Notes to the consolidated annual financial statements continued

for the year ended 30 September

31. FINANCIAL INSTRUMENTS continued

31.3 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 R10.5 billion (2017: R9.6 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	2019	2020 to 2022
	Rm	Rm	Rm
Interest-bearing liabilities	**9 722**	**3 270**	**6 451**
Trade payables and other non-interest-bearing liabilities	**11 172**	**11 122**	**50**

	2018 Rm	2017 Rm
32. SHARE INCENTIVE SCHEMES AND SHARE-BASED PAYMENTS		
32.1 Financial effect of share-based payment transactions		
Income statement effect		
Compensation expense arising from equity and cash-settled forfeitable share plan	**68**	58
Compensation expense arising from equity and cash-settled share appreciation rights incentive plan	**7**	(16)
Share-based payment expense included in operating profit	**75**	42
Taxation benefit on forfeitable share plan and share appreciation rights	**(21)**	(12)
Net share-based payment expense after taxation	**54**	30
Financial position effect		
Liability raised for cash-settled shares (to be incurred within one to five years)	**(30)**	(13)
Deferred taxation asset raised on share-based payment transactions	**6**	25
Net (reduction)/increase in shareholders' interest as a result of share-based payment transactions	**(24)**	12

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.

Prior to the 2016 awards, shares issued to the executive directors were subject to performance conditions. From 30 March 2016 shares issued to the executive directors and certain senior employees 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 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

Equity-settled

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	29 March 2017	30 March 2016
Non-market conditions		
Number of shares granted	653 703	1 127 837
Share price at grant date (R)	120.00	77.80
Estimated fair value per share at grant date (R)	120.00	77.80
Market conditions		
Number of shares granted	69 862	110 403
Share price at grant date (R)	120.00	77.80
Expected volatility (%)	30.0	28.7
Expected dividend yield (%)	3.0	3.5
Risk free rate (%)	7.6	8.2
Estimated fair value per share at grant date (R)	100.46	41.98

Cash-settled

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, risk-free rate at reporting date and discounting future expected dividends.

Date of grant	30 January 2018	29 March 2017	30 March 2016
Number of cash-settled shares granted	608 280	97 800	169 150
Share price at grant date (R)	171.30	120.00	77.80
Risk-free rate (%)	7.7	7.4	7.2
Estimated fair value per cash-settled share at grant date (R)	168.65	116.82	74.93
Estimated fair value per cash-settled share at year end (R)	122.36	127.64	131.85

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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 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 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 option 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 and 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.

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.

	Cash-settled	**Equity-settled**				
Date of grant	**30 January 2018**	29 March 2017	30 March 2016	30 March 2015	18 March 2014	19 March 2013
Number of share appreciation rights granted	**347 540**	150 300	330 240	3 026 700	2 264 560	2 562 990
Grant price (R)	**177.71**	121.53	72.77	90.77	106.82	90.73
Share price at grant date (R)	**171.30**	120.00	77.80	90.50	107.32	90.50
Expected volatility (%)	**39.4**	30.0	28.7	28.7	35.1	36.2
Expected dividend yield (%)	**3.3**	2.9	4.4	3.5	2.7	3.3
Risk-free rate (%)	**8.6**	7.9	8.6	7.4	8.1	6.3
Exercise multiple (share price at exercise date/option exercise price)	**1.8**	1.8	1.9	1.9	1.9	1.9
Estimated fair value per share appreciation right at grant date (R)	**50.41**	38.89	24.06	26.59	39.71	30.04
Estimated fair value per cash-settled share at year end (R)	**30.33**					

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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**
28 Feb 2011	27 Feb 2014	27 Feb 2017	(1.6)	70.83			
30 Mar 2012	29 Mar 2015	29 Mar 2018	(0.5)	96.48			
19 Mar 2013	18 Mar 2016	18 Mar 2019	0.5	90.73	42 014	596 254	638 268
18 Mar 2014	17 Mar 2017	17 Mar 2020	1.5	106.82			
30 Mar 2015	29 Mar 2018	29 Mar 2021	2.5	90.77			
30 Mar 2016	29 Mar 2019	29 Mar 2022	3.5	72.77	120 380	209 860	330 240
29 Mar 2017	29 Mar 2020	29 Mar 2023	4.5	121.53	85 920	64 380	150 300
Total equity-settled share appreciation rights granted and unexercised					248 314	870 494	1 118 808
30 Jan 2018	30 Jan 2021	30 Jan 2024	5.3		137 540	210 000	347 540
Total cash-settled share appreciation rights granted and unexercised					137 540	210 000	347 540
18 Mar 2014	17 Mar 2017	17 Mar 2017	(1.5)				
30 Mar 2015	30 Mar 2018	30 Mar 2018	(0.5)				
30 Mar 2016	30 Mar 2019	30 Mar 2019	0.5		85 000	810 459	895 459
29 Mar 2017	29 Mar 2020	29 Mar 2020	1.5		59 440	581 462	640 902
Total equity-settled forfeitable shares granted and unexercised					144 440	1 391 921	1 536 361
18 Mar 2014	17 Mar 2017	17 Mar 2017	(1.5)				
30 Mar 2015	30 Mar 2018	30 Mar 2018	(0.5)				
30 Mar 2016	30 Mar 2019	30 Mar 2019	0.5			87 946	87 946
29 Mar 2017	29 Mar 2020	29 Mar 2020	1.5			67 560	67 560
30 Jan 2018	30 Jan 2021	30 Jan 2021	2.3		21 910	586 370	608 280
Total cash-settled forfeitable shares granted and unexercised					21 910	741 876	763 786
Total unexercised					552 204	3 214 291	3 766 495

The weighted average share price at the date of exercising share appreciation rights during the period was R132.74 (2017: R116.09).

*** 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	Weighted average exercise price (R)*
2018			
Unexercised at beginning of year	**2 136 661**	**4 922 514**	**87.44**
Rights granted in terms of cash-settled share appreciation rights scheme		**347 540**	**177.71**
Forfeitable shares granted	**608 280**		
Forfeitable shares forfeited	**(174 882)**		
Forfeitable shares vested	**(269 912)**		
Appreciation rights forfeited		**(2 613 590)**	**90.83**
Appreciation rights exercised		**(1 190 116)**	**93.34**
Forfeitable shares, options and appreciation rights unexercised at year end	**2 300 147**	**1 466 348**	**73.24**
Appreciation rights exercisable at year end		**(638 268)**	**90.73**
Held by:			
Directors, employees and ex-employees of Barloworld	**2 300 147**	**1 466 348**	**73.24**
2017			
Unexercised at beginning of year	1 899 164	9 869 557	92.40
Rights granted in terms of equity-settled share appreciation rights scheme		150 300	121.53
Forfeitable shares granted	821 365		
Forfeitable shares forfeited	(383 122)		
Forfeitable shares vested	(200 746)		
Appreciation rights forfeited		(2 247 950)	104.85
Appreciation rights exercised		(2 849 393)	86.28
Forfeitable shares, options and appreciation rights unexercised at year end	2 136 661	4 922 514	87.44
Appreciation rights exercisable at year end		1 154 411	93.55
Held by:			
Directors, employees and ex-employees of Barloworld	2 136 661	4 922 514	87.44

** Weighted average exercise price for appreciation rights.*