Notes to the financial statements continued

for the year ended 30 September 2014

33 Group commitments continued

33.4 Commitments in respect of finance leases

The group has finance leases for various items of plant and machinery. These leases have terms of renewal with a purchase option and are linked to the prime interest rate. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments, are as follows:

	GROUP			
	2014		Restated* 2013	
(R'million)	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	2,7	2,2	5,4	4,9
After one year but not more than five years	5,3	4,8	8,0	6,7
Total minimum lease payments	8,0	7,0	13,4	11,6
Less amounts representing finance charges	(1,0)	–	(1,8)	–
Total	7,0	7,0	11,6	11,6

** The amounts have been restated due to the adoption of IAS 19R.*

Refer to note 31.3 for further details.

33.5 Commitments in respect of inventories

In terms of its normal business practice, certain group operations have entered into commitments to purchase certain agricultural inputs over their respective seasons.

33.6 Commitments in respect of transport

The group maintains long-term contracts, including certain minimum payments, with various transport companies for the distribution of its products.

34 Pension obligations

The company and its subsidiaries contribute to retirement plans that cover all employees. The retirement plans are either defined benefit plans or defined contribution plans and are funded. The assets of the funds are held in independent trustee administered funds, administered in terms of the Pension Funds Act 24 of 1956, as amended. In terms of the Pension Funds Act, certain of the retirement funds are exempt from actuarial valuation. Those funds not exempt from valuation must, in terms of the Pension Funds Act, be valued at least every three years. For purposes of these disclosures, and in order to comply with the requirements of IAS 19, valuations have been performed by independent actuaries, using the projected unit credit method. Where valuations were not possible due to the limited availability of complete data, roll-forward projections of prior completed actuarial valuations were used, taking account of actual subsequent experience.

Within the company's group of subsidiaries, there are a total of 22 retirement plans, three of which are defined benefit pension funds, five are defined contribution pension funds, two are defined benefit provident funds and eight are defined contribution provident funds. There are a further four schemes of insurance into which the company and its subsidiaries contribute. Certain companies within the group sponsor external death, funeral and disability benefit insurance policies. These insurance costs have been allowed for in the disclosures provided. All of the funds above are funded with one exception.

34 Pension obligations continued

The actual return on plan assets for the period 1 October 2013 to 30 September 2014 was R31,6 million (2013: R39,4 million). This compares with the expected return for the same period of R39,6 million (2013: R32,9 million).

The value of contributions expected to be paid by group companies for the year ending 30 September 2015 amounts to R220,2 million (2014 actual: R201,3 million).

As at 30 September 2014, there were no properties occupied or other assets used by group companies which formed part of the fair value of plan assets (2013: Rnil).

As at 30 September 2014, the percentage of the fair value of plan assets in respect of defined benefit arrangements invested in Tiger Brands Limited shares amounted to 0% (2013: 0%).

Major categories of plan assets in respect of defined benefit arrangements as at 30 September:

	GROUP	
(%)	2014	Restated* 2013
Equities	5,6	3,9
Bonds	32,8	19,7
Cash	57,3	74,1
Property	0,7	0,3
International	3,1	1,8
Other	0,5	0,2
	100,0	100,0

	GROUP	
(R'million)	2014	Restated* 2013
Balance at the end of the year		
Present value of defined benefit obligations	(319,2)	(319,5)
Fair value of plan assets in respect of defined benefit obligations	423,0	428,9
Funded status of defined benefit plans	103,8	109,4
Unrecognised due to Paragraph 65 limit	–	(0,9)
Asset not recognised at reporting date	–	–
Asset at reporting date	103,8	108,5

** The amounts have been restated due to the adoption of IAS 19R.*

Notes to the financial statements continued

for the year ended 30 September 2014

34 Pension obligations continued

The disclosure of the funded status is for accounting purposes only, and does not necessarily indicate any assets available to the company or its subsidiaries. Once a surplus apportionment exercise is completed and approved by the Registrar of Pension Funds in terms of the provisions of the Pension Funds Second Amendment Act, 2001, only at that stage would it be appropriate for the company or its subsidiaries to recognise any assets in respect of the retirement funds, to the extent that they are apportioned to such assets. The surplus apportionment schemes for the Tiger Brands Defined Benefit Pension Fund and the Beacon Products Staff Pension Fund were approved by the Registrar in 2008. The surplus apportionment scheme for the ICS Pension Fund was approved in 2011. Where appropriate, surplus apportioned to the company has been recognised on the statement of financial position. This legislation is not applicable to arrangements not registered in terms of the Pension Funds Act, such as special purpose entities established for purposes of providing disability benefits.

