

Notes to the consolidated financial statements

for the year ended 30 June

27. Share-based payments

The Bidvest Share Incentive Scheme (BIS) 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.

The Bidvest Group Share Appreciation Rights (SARs) Plan was adopted to replace the BIS, and has been classified as an equity-settled scheme, and therefore an equity-settled share-based payment reserve has been recognised. Executive directors do not participate in the SARs Plan.

A conditional share plan (CSP), which awards executive directors 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.

Replacement rights scheme (previously share option scheme)

Following the unbundling of Bidcorp, Bidvest option holders exchanged each one of their existing options for one right over one Bidcorp share and one Bidvest share (replacement right). In terms of the amended scheme rules, the original option price was not adjusted, but on exercise of the replacement right, the original option price will be deducted from the combined value of the Bidcorp share and the Bidvest share. The vesting date and lapse dates of the replacement rights will be the same as those of the original options.

The terms and conditions of the replacement rights are:

Replacement right holders are only entitled to exercise their rights 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.

Replacement right holders may exercise the rights at such times as the right 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 rights must be exercised no later than the 10th anniversary on which the original options were granted unless approval is obtained from the trustees of The Bidvest Share Incentive Trust.

The number and weighted average exercise prices of replacement rights are:

	2017		2016	
	Number	Average price R	Number	Average price R
Beginning of year	6 751 951	233,00	11 331 766	199,62
Granted	—	—	2 291 125	301,54
Lapsed	(244 858)	251,15	(654 956)	221,91
Exercised	(1 408 696)	178,96	(3 020 509)	161,90
Transfer on unbundling	—	—	(3 195 475)	233,25
End of year	5 098 397	247,06	6 751 951	233,00
The replacement rights outstanding at 30 June 2017 have an exercise price in the range of R100,00 to R301,54 (2016: R51,51 to R301,54) and a weighted average contractual life of 1,3 to 8,4 (2016: 0,3 to 9,5) years. The average combined value of the Bidvest and Bidcorp shares during the year was R424,51 (2016: R354,36).				
Replacement rights outstanding at 30 June by year of grant are:				
2006	—	—	120 000	61,75
2009	1 500	100,00	11 500	100,00
2011	149 290	135,00	196 215	135,00
2012	273 000	134,56	733 000	134,80
2013	613 938	208,91	932 250	208,91
2014	1 308 524	235,63	1 850 164	235,47
2015	1 312 620	252,85	1 400 197	252,82
2016	1 439 525	301,54	1 508 625	301,54
	5 098 397	247,06	6 751 951	233,00

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

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

	2017	2016
Fair value at measurement date (Rand)	—	86,12
Exercise price (Rand)	—	301,54
Expected volatility (%)	—	23,78
Option life (years)	—	4,00 – 6,00
Distribution yield (%)	—	3,06
Risk-free interest rate (based on National Government Bonds) (%)	—	9,21
The volatility is based on the recent historic volatility.		

27. Share-based payments *(continued)*

SARs Plan

The terms and conditions of the SARs Plan are:

SAR holders are only entitled to exercise their rights 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.

SAR holders in the scheme may exercise the SARs at such times as the 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 appreciation right. All SARs must be exercised no later than the seventh anniversary on which they were granted unless approval is obtained from the trustees of The Bidvest Share Incentive Trust.

The number and weighted average exercise prices of share appreciation rights are:

	2017		2016	
	Number	Average price R	Number	Average price R
Beginning of year	–	–	–	–
Granted	3 600 000	146,55	–	–
Lapsed	(15 000)	146,61	–	–
Exercised	–	–	–	–
End of year	3 585 000	146,55	–	–
SARs outstanding at 30 June by year of grant are:				
2017	3 585 000	146,55	–	–
	3 585 000	146,55	–	–

The SARs outstanding at 30 June 2017 have an exercise price in the range of R138,48 to R146,61 and a weighted average contractual life of 6,4 to 6,8 years. The average value of the Bidvest share during the year was R160,89.

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

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

	2017	2016
Fair value at measurement date (Rand)	162,90	–
Exercise price (Rand)	146,61	–
Expected volatility (%)	27,84	–
Option life (years)	4,00 – 6,00	–
Distribution yield (%)	2,78	–
Risk-free interest rate (based on the ZAR bond static yield curve) (%)	7,77	–

The volatility is based on the recent historic volatility.

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 of directors.

In terms of the unbundling, participants received one Bidcorp share for every Bidvest share they held. The Bidcorp shares are subject to the same terms and conditions as the Bidvest shares in terms of the scheme.

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.

Notes to the consolidated financial statements

for the year ended 30 June

27. Share-based payments (continued)

Share purchase scheme (continued)

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

	2017		2016	
	Number	Average price R	Number	Average price R
Beginning of year	222 580	89,94	542 140	92,98
Shares taken up by staff	(222 580)	87,50	(319 560)	95,10
End of year	–	0,00	222 580	89,94

Conditional share plan

In terms of the CSP scheme, a conditional right to a share is awarded to employees subject to performance and vesting conditions. The vesting period is as follows: 75% of total number of awards vest at the expiry of three years; and 25% of total number of awards vest at the expiry of four 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.

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 117 120 (2016: 26 131) of the 256 280 shares (2016: 35 000) are expected to vest, taking into account the performance of the Group 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 R122,78 (2016: R273,91) per share. These awards will vest in the next three years.

As a result of the unbundling, the 2015 awards were restructured into replacement conditional rights (replacement right) in the successor companies – ie each conditional right in terms of the 2015 awards was exchanged for a replacement right over either a Bidvest share or a Bidcorp share, depending on which successor company the participant was employed. On 24 October 2016, 35 000 original conditional share awards were exchanged for 94 280 replacement conditional rights over Bidvest shares.

The Group will continue to use the existing CSP for new awards to its executive directors, and the CSP rules will regulate the replacement rights received as a result of the unbundling.

There were no conditional share awards (2016: 173 755) 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:

	2017 Number	2016 Number
Beginning of year	35 000	742 029
Allotted during the year	256 280	159 000
Awarded during the year	–	(241 061)
Awarded during the year as a result of accelerated vesting	–	(327 213)
Forfeited during the year	–	(173 755)
Exchanged for replacement rights	(35 000)	–
Transfer on unbundling	–	(124 000)
End of year	256 280	35 000

Following the adoption of the SARs Plan, the maximum number of shares which may be allocated at any one time under the SARs Plan and existing CSP shall not exceed 16 750 000 shares (5% of shares in issue). A total of 12 908 720 shares remain available for allocation.

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 annual integrated report of Bidvest Namibia Limited, which can be found at www.bidvest.com.na.