life Healthcare Provident Fund	
	2020 R'm	2019 R'm	**2020 R'm**	2019 R'm	**2020 R'm**	2019 R'm
Defined benefit fund asset						
Balance at 1 October	**304**	504	**–**	–	**136**	–
Net income/(expense) recognised in profit or loss	**21**	37	**(1)**	(1)	**(71)**	(26)
Current service cost	**(8)**	(11)	**(1)**	(1)	**–**	–
Company contributions	**–**	–	**–**	–	**(84)**	(30)
Net interest income	**29**	48	**–**	–	**13**	4
Remeasurement recognised in other comprehensive income	**(10)**	(71)	**1**	1	**(9)**	(4)
Remeasurements on pension asset	**(76)**	(96)	**1**	–	**(9)**	(4)
Liability gain arising from changes in economic assumptions	**49**	29	**3**	–	**–**	–
Experience variance gain/(loss)	**7**	(4)	**–**	–	**–**	–
Other remeasurement gain	**10**	–	**–**	–	**–**	–
Impact of paragraph 64 limit adjustment on asset	**–**	–	**(3)**	1	**–**	–
Transfers (out)/in	**–**	(166)	**–**	–	**–**	166
Balance at 30 September	**315**	304	**–**	–	**56**	136
Actual value of defined benefit liability and funded status						
Present value of defined benefit obligation	**(439)**	(490)	**(89)**	(118)	**–**	–
Asset at fair market value	**754**	794	**112**	141	**56**	136
Funded status	**315**	304	**23**	23	**56**	136
Unrecognised due to ceiling	**–**	–	**(23)**	(23)	**–**	–
Asset recognised in the statement of financial position	**315**	304	**–**	–	**56**	136
Reconciliation of defined benefit obligation						
Balance at 1 October	**(490)**	(522)	**(118)**	(113)	**–**	–
Service costs	**(8)**	(11)	**(1)**	(1)	**–**	–
Contributions	**(2)**	(2)	**–**	–	**–**	–
Interest cost	**(47)**	(52)	**(5)**	(9)	**–**	–
Benefits paid	**39**	69	**3**	5	**–**	–
Settlements	**–**	–	**29**	–	**–**	–
Risk premiums	**1**	1	**–**	–	**–**	–
Expenses	**2**	2	**–**	(1)	**–**	–
Remeasurements	**66**	25	**3**	1	**–**	–
Balance at 30 September	**(439)**	(490)	**(89)**	(118)	**–**	–
Reconciliation of fair value of plan assets						
Balance at 1 October	**794**	1 026	**141**	136	**136**	–
Expected return on assets	**76**	100	**8**	11	**13**	4
Contributions	**2**	2	**–**	–	**(84)**	(30)
Risk premiums	**(1)**	(1)	**–**	–	**–**	–
Benefits paid	**(39)**	(69)	**(4)**	(5)	**–**	–
Remeasurements	**(76)**	(96)	**1**	–	**(9)**	(4)
Transfers (out)/in	**–**	(166)	**–**	–	**–**	166
Settlements	**–**	–	**(34)**	–	**–**	–
Expenses	**(2)**	(2)	**–**	(1)	**–**	–
Balance at 30 September	**754**	794	**112**	141	**56**	136
Composition of plan assets	**%**	%	**%**	%	**%**	%
Cash	**2.7**	1.0	**69.6**	50.7	**69.1**	5.0
Equity instruments	**34.2**	36.2	**–**	–	**–**	32.1
Bonds	**33.9**	12.1	**30.4**	28.5	**30.9**	12.3
Commodities	**2.1**	1.4	**–**	–	**–**	1.0
Property	**1.7**	3.7	**–**	–	**–**	4.1
Offshore and other	**25.4**	45.6	**–**	20.8	**–**	45.5
	100.0	100.0	**100.0**	100.0	**100.0**	100.0

13. EMPLOYEE BENEFIT ASSETS AND LIABILITIES continued

	Life Healthcare DB Pension Fund R'm	Lifecare Group Holdings Pension Fund R'm
Expected contributions for the next annual reporting period:		
Member contributions	**2**	**–**
Company contributions	**6**	**–**
Benefit payments	**(23)**	**(4)**
Expenses	**(2)**	**(1)**
Risk premiums	**(1)**	**–**
The weighted average duration (years)	**10.9**	**–**

An employer contribution rate of 22.73% was recommended in the interim actuarial valuation as at 30 June 2019. The employer contribution rate is fully funded from the employer-owned surplus within the Life Healthcare DB Pension Fund. The employer elected to take a full contribution holiday with effect from 1 December 2016.