(R'million)	2014	Restated* 2013
Movement in the net asset recognised in the statement of financial position		
Balance at the beginning of the year	108,5	77,2
Contributions paid	201,3	181,3
Other movements (net expense in the income statement)	(206,0)	(150,0)
Interest cost	(29,4)	(27,5)
Current service cost	(203,8)	(182,4)
Return on plan assets	39,6	33,7
Net actuarial (losses)/gains released in terms of IAS 19R	(12,4)	26,2
Balance at the end of the year	103,8	108,5
The net asset is included in the statement of financial position as follows:		
Investments (refer note 17)	44,8	43,0
Other receivables (refer note 21.1)	63,0	69,3
Other payables (refer note 29)	(4,0)	(3,8)
	103,8	108,5

** The amounts have been restated due to the adoption of IAS 19R.*

34 Pension obligations continued

	GROUP	
	2014	Restated* 2013
Actuarial assumptions		
The principal actuarial assumptions used for accounting purposes were:		
Discount rate		
	%	%
	Full yield curve	Full yield curve
– Tiger Brands Defined Benefit Pension Fund	6,70	9,90
– Tiger Oats Benefit Foundation	9,30	9,90
– Nestlé Pension Fund	6,70	9,90
– ICS Pension Fund	7,90	7,90
Future salary increases		
Post-retirement discount rate		
– Tiger Brands Defined Benefit Pension Fund	3,00	3,00
– Nestlé Pension Fund	3,58	4,15
Future pension increases		
– Nestlé Pension Fund	5,52	5,52
(R'million)		
Reconciliation of the defined benefit obligation		
Defined benefit obligation at the beginning of the year	(319,5)	(350,8)
Current service cost	(4,7)	(3,7)
Member contributions	(1,3)	(1,4)
Interest cost	(29,3)	(27,5)
Actuarial (loss)/gain	(5,4)	19,4
Benefits paid	40,7	44,2
Risk premiums (group life and permanent health)	0,3	0,3
Defined benefit obligation at the end of the year	(319,2)	(319,5)
Reconciliation of fair value of plan assets		
Assets at fair market value at the beginning of the year	428,9	428,0
Return on assets	39,6	33,7
Contributions	3,5	4,0
Risk premiums (group life and permanent health)	(0,3)	(0,3)
Benefits paid	(40,7)	(44,2)
Actuarial (loss)/gain	(8,0)	7,7
Assets at fair market value at the end of the year	423,0	428,9
Asset balance at the end of the year	103,8	109,4

** The amounts have been restated due to the adoption of IAS 19R.*

Notes to the financial statements continued

for the year ended 30 September 2014

(R'million)	GROUP 2014	Restated 2013	2012	2011	2010
34 Pension obligations continued					
Trend information					
Present value of defined benefit obligation	(319,2)	(319,5)	(350,8)	(329,5)	(261,3)
Fair value of plan assets	423,0	428,9	428,0	398,9	389,6
Funded status	103,8	109,4	77,2	69,4	128,3
Experience loss/(gain) on liabilities	1,4	(14,2)	1,7	51,4	13,3
Experience loss/(gain) on assets	8,0	(7,7)	(14,9)	(0,6)	2,9

The risks faced by the group as a result of pension obligations can be summarised as follows:

- **Inflation:** The risk that future CPI inflation is higher than expected and uncontrolled.
- **Longevity:** The risk that pensioners live longer than expected and thus their pension 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 regard to the post-employment liability may increase the liability for the company.
- **Future changes in the tax environment:** The risk that changes in the tax legislation governing employee benefits may increase the liability for the company.
- **Administration:** Administration of this liability poses a burden to the company.

Sensitivity analysis

The sensitivity analysis has been prepared for the Tiger Brands Defined Benefit Pension Fund and the Nestlé Pension Fund. The liabilities of the Tiger Brands PRDBS Provident Fund and the ICS Pension Fund are not sensitive to changes in either the discount rate or the inflation rate.

	GROUP Balance 2014	+1%	–1%
Discount rate			
Defined benefit obligation (R'million)	(269,5)	(259,6)	(280,2)
Change (%)		(3,7)	4,0
Inflation rate			
Defined benefit obligation (R'million)	(269,5)	(279,4)	(260,1)
Change (%)		3,7	(3,5)