Notes to the consolidated annual financial statements continued

for the year ended 30 September

31. Financial instruments continued

31.2 Financial risk management continued

d. Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows, maintaining a balance between long-term and short-term debt and ensuring that adequate unutilised borrowing facilities are maintained. Unutilised bank facilities amounted to R7.7 billion (2014: R8.4 billion; 2013: R7.9 billion). There has been no change to this approach during the current year.

Maturity profile of financial liabilities

The maturity profile of the financial instruments is summarised as follows (based on contractual undiscounted cash flows):

	Repayable during the year ending 30 September			
	Total owing Rm	2016 Rm	2016 to 2020 Rm	2020 and onwards Rm
Interest-bearing liabilities	15 546	4 545	8 960	2 039
Trade payables and other non-interest-bearing liabilities	9 863	9 863		

	2015 Rm	2014 Rm	2013 Rm
32. Share incentive schemes and share-based payments			
32.1 Financial effect of share-based payment transactions			
Income statement effect			
B-BBEE expense arising from share-based payment transactions	251	1	(5)
Compensation expense arising from equity and cash-settled forfeitable share plan	23	26	30
Compensation expense arising from equity and cash-settled share appreciation rights incentive plan	59	75	159
Share-based payment expense included in operating profit	333	102	184
Taxation benefit on forfeitable share plan, share appreciation rights and B-BBEE transactions	(36)	(28)	(53)
Net share-based payment expense after taxation	297	74	131
Financial position effect			
Liability raised for cash-settled shares (to be incurred within one to five years)	(59)	(60)	(188)
Deferred taxation asset raised on share-based payment transactions	64	49	71
Net (reduction)/increase in shareholders' interest as a result of share-based payment transactions	5	(11)	(117)

Notes to the consolidated annual financial statements continued

for the year ended 30 September

32. Share incentive schemes and share-based payments continued

32.2 Forfeitable share plan

On 28 January 2010 the group introduced the Barloworld Forfeitable Share Plan (FSP).

The scheme allows executive directors and certain senior employees to earn a long-term incentive to assist with the retention and reward of selected employees.

Shares are granted to employees for no consideration. These shares participate in dividends and shareholder rights from grant date.

The vesting of the shares is subject to continued employment for a period of three years or the employee will forfeit the shares.

Shares issued to the executive directors are subject to performance conditions which will be measured over the three-year vesting period.

The performance conditions over the vesting period include a market condition based on total shareholder return and non-market conditions based on return on net assets or return on net operating assets and headline earnings per share.

On resignation, the employee will forfeit any unvested shares. On death or retirement only a portion of the shares will vest, calculated based on the number of days worked over the total vesting period, subject to any performance condition being met.

The scheme is settled in shares and therefore the scheme is equity-settled. In jurisdictions where the delivery of shares is impractical, cash will be paid to employees in lieu of shares. These shares are cash-settled share-based payments.

Fair value estimates

In terms of IFRS 2, the transaction is measured at fair value of the equity instruments at the grant date. The fair value takes into account that the employees are entitled to the dividends from grant date. The fair value of the equity-settled shares subject to non-market conditions is the closing share price at grant date. The estimated fair value of the equity-settled shares subject to market conditions were calculated at grant date using a monte carlo simulation model with the following inputs:

Date of grant	30 March 2015	18 March 2014	19 March 2013
Non-market conditions			
Number of shares granted	**224 726**	204 398	314 516
Share price at grant date (R)	**90.50**	107.32	90.50
Estimated fair value per share at grant date (R)	**90.50**	107.32	90.50
Market conditions			
Number of shares granted	**22 304**	18 972	21 084
Share price at grant date (R)	**90.50**	107.32	90.50
Expected volatility (%)	**27.4**	27.2	26.4
Expected dividend yield (%)	**3.0**	2.8	3.5
Risk-free rate (%)	**7.1**	7.4	5.5
Estimated fair value per share at grant date (R)	**46.14**	78.79	49.58
In terms of IFRS 2, liabilities relating to cash-settled share-based payments are adjusted to fair value at financial position date. The estimated fair value of the cash-settled shares was calculated by using the closing share price at the reporting date and discounting future expected dividends.			
Number of cash-settled shares granted	**67 210**	53 200	23 040
Share price at grant date (R)	**90.50**	107.32	90.50
Risk-free rate (%)	**6.8**	7.2	6.9
Estimated fair value per cash-settled share at grant date (R)	**90.29**	105.27	89.02
Estimated fair value per cash-settled share at year end (R)	**74.45**	79.23	82.59

Notes to the consolidated annual financial statements continued

for the year ended 30 September

32. Share incentive schemes and share-based payments continued

32.3 Share appreciation rights scheme

During 2007 the group introduced the Barloworld Cash Settled Share Appreciation Rights Scheme.

The scheme allows executive directors and certain senior employees to earn a long-term incentive amount calculated based on the increase in the Barloworld Limited share price between the grant date and the vesting and exercise of such rights. During 2011 the scheme rules were amended to change all future awards to be equity-settled.