Sensitivity analysis

	2020		2019	
1% movement in the key assumptions:	**Increase R'm**	**Decrease R'm**	Increase R'm	Decrease R'm
Life Healthcare DB Pension Fund				
Effect on the defined benefit obligation				
Discount rate	**(29)**	**+31**	(36)	+47
Inflation rate	**+27**	**(26)**	+42	(32)
Pension increase rate	**–**[1]	**(30)**	–[1]	(32)
Mortality rate	**(11)**	**+9**	(14)	+12

[1] *The impact of a 1% increase in the future pension increase assumption is not included, as the normal valuation basis already assumes future pension increases of 100% of CPI, and in terms of the Fund's pension increase policy, increases of greater than 100% of CPI cannot be granted.*

Lifecare Group Holdings Pension Fund

The active members had been transferred to another scheme in the 2018 financial year and had no liability as at the valuation date. The surplus liabilities and paid up liabilities are defined contribution type of benefits and are not affected by any assumptions made.

The assumptions that have the greatest impact on the Fund's valuation liabilities are the pre- and post-retirement valuation discount rates.

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13. EMPLOYEE BENEFIT ASSETS AND LIABILITIES continued

TFR retirement benefit obligation (Alliance Medical)

Italian employees are entitled to a payment when they cease to be employed by the company under a TFR scheme. The scheme is not defined as a defined benefit pension but is an unfunded liability, and therefore not all requirements under IAS 19 (revised) are applicable and accordingly limited disclosure is provided below.

	TFR scheme	
	2020 %	2019 %
Actuarial assumptions applied in the valuation of the unfunded liability:		
Discount rate for liabilities	**0.7**	0.8
Inflation rate	**1.2**	1.5
Future salary increases	**1.0**	1.0
Future pension increases	**2.4**	2.6

	2020 R'm	2019 R'm
Reconciliation of the unfunded liability		
Balance at 1 October	**(130)**	(111)
Service costs	**(15)**	(10)
Interest cost	**(1)**	(2)
Remeasurements	**4**	(8)
Contributions	**–**	(2)
Benefits paid	**8**	4
Effect of foreign currency movement	**(27)**	(1)
Balance at 30 September	**(161)**	(130)

Sensitivity analysis

	2020		2019	
0.25% movement in the key assumptions:	**Increase R'm**	**Decrease R'm**	Increase R'm	Decrease R'm
Effect on TFR unfunded liability				
Discount rate	**(4)**	**+2**	(3)	+4
Inflation rate	**+1**	**(3)**	+3	(3)
Future salary increases	**–**	**(5)**	+1	(1)

Post-employment medical aid benefit (southern Africa)

Life Healthcare Group has a liability arising as a result of a post-employment employer subsidy of healthcare benefits. Members of certain medical aid plans, who joined the Company before 1 November 1996 and remain in the employment of Life Healthcare Group until retirement, are eligible for a post-employment subsidy of their medical contributions.

Life Healthcare carries a fully funded liability for a post-retirement medical aid subsidy in respect of 7 (2019: 8) employees and 33 (2019: 34) pensioners who did not accept an alternative benefit offer made by the Company during the 2013 financial year.

The post-employment medical aid liability is funded via investments held in the PFV benefit fund and is a closed fund.

Life Healthcare Group is liable to make good on any shortfalls in the fund.

The benefit fund meets the definition of a defined benefit plan and has been disclosed in accordance with IAS 19.

The plan represents the market value of the assets.

The defined benefit fund is actuarially valued using the projected unit credit method.

13. EMPLOYEE BENEFIT ASSETS continued

	Post-employment medical aid benefit	
	2020 %	2019 %
The following actuarial assumptions were applied:		
Discount rate	**10.80**	9.50
CPI	**6.00**	5.40
Expected return on assets	**10.80**	9.50
Healthcare cost inflation	**8.00**	7.40

The Group's obligation in respect of post-employment medical aid benefit is tabled below:

	2020 R'm	2019 R'm
Defined benefit fund asset		
Balance at 1 October	**8**	8
Net periodic income		
Net interest income	**1**	1
Remeasurement recognised in other comprehensive income		
Loss on benefit payments from plan assets	**(1)**	(1)
Balance at 30 September	**8**	8
Actual value of defined benefit liability and funded status		
Present value of defined benefit obligation	**(8)**	(8)
Asset at fair market value	**16**	16
Funded status	**8**	8
Asset recognised in the statement of financial position	**8**	8

Sensitivity analysis

	2020		2019	
1% movement in the key assumptions:	**Increase R'm**	**Decrease R'm**	Increase R'm	Decrease R'm
Effect on the defined benefit obligation				
Healthcare cost inflation rate	**+9**	**(7)**	+9	(8)
Discount rate	**(7)**	**+9**	(8)	+9