24. Long-term provisions

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Rehabilitation and decommissioning liability provision	304 829	258 808	141 284	126 101
Long-term portion of leave pay provision (refer note 32)	–	14 012	–	13 215
	304 829	272 820	141 284	139 316
Below is a breakdown of the rehabilitation and decommission liability provision				
Provision for decommissioning costs				
Balance at the beginning of the year	208 279	149 968	98 169	95 145
Additional provision acquired with the acquisition of the Everest mineral reserves which was fully funded	–	22 327	–	–
Unwinding of discount	35 238	–	18 037	–
Change in estimate and capitalisation of decommissioning costs	4 530	35 984	(5 821)	3 024
	248 047	208 279	110 385	98 169
Provision for restoration costs				
Balance at the beginning of the year	50 529	37 249	27 932	19 364
Additional provision acquired with the acquisition of the Everest mineral reserves which was fully funded	–	11 580	–	–
Unwinding of discount	6 253	1 700	2 967	8 568
	56 782	50 529	30 899	27 932
Total rehabilitation and decommissioning liability provision	304 829	258 808	141 284	126 101

In terms of, *inter alia*, the Mineral and Petroleum Resources Development Act no 28, of 2002, the company is required to make financial provision for its decommissioning and restoration costs that will be incurred upon the cessation of mining activities. The future value of the environmental obligation could either be paid over to Northam Platinum Restoration Trust Fund over the remaining life of the Zondereinde mine and over the remaining life of the Booysendal mine. The group may also make use of any approved financial vehicles in terms regulations and legislation. Financial provision is not however required to be made for the decommissioning of certain structures, such as housing, which may have an alternative use.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

The present value of the environmental restoration obligation is determined by applying a pre-tax discount rate of 10.62% (2016: 10.62%) and a long-term inflation rate of 8.71% (2016: 8.71%) over the remaining life of the mines.

The decommissioning and restoration costs are reviewed on an annual basis, and at the reporting date the net unfunded future obligations were as follows:

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Undiscounted decommissioning obligations based on the Department of Mineral Resources rates	181 083	166 574	99 599	91 619
Undiscounted restoration obligations on the Department of Mineral Resources rates	88 255	81 184	53 379	49 102
Total rehabilitation obligations	269 338	247 758	152 978	140 721
Less funds held by Northam Platinum Restoration Trust Fund (note 12)	(102 233)	(93 647)	(48 274)	(43 204)
Environmental insurance guarantees (note 13)	(244 808)	(157 900)	(102 000)	(67 000)
Total (overfunded)/unfunded current rehabilitation obligation	(77 703)	(3 789)	2 704	30 517

The group has procured the issue of an insurance guarantee for R244.8 million (2016: R157.9 million) in respect of the unfunded decommissioning and restoration costs, of which R102.0 million (2016: R67.0 million) relates to the company.

The future value of the environmental rehabilitation obligation can either be paid over to the Northam Platinum Restoration Trust Fund over the remaining life of the mines, or through other financial provision, insurance or financial products as approved by the Department of Mineral Resources in terms of legislation.