No shares are issued for share appreciation rights granted before 2011 and all amounts payable will be settled in cash. All share appreciation rights granted from 2011 will be settled in shares. The objective of the scheme is to recognise the contributions of senior staff to the group's financial position and performance and to retain key employees.

The vesting of the rights are subject to specific performance conditions, based on group headline earnings per share. Rights are granted for a period of six years and vest one-third after three years from grant date, a further one-third after four years and the final third after five years.

The grant price of these appreciation rights equals the volume weighted average market price of the underlying shares on the three trading days immediately preceding grant date.

On resignation, share appreciation rights which have not yet vested and those vested but not exercised, are forfeited. On death or retirement the Barloworld remuneration committee may permit a portion of unvested rights to be exercised within one year (or such extended period as the committee may decide) of the date of cessation of employment.

It is group policy that employees should not deal in Barloworld Limited shares (and this is extended to the forfeitable share plan, share appreciation rights and share options schemes) for the periods from 1 April for half-year end and 1 October for year end until 24 hours after publication of the results and at any other time during which they have access to price sensitive information.

Cash-settled share appreciation rights: Fair value estimates

In terms of IFRS 2, liabilities relating to cash-settled share-based payments are adjusted to fair value at financial position date.

The estimated fair value of the share appreciation rights was calculated using a binomial pricing model, with inputs as set out below:

Date of grant	23 November 2009
Number of share appreciation rights granted	3 144 650
Exercise price (R)	51.04
Share price at grant date (R)	49.90
Share price at financial position date (R)	75.40
Expected volatility (%)	25.0
Expected dividend yield (%)	0
Risk-free rate (%)	6.2
Exercise multiple (share price at exercise date/option exercise price)	2.0
Estimated fair value per share appreciation right at grant date (R)	14.67
Estimated fair value per share appreciation right at year end (R)	24.82

Equity-settled share appreciation rights: Fair value estimates

In terms of IFRS 2, the transaction is measured at fair value of the equity instruments at the grant date.

The estimated fair value of the share appreciation rights was calculated using a binomial pricing model, with inputs as set out below:

Date of grant	**30 March 2015**	18 March 2014	19 March 2013	30 March 2012	28 February 2011
Number of share appreciation rights granted	**3 026 700**	2 264 560	2 562 990	1 954 860	2 069 990
Exercise price (R)	**90.77**	106.82	90.73	96.48	70.83
Share price at grant date (R)	**90.50**	107.32	90.50	99.98	72.25
Expected volatility (%)	**28.7**	35.1	36.2	37.9	36.6
Expected dividend yield (%)	**3.5**	2.7	3.3	2.8	3.9
Risk-free rate (%)	**7.4**	8.1	6.3	6.4	8.0
Exercise multiple (share price at exercise date/option exercise price)	**1.9**	1.9	1.9	1.9	1.9
Estimated fair value per share appreciation right at grant date (R)	**26.59**	39.71	30.04	36.85	25.15

Notes to the consolidated annual financial statements continued

for the year ended 30 September

32. Share incentive schemes and share-based payments continued

32.4 Total forfeitable shares and appreciation rights unexercised

The following forfeitable shares and share appreciation rights granted are unexercised:

					Number of options/rights		
Date of grant	Date from which exercisable	Expiry date	Contractual life remaining (years)	Original exercise price (R)	Barloworld directors	Barloworld employees#	Total unexercised**
23 Nov 2009	30 Nov 2012	22 Nov 2015	0.1	51.04	23 308	290 245	313 553
Total cash-settled share appreciation rights granted and unexercised					23 308	290 245	313 553
28 Feb 2011	27 Feb 2014	27 Feb 2017	1.4	70.83	229 425	1 052 232	1 281 657
30 Mar 2012	29 Mar 2015	29 Mar 2018	2.5	96.48	222 590	1 499 386	1 721 976
19 Mar 2013	18 Mar 2016	18 Mar 2019	3.5	90.73	274 980	2 034 840	2 309 820
18 Mar 2014	17 Mar 2017	17 Mar 2020	4.5	106.82	207 250	1 869 600	2 076 850
30 Mar 2015	29 Mar 2018	29 Mar 2021	5.5	90.77	298 310	2 671 080	2 969 390
Total equity-settled share appreciation rights granted and unexercised					1 232 555	9 127 138	10 359 693
19 Mar 2013	18 Mar 2016	18 Mar 2016	0.5		143 464	149 782	293 246
18 Mar 2014	17 Mar 2017	17 Mar 2017	1.5		97 150	99 156	196 306
30 Mar 2015	30 Mar 2018	30 Mar 2018	2.5		124 070	122 960	247 030
Total equity-settled forfeitable shares granted and unexercised					364 684	371 898	736 582
19 Mar 2013	18 Mar 2016	18 Mar 2016	0.5		21 070	1 970	23 040
18 Mar 2014	17 Mar 2017	17 Mar 2017	1.5		49 680	3 520	53 200
30 Mar 2015	30 Mar 2018	30 Mar 2018	2.5		63 200	4 010	67 210
Total cash-settled forfeitable shares granted and unexercised					133 950	9 500	143 450
Total unexercised					1 754 497	9 798 781	11 553 278

The weighted average share price at the date of exercising share appreciation rights during the period was R94.81 (2014: R101.52)

***Scheme rules dictate that the number of unexercised options may not exceed 10% of the total number of issued shares of the company at any time.*

#The unexercised share options granted to retired directors and employees are included in this column.

