Notes to the consolidated annual financial statements continued

for the year ended 30 September

		2015 Rm	2014 Rm	2013 Rm
16.	**Other non-current liabilities**			
	Fair value of derivatives			17
	Retirement benefit obligation	**1 943**	1 901	1 309
	Other payables	**352**	319	317
	Total group	**2 295**	2 220	1 643
	Amounts classified as held for sale			(5)
	Total per statement of financial position	**2 295**	2 220	1 638
	Per category:			
	Financial liabilities at fair value through profit or loss			
	– Held-for-trading			17
	Financial liabilities measured at amortised cost	**352**	319	303
	Other non-financial liabilities	**1 943**	1 901	1 323
	Total group	**2 295**	2 220	1 643
	Amounts classified as held for sale			(5)
		2 295	2 220	1 638

Retirement benefit information

It is the policy of the group to encourage, facilitate and contribute to the provision of retirement benefits for all permanent employees. To this end the group's permanent employees are usually required to be members of either a pension or provident fund, depending on their preference and local legal requirements.

Altogether 51% of employees belong to one defined benefit and nine defined contribution retirement funds in which group employment is a prerequisite for membership. Of these, the defined benefit and five defined contribution funds are located outside of South Africa and accordingly are not subject to the provisions of the Pension Funds Act of 1956. All together 20.3% of employees belong to defined contribution funds associated with industry or employee organisations.

Defined contribution plans

The total cost charged to profit or loss of R800 million (2014: R677 million; 2013: R675 million) represents contributions payable to these schemes by the group at rates specified in the rules of the schemes (note 20).

Defined benefit plans

The group sponsors a funded defined benefit scheme for qualifying employees in the United Kingdom.

The defined benefit scheme is administered by a board of trustees that is legally separated from the entity and the assets are held separately in trust for the benefit of the scheme members. The board of the pension scheme is composed of two employer representatives, two employee representatives and one independent trustee. The trustee board is required by trust and pension law and by its articles of association to act in the interests of the scheme and of all relevant stakeholders in the scheme, ie current employees, former employees, retirees, and dependants. The trustee board is responsible for the investment policy with regard to the assets of the scheme.

Notes to the consolidated annual financial statements continued

for the year ended 30 September

16. Other non-current liabilities continued

The scheme exposes the company to a number of risks, the most significant of which are:

Changes in bond yields

A decrease in corporate bond yields will increase the value placed on the scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the scheme's bond holdings.

Asset volatility

The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The scheme holds a significant proportion of growth assets (equities and absolute return funds) which, though expected to outperform corporate bonds in the long term, create volatility risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate given the scheme's long-term objectives.

Inflation risk

A significant proportion of the scheme's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy

The majority of the scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

The pension costs relating to the defined benefit scheme are assessed in accordance with the advice of an independent actuary who values the scheme using the projected unit valuation approach under which the current service cost as a percentage of active members' salaries is expected to increase, but in monetary terms a decrease is anticipated as the number of members fall.

Contributions made by the United Kingdom subsidiary companies to the defined benefit scheme are charged to the profit and loss account so as to spread the cost of the pensions over the employees' expected working lives with the group.

Amounts recognised in the income statement in respect of defined benefit schemes are as follows:

	2015 Rm	2014 Rm	2013 Rm
Current service cost	3	2	2
Plan administration expenses	17	24	17
Net loss recognised in profit or loss (note 20)	20	26	19
Net interest expenses	66	63	39
Components of defined benefit costs recognised in profit or loss	86	88	58
Actual return on plan assets	166	646	356

The defined benefit scheme's IAS 19 accounting valuation at 30 September 2015 reflected a deficit of R1 943 million (£93 million) which represents a decrease in the sterling deficit compared to 2014 of R1 901 million (£104 million). The discount rate remained constant at 3.9% from 2014 to 2015, however, asset return underperformance was offset by a company recovery plan contribution of R318 million (£18 million).

The trustees carry out a strategic investment review following completion of each triennial valuation to ensure that the assets are managed in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the scheme.

The trustees and the company are actively considering mechanisms to reduce risk in the scheme. During 2013 a bulk annuity was acquired in respect of a category of pensioners, which was structured as a buy-in. This was funded through the sale of government gilts and a special contribution by the company of £3.0 million.

The defined benefit scheme's assets consist primarily of equity (United Kingdom and international markets), insurance policy and corporate bonds. The markets weakened towards the end of the financial year resulting in disappointing returns from the equity markets, strong returns were achieved in the bond markets.

