

Notes to the consolidated annual financial statements continued

for the year ended 30 September

	2013	2012	2011
	Rm	Rm	Rm
33. SHARE INCENTIVE SCHEMES AND SHARE-BASED PAYMENTS			
33.1 Financial effect of share-based payment transactions			
Income statement effect			
Expense arising from share-based payment transactions	(5)	4	7
Compensation expense arising from equity and cash-settled Forfeitable Share Plan	30	29	21
Compensation expense arising from equity and cash-settled share appreciation rights incentive plan	159	47	40
Share-based payment expense included in operating profit	184	80	68
Taxation benefit on forfeitable share plan, share appreciation rights and BEE transactions	(53)	(21)	(17)
Net share-based payment expense after taxation	131	59	51
Financial position effect			
Liability raised for cash-settled shares (to be incurred within one to five years)	(188)	(87)	(60)
Deferred taxation asset raised on share-based payment transactions	71	30	19
Net (reduction)/increase in shareholders' interest as a result of share-based payment transactions	(117)	(57)	(41)

33.2 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 equity or return on net 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.

Notes to the consolidated annual financial statements *continued*

for the year ended 30 September

33. SHARE INCENTIVE SCHEMES AND SHARE-BASED PAYMENTS *continued*

33.2 Forfeitable share plan *continued*

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	19 March 2013	30 March 2012	28 February 2011
Non-market conditions			
Number of shares granted	314 516	247 615	241 767
Share price at grant date (R)	90.50	99.98	72.25
Estimated fair value per share at grant date (R)	90.50	99.98	72.25
Market conditions			
Number of shares granted	21 084	21 075	47 003
Share price at grant date (R)	90.50	99.98	72.25
Expected volatility (%)	26.4	29.2	41.1
Expected dividend yield (%)	3.5	2.5	3.0
Risk free rate (%)	5.5	6.5	7.4
Estimated fair value per share at grant date (R)	49.58	95.27	62.20
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	23 040	16 420	6 150
Share price at grant date (R)	90.50	99.98	72.25
Risk free rate (%)	6.1	6.1	5.0
Estimated fair value per cash-settled share at grant date (R)	89.02	98.66	71.35
Estimated fair value per cash-settled share at year-end (R)	95.13	98.21	100.15

33.3 Share Appreciation Right Scheme

During 2007 the group introduced the Barloworld Cash-Settled Share Appreciation Right 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.

Notes to the consolidated annual financial statements *continued*

for the year ended 30 September

33. SHARE INCENTIVE SCHEMES AND SHARE-BASED PAYMENTS *continued*

33.3 Share Appreciation Right Scheme *continued*

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 Right 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 Nov 2009	29 Sept 2008
Number of share appreciation rights granted	3 144 650	2 987 635
Exercise price (R)	51.04	61.01
Share price at grant date (R)	49.90	61.01
Share price at financial position date (R)	95.38	95.38
Expected volatility (%)	26.6	26.4
Expected dividend yield (%)	2.6	2.5
Risk free rate (%)	6.1	5.5
Exercise multiple (share price at exercise date/option exercise price)	1.9	1.9
Estimated fair value per share appreciation right at grant date (R)	14.67	15.64
Estimated fair value per share appreciation right at year-end (R)	45.45	35.41

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	19 March 2013	30 March 2012	28 February 2011
Number of share appreciation rights granted	2 562 990	1 954 860	2 069 990
Exercise price (R)	90.73	96.48	70.83
Share price at grant date (R)	90.50	99.98	72.25
Expected volatility (%)	36.2	37.9	36.6
Expected dividend yield (%)	3.3	2.8	3.9
Risk free rate (%)	6.3	6.4	8.0
Exercise multiple (share price at exercise date/option exercise price)	1.9	1.9	1.9
Estimated fair value per share appreciation right at grant date (R)	30.04	36.85	25.15

Notes to the consolidated annual financial statements continued

for the year ended 30 September

33. SHARE INCENTIVE SCHEMES AND SHARE-BASED PAYMENTS continued

33.4 Total forfeitable shares, share options and appreciation rights unexercised

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

Date of grant	Date from which exercisable	Expiry date	Contractual life remaining (years)	Original exercise price (R)	Number of options/rights		
					Barloworld directors	Barloworld employees [#]	Total unexercised ^{**}
29 Sept 2008	29 Sept 2011	29 Sept 2014	1.0	61.01	617 398	1 933 241	2 550 639
23 Nov 2009	30 Nov 2012	22 Nov 2015	2.1	51.04	641 290	1 699 635	2 340 925
Total cash-settled share appreciation rights granted and unexercised					1 258 688	3 632 876	4 891 564
28 Feb 2011	27 Feb 2014	27 Feb 2017	3.4	70.83	273 500	1 597 320	1 870 820
30 Mar 2012	29 Mar 2015	29 Mar 2018	4.5	96.48	248 000	1 629 840	1 877 840
19 Mar 2013	18 Mar 2016	18 Mar 2019	5.5	90.73	293 110	2 256 370	2 549 480
Total equity-settled share appreciation rights granted and unexercised					814 610	5 483 530	6 298 140
17 Mar 2010	17 Mar 2013	30 Nov 2013	0.2	0.00	405 298		405 298
28 Feb 2011	27 Feb 2014	27 Feb 2014	0.4	0.00	193 500	78 900	272 400
30 Mar 2012	29 Mar 2015	29 Mar 2015	1.5	0.00	166 750	101 940	268 690
19 Mar 2013	18 Mar 2016	18 Mar 2016	2.5	0.00	191 660	143 940	335 600
Total equity-settled forfeitable shares granted and unexercised					957 208	324 780	1 281 988
28 Feb 2011	27 Feb 2014	27 Feb 2014	0.4	0.00		6 150	6 150
30 Mar 2012	29 Mar 2015	29 Mar 2015	1.5	0.00		16 420	16 420
19 Mar 2013	18 Mar 2016	18 Mar 2016	2.5	0.00		23 040	23 040
Total cash-settled forfeitable shares granted and unexercised						45 610	45 610
Total unexercised					3 030 506	9 486 796	12 517 302

