

Notes to the consolidated financial statements (continued)

for the year ended 30 June

26. Subsidiaries

A list of the Group's significant subsidiaries, their country of incorporation and principal place of business, the Group's percentage shareholding and an indication of their nature of business is included on Annexure A of these financial statements.

During the current year the Group's 2009 deferred sale of 13.7% of Bidvest Namibia to local empowerment partners was dismantled and 29 million Bidvest Namibia ordinary shares were returned to the Group in settlement of the outstanding debt.

In June 2019 the Group acquired the 72 million ordinary shares it did not own in Bidvest Namibia Limited (Bidvest Namibia) for R758 million. Following the acquisition, the Group owns 100% of the share capital and voting rights of Bidvest Namibia, which has been delisted from the Namibian Stock Exchange (NSE). The acquisition and delisting follows the sale of the Namibian fishing business, in the prior year, and constitutes another step in the restructure of the Group's investment in the Republic of Namibia. The purchase price was funded from existing cash resources and facilities.

None of the Group's subsidiaries had a material non-controlling interests at year-end.

27. Share-based payments

The Bidvest Share Incentive Scheme (BIS) grants options to employees of the Group to acquire shares in the Company. The share options scheme has 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 in 2016 to replace the BIS and has been classified as an equity-settled scheme, 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 (30 May 2016), 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 they were granted unless approval is obtained from the trustees of the Bidvest Share Incentive Trust.

27. Share-based payments (continued)

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

	2019 Number	Average price R	2018 Number	Average price R
Beginning of the year	3 438 923	257.73	5 098 397	247.06
Lapsed	(84 605)	272.60	(139 144)	269.22
Exercised	(1 344 563)	189.77	(1 520 330)	220.89
End of the year	2 009 755	258.67	3 438 923	257.73

The replacement rights outstanding at 30 June 2019 have an exercise price in the range of R135.00 to R301.54 (2018: R100.00 to R301.54) and a weighted average contractual life of 1.4 to 6.4 (2018: 0.3 to 7.4) years. The average combined value of the Bidvest and Bidcorp shares during the year was R485.41 (2018: R486.59). Replacement rights outstanding at 30 June by year of grant are:

2009	–	–	1 500	100.00
2011	33 515	135.00	72 590	135.00
2012	95 000	134.56	129 500	134.00
2013	162 625	208.91	261 875	208.91
2014	380 499	234.74	807 079	235.40
2015	485 741	251.65	798 154	252.67
2016	852 375	301.54	1 368 225	301.54
	2 009 755	258.67	3 438 923	257.73

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

Share Appreciation Rights 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 7th 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:

	2019 Number	Average price R	2018 Number	Average price R
Beginning of the year	7 335 500	152.96	3 585 000	146.55
Granted	4 151 500	188.42	3 854 000	158.75
Lapsed	(338 310)	151.55	(103 500)	146.61
Exercised	(41 015)	150.58	–	–
End of the year	11 107 675	166.27	7 335 500	152.96

Share appreciation rights outstanding at 30 June by year of grant are:

2017	3 253 350	146.55	3 481 500	146.55
2018	3 702 825	158.75	3 854 000	158.75
2019	4 151 500	188.42	–	–
	11 107 675	166.27	7 335 500	152.96

Notes to the consolidated financial statements (continued)

for the year ended 30 June

27. Share-based payments (continued)

The SARs outstanding at 30 June 2019 have an exercise price in the range of R138.48 to R188.42 (2018: R138.48 to R158.75) and a weighted average contractual life of 4.4 to 6.4 (2018: 5.4 to 6.4) years. The average value of the Bidvest share during the year was R197.05 (2018: R200.88).

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

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

	2019	2018
Fair value at measurement date (Rand)	209.35	176.39
Exercise price (Rand)	188.42	158.75
Expected volatility (%)	29.16	24.83
Option life (years)	4.00 – 6.00	4.00 – 6.00
Distribution yield (%)	2.83	2.96
Risk-free interest rate (based on the ZAR Bond static yield curve) (%)	7.60	7.93

The volatility is based on the recent historic volatility.

Conditional share plan

In terms of the CSP scheme, a conditional right to a share is awarded to executive directors 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 anticipated future distribution flows. A total number of 576 201 (2018: 323 842) of the 711 280 (2018: 451 280) shares 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 R174.94 (2018: R154.55) per share. These awards will vest in the next three years.

Nil (2018: Nil) conditional share awards were forfeited as a result of performance conditions not being met, 15 456 conditional share awards were forfeited as a result of accelerated vesting.

The number of conditional share awards in terms of the conditional share plan are:

	2019 Number	2018 Number
Beginning of the year	451 280	256 280
Allotted during the year	282 000	195 000
Awarded during the year as result of accelerated vesting	(6 544)	–
Forfeited during the year	(15 456)	–
End of the year	711 280	451 280

The maximum number of shares which may be allocated at any one time under the SAR and existing Conditional Share Plan shall not exceed 16 900 000 shares (5% of shares in issue). A total number of 5 081 045 (2018: 8 963 220) remain available for allocation.