A recovery plan was negotiated in 2014 with the trustees resulting in a contribution of £12 million in 2014 and £18 million in 2015 and annual contributions of £5 million per annum (commencing April 2015) for 10 years.

Notes to the consolidated annual financial statements continued

for the year ended 30 September

16. Other non-current liabilities continued

The amount included in the balance sheet arising from the group's obligations in respect of the defined benefit scheme is set out below:

	2015 Rm	2014 Rm	2013 Rm
Present value of funded obligation	11 393	10 110	8 162
Fair value of plan assets	9 450	8 209	6 853
Net liability per statement of financial position	1 943	1 901	1 309
Movement in present value of funded obligation:			
At beginning of year	10 110	8 162	6 405
Current service cost	3	2	2
Interest cost	387	387	298
Actuarial losses arising from changes in demographic assumptions		55	
Actuarial losses arising from changes in financial assumptions	(27)	783	306
Actuarial losses arising from experience	(85)	114	105
Benefits paid	(502)	(421)	(377)
Employee contributions	1	1	1
Exchange differences	1 506	1 026	1 422
At end of year	11 393	10 110	8 162
Movement in fair value of plan assets:			
At beginning of year	8 209	6 853	5 532
Interest income	321	325	258
Actuarial (losses)/gains recognised in the statement of comprehensive income	(169)	335	91
Plan administration expenses	(17)	(23)	(17)
Contributions	378	279	121
Benefits paid	(502)	(421)	(377)
Employee contributions	1	1	1
Exchange differences	1 229	862	1 244
At end of year	9 450	8 209	6 853
Cumulative actuarial losses	2 944	2 887	2 270
Plan assets consist of the following:			
– Equity instruments (%)	54	52	53
– Bonds (%)	46	45	46
– Cash (%)		4	1

Defined benefit funds are valued by independent actuaries as follows:

	Valuation interval	Latest statutory valuation
Barloworld UK Pension Scheme	Triennial	1 April 2014

Notes to the consolidated annual financial statements continued

for the year ended 30 September

16. Other non-current liabilities continued

Key assumptions used:

	2015 %	2014 %	2013 %
Discount rate	**3.9**	3.9	4.5
Expected rate of salary increases	**3.0**	3.1	3.2
Future pension increases	**3.0**	3.0	3.1
Mortality (table using year of birth)	**S2PA**	S2PA	S1NA

Sensitivity to key assumptions	Operating expenses £000	Net interest £000	Total income statement expense £000	Scheme assets £000	Defined benefit obligation £000	Deficit £000
Current values	1 095	3 598	4 693	451 187	(543 946)	(92 759)
Following a 0.2% per annum increase in the discount rate	1 095	3 100	4 195	451 187	(527 400)	(76 213)
Following a 0.2% per annum increase in the inflation assumption	1 095	4 200	5 295	451 187	(558 800)	(107 613)
Following a 0.25% increase in the long-term rate of improvement for post-retirement mortality	1 095	3 900	4 995	451 187	(551 900)	(100 713)

The scheme duration is an indicator of the weighted-average time until benefit payments are made. For the scheme as a whole, the duration is around 17 years reflecting the approximate split of the defined benefit obligation between current employees (duration 22 years), deferred members (duration of 23 years) and current pensioners (duration of 12 years).

In assessing the group's post-retirement liabilities, the group, following actuarial advice, has used standard mortality tables adjusted to reflect the mortality experience of the defined benefit scheme.

In addition to the Barloworld Pension Scheme, qualifying employees were historically granted certain post-retirement medical benefits. The obligation for the employer to pay medical aid contributions after retirement is not part of the conditions of employment for new employees. A number of pensioners and employees in the group remain entitled to this benefit, the cost of which has been fully provided (note 15).

17. Trade and other payables

	2015 Rm	2014 Rm	2013 Rm
Trade and other payables	**10 553**	11 248	10 860
Fair value of derivatives	**20**	15	15
Total group	**10 573**	11 263	10 875
Amounts classified as held for sale	**(42)**		(95)
Total per statement of financial position	**10 531**	11 263	10 780
Per category:			
Financial liabilities at fair value through profit or loss			
– Designated as such at initial recognition			8
Financial liabilities measured at amortised cost	**8 726**	9 131	8 574
Derivatives designated as effective hedging instruments	**20**	15	5
Other non-financial liabilities	**1 827**	2 117	2 288
	10 573	11 263	10 875
Amounts classified as held for sale	**(42)**		(95)
Total per statement of financial position	**10 531**	11 263	10 780

Refer note 9 for details of inventory pledged as security for payables.