^{**} 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.

The weighted average share price of options exercised during the period was R93.04 (2012: R78.62; 2011: R65.39).

The weighted average share price of share appreciation rights exercised during the period was R84.17.

Notes to the consolidated annual financial statements continued

for the year ended 30 September

33. SHARE INCENTIVE SCHEMES AND SHARE-BASED PAYMENTS continued

33.4 Total forfeitable shares, share options and appreciation rights unexercised continued

Forfeitable shares, 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
2013				
Unexercised at beginning of year	1 811 888	9 451 603	283 172	55.50
Rights granted in terms of equity-settled share appreciation right 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
2012				
Unexercised at beginning of year	1 542 280	11 121 680	416 809	64.15
Rights granted in terms of equity-settled share appreciation right scheme		1 954 860		96.48
Forfeitable shares granted	288 340			
Forfeitable shares forfeited	(18 732)			
Appreciation rights forfeited		(3 344 318)		108.30
Appreciation rights exercised		(280 619)		64.18
Options exercised			(133 637)	49.18
Forfeitable shares, options and appreciation rights unexercised at year-end	1 811 888	9 451 603	283 172	55.50
Appreciation rights and options exercisable at year-end		300 783	283 172	40.13
Held by:				
Directors, employees and ex-employees of Barloworld	1 811 888	9 451 603	230 851	55.68
Financial institutions			52 321	14.59
2011				
Unexercised at beginning of year	1 276 250	9 730 153	842 705	62.76
Rights granted in terms of equity-settled share appreciation right scheme		2 069 990		70.83
Equity-settled forfeitable shares granted	288 770			
Forfeitable shares forfeited	(22 740)			
Appreciation rights forfeited		(634 936)		71.01
Appreciation rights exercised		(43 527)		64.18
Options exercised			(425 896)	46.77
Forfeitable shares, options and appreciation rights unexercised at year-end	1 542 280	11 121 680	416 809	64.15
Appreciation rights and options exercisable at year-end		491 238	416 809	41.55
Held by:				
Directors, employees and ex-employees of Barloworld	1 542 280	11 121 680	393 642	64.24
Financial institutions			23 167	14.59

Notes to the consolidated annual financial statements continued

for the year ended 30 September

33. SHARE INCENTIVE SCHEMES AND SHARE-BASED PAYMENTS continued

33.5 Other share-based payment transactions

During 2008 the group implemented a Broad-Based Black Economic Empowerment 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 R5 million (charge; 2012: R4 million; 2011: R7 million) which was determined on assumptions and inputs as set out below.

	Number of shares issued	Weighted average fair value per share
		R
Strategic black partners The fair value is based on a Monte Carlo valuation model using an expected average dividend yield of 9.9% and a Barloworld share price volatility of 28.55% over the term of the lock-in period. The strategic black partners are permitted to receive all dividends paid in the lock-in period.	12 331 337	10.02
Community service groups The fair value is based on a Monte Carlo valuation model using an expected average dividend yield of 9.9% and a Barloworld share price volatility of 28.55% over the term of the lock-in period. The community service groups are permitted to receive all dividends paid in the lock-in period.	2 153 676	10.02
Education trust The shares awarded to the trust are treated as treasury shares.	1 054 058	
Black managers trust The fair value is based on a valuation model using an expected average dividend yield of 3.5% and a Barloworld share price volatility of 30% over the term of the lock-in period. The trust is not entitled to receive dividends during the lock-in period.	3 060 166	1.19
Black non-executive directors trust The fair value is based on the 30-day volume weighted average share price of Barloworld Limited as at 9 July 2008, the date when the shares were donated to the trust. The three beneficiaries of the trust are DB Ntsebeza, S Baqwa and S Mkhabela, who are black non-executive directors of Barloworld Limited. The beneficiaries' shares are subject to a seven-year lock-in period from 29 September 2008, during which period the beneficiaries will not be entitled to sell, cede, transfer or otherwise dispose of or encumber their Barloworld ordinary shares or their rights in the trust. All the rights for DB Ntsebeza and S Mkhabela vested on 30 September 2013. Following the resignation of S Baqwa, two-thirds of his rights were forfeited.	108 030	83.31
General staff trust The fair value is based on the Barloworld Limited closing share price on 30 September 2008, the date when the shares were allocated to staff members. A total of 36 279 shares were not issued and are treated as treasury shares (note 13).	2 980 829	64.50