

Notes to the consolidated financial statements

for the year ended June 30

26. Share-based payments

The Bidvest Share Incentive Scheme (Scheme) grants options and advances loans to employees of the Group to acquire shares in the Company. Both the share options scheme and share purchase scheme have been classified as equity-settled schemes, and therefore an equity-settled share-based payment reserve has been recognised.

A conditional share plan, which awards employees with a conditional right to receive shares in the Company, free of any cost, is also operated by the Group. As it is anticipated that the participants will receive shares in settlement of their awards, a share-based payment reserve has been recognised.

Share option scheme

The terms and conditions of the options are:

Option holders are only entitled to exercise their options if they are in the employment of the Group in accordance with the terms referred to hereafter, unless otherwise recommended by the board of the Company to the trustees of the Bidvest Share Incentive Trust.

Option holders in the scheme may exercise the options at such times as the option holder deems fit, but not so as to result in the following proportions of the holder's total number of instruments being purchased prior to: 50% of total number of instruments at the expiry of three years; 75% of total number of instruments at the expiry of four years; and 100% of total number of instruments at the expiry of five years from the date of the holder's acceptance of an option. All options must be exercised no later than the 10th anniversary on which they were granted unless approval is obtained from the trustees.

The number and weighted average exercise prices of share options are:

	2014		2013	
	Number	Average price R	Number	Average price R
Beginning of the year	10 295 755	147,00	9 353 410	118,50
Granted	3 074 660	232,28	2 575 500	208,91
Lapsed	(336 207)	154,93	(760 397)	109,84
Exercised	(1 623 663)	107,69	(872 758)	56,63
End of the year	11 410 545	175,34	10 295 755	147,00

The options outstanding at June 30 2014 have an exercise price in the range of R51,51 to R237,54 (2013: R39,10 to R208,91) and a weighted average contractual life of 0,5 to 9,8 (2013: 0,5 to 9,8) years. The average share price of The Bidvest Group Limited during the year was R265,83 (2013: R221,27).				
Share options outstanding at June 30 by year of grant are:				
2004			488 200	47,64
2005	336 331	65,82	345 700	69,47
2006	3 500	88,08	17 000	87,82
2009	11 500	100,00	31 500	100,00
2011	1 756 149	134,93	2 933 855	134,96
2012	3 757 500	135,16	3 904 000	135,13
2013	2 532 000	208,91	2 575 500	208,91
2014	3 013 565	233,44		
	11 410 545	175,34	10 295 755	147,00

The fair value of services received in return for shares allotted is measured based on a binomial model. The contractual life of the option is used as an input into this model.

The fair value of the shares allotted during the current year and the assumptions used are:

	2014	2013
Fair value at measurement date (Rand)	80,34 – 83,70	68,05 – 75,65
Exercise price (Rand)	221,40 – 237,54	208,26 – 208,91
Expected volatility (%)	21,88 – 27,9	28,39 – 31,92
Option life (years)	4,00–6,00	4,00 – 6,00
Distribution yield (%)	2,69 – 2,91	2,87 – 2,88
Risk-free interest rate (based on national government bonds) (%)	7,72 – 8,24	5,35 – 6,15

The volatility is based on the recent historic volatility.

26. Share-based payments *(continued)*

Share purchase scheme

In terms of the share purchase scheme, the scheme advances loans to employees to acquire shares in the Company. Interest is charged on the loans at interest rates determined by the board of directors of the Company, the loans must be settled no later than the 10th anniversary on which the shares were allotted and the shares are held by the scheme as security for the loans.

The employees are entitled to settle the loans at such times as they deem fit, but not so as to result in the following proportions of the employees' total number of allotted shares being paid for prior to: 50% of total number of allotted shares at the expiry of three years; 75% of total number of allotted shares at the expiry of four years; and 100% of total number of allotted shares at the expiry of five years from the date of the holder's acceptance of the allotted share, unless otherwise determined by the board.

Distributions arising on the allotted shares are utilised to settle any interest or income tax obligations with any excess being applied to settle the outstanding liability.

The number and weighted average exercise prices of shares allotted in terms of the share purchase scheme are:

	2014		2013	
	Number	Average price R	Number	Average price R
Beginning of the year	882 371	103,40	1 442 092	106,65
Shares taken up by staff	(235 003)	115,39	(559 721)	111,77
End of year	647 368	99,05	882 371	103,40

The fair value of services received in return for shares allotted is measured based on a binomial model. The expected contractual life of the loan obligation is used as an input into this model.

No shares were allotted during the year (2013: Nil).

Conditional share plan

In terms of the conditional share plan scheme, a conditional right to a share is awarded to employees subject to performance and vesting conditions. The vesting period is as follows: 50% of total number of awards vest at the expiry of three years; 75% of total number of awards vest at the expiry of four years; and 100% of total number of allotted awards vest at the expiry of five years from the date of the award, unless otherwise determined by the board. These share awards do not carry voting rights attributable to ordinary shareholders. A total number of 3 312 372 (2013: 3 277 349) conditional share awards are available to be granted to employees in the forthcoming year.

The fair value of services received in return for the conditional share awards has been determined by multiplying the number of conditional share awards expected to vest by the share price at the date of the award, less discounted by anticipated future distribution flows. A total number of 777 883 (2013: 846 539) of the 965 550 (2013: 1 002 952) shares are expected to vest, taking into account the performance of the various operations to date and forecasts to the end of the performance period, against the targets set at the time of the award. The average discounted share price used in the calculation of the share-based payment charge on the conditional share awards allotted during the year is R217,84 (2013: R159,77) per share. These awards will vest in the next four years.

36 950 (2013: 11 758) conditional share awards were forfeited as a result of performance conditions not being met.

The number of conditional share awards in terms of the conditional share award scheme are:

	2014	2013
	Number	Number
Beginning of the year	1 002 952	995 169
Allotted during the year	220 000	240 000
Awarded during the year	(220 452)	(220 459)
Forfeited during the year	(36 950)	(11 758)
End of the year	965 550	1 002 952

Other equity-settled share-based payment schemes

Bidvest Namibia Limited, a subsidiary, also operates its own share option scheme, the expense of which has been included in the consolidated income statement and the resulting reserve, in the consolidated share-based payment reserve in equity. Details as to how this expense has been calculated have not been included above, but are published in the integrated annual report of Bidvest Namibia Limited, which is available on the website www.bidvestnamibia.com.na.