Notes to the consolidated annual financial statements continued

for the year ended 30 September

32. Share incentive schemes and share-based payments continued

32.4 Total forfeitable shares and appreciation rights unexercised continued

Share options and appreciation rights movement for the year	Number of forfeitable shares	Number of appreciation rights	Number of share options	Weighted average exercise price (R)*
2015				
Unexercised at the beginning of the year	**908 151**	**9 505 041**		**86.74**
Rights granted in terms of equity-settled share appreciation rights scheme		**3 026 700**		**90.77**
Forfeitable shares granted	**314 240**			
Forfeitable shares forfeited	**(113 797)**			
Forfeitable shares vested	**(228 562)**			
Appreciation rights forfeited		**(588 960)**		**94.83**
Appreciation rights exercised		**(1 269 535)**		**54.71**
Forfeitable shares, options and appreciation rights unexercised at year end	**880 032**	**10 673 246**		**91.24**
Appreciation rights exercisable at year end		**1 619 587**		**76.08**
Held by:				
Directors, employees and ex-employees of Barloworld	**880 032**	**10 673 246**		**91.24**
2014				
Unexercised at the beginning of the year	1 327 598	11 189 704		65.52
Rights granted in terms of equity-settled share appreciation rights scheme		2 264 560		106.82
Forfeitable shares granted	276 570			
Forfeitable shares forfeited	(10 838)			
Forfeitable shares vested	(685 179)			
Appreciation rights forfeited		(176 848)		80.10
Appreciation rights exercised		(3 772 375)		59.22
Forfeitable shares, options and appreciation rights unexercised at year end	908 151	9 505 041		86.74
Appreciation rights exercisable at year end		1 619 587		59.49
Held by:				
Directors, employees and ex-employees of Barloworld	908 151	9 505 041		86.74
2013				
Unexercised at the beginning of the year	1 811 888	9 451 603	283 172	55.50
Rights granted in terms of equity-settled share appreciation rights scheme		2 562 990		90.73
Forfeitable shares granted	361 560			
Forfeitable shares forfeited	(21 210)			
Forfeitable shares vested	(824 640)			
Appreciation rights forfeited		(175 459)		68.52
Appreciation rights exercised		(649 430)		57.13
Options forfeited			(3 334)	47.50
Options exercised			(279 838)	47.50
Forfeitable shares, options and appreciation rights unexercised at year end	1 327 598	11 189 704		65.52
Appreciation rights exercisable at year end		599 230		51.04
Held by:				
Directors, employees and ex-employees of Barloworld	1 327 598	11 189 704		65.52

**Weighted average exercise price for appreciation rights and share options*

Notes to the consolidated annual financial statements continued

for the year ended 30 September

32. Share incentive schemes and share-based payments continued

32.5 Other share-based payment transactions

During 2008 the group implemented a broad-based black economic empowerment (B-BBEE) transaction.

The impact of this transaction, calculated in terms of IFRS 2 Share-based Payment, was a credit to profit or loss in the current year of R1 million (2014: R1 million charge; 2013: R5 million credit).

Strategic black partners and community service groups

At a general meeting of Barloworld shareholders on 19 June 2015, the shareholders voted in favour of proposed amendments to the 2008 B-BBEE transaction as contained in the circular to Barloworld ordinary and preference shareholders issued on 15 May 2015. The transaction costs related to these amendments were R6.5 million.

The amendments to the strategic black partner and community service group participants in the transaction resulted in a once-off IFRS 2 Share-based Payment charge of R155.8 million, arising from the termination of the obligation to subscribe for further shares in the original 2008 B-BBEE agreements.

The charge was calculated using a Monte Carlo simulation model using the following model inputs and assumptions:

Valuation date	19 June 2015
Initial subscription shares	14 485 013
Subscription price (R)	179.69
Share price at alteration date (R)	94.63
Expected volatility (%)	25.0
Expected dividend yield (%)	
Risk-free rate (%)	Swap curve
Scheme value before alteration (R)	15 148
Scheme value after alteration (R)	155 857 525

A once-off IFRS 2 Share-based Payment charge of R42.6 million related to the issue of 450 000 additional shares, calculated as the difference between the Barloworld share price on 19 June 2015 of R94.63 and the par value of R0.05 per share, multiplied by 450 000 additional shares.

Black managers trust

The black managers trust did not receive any value from the 2008 B-BBEE transaction and the board approved a once-off cash payment of R46.4 million to the participants of the black managers trust that had vested rights on conclusion of the trust on 15 September 2015.

The cash-settled share-based payment was calculated using the following inputs and assumptions:

Valuation date	12 August 2015
Vested shares	1 987 500
30 day volume weighted average price (R)	91.64
Exercise price (R)	83.31
Dividends during the vesting period (R)	14.46
Estimated fair value per cash-settled share (R)	22.79