

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

continued

For the year ended 31 May 2016

11. Equity compensation benefit

Forfeitable shares

During the year 920 592 (2015: 1 261 973) forfeitable shares were granted to executive directors and qualifying employees (participant). The participant will forfeit the forfeitable shares if he/she ceases to be an employee of an employer company before the vesting date or if the specified performance conditions have not been met, unless otherwise specified by the rules or determined by the Board. In the event that the participant is not in the employ of the Group, or the performance conditions are not met, the shares allocated to the participant will be forfeited and will either be sold on the open market by the escrow agent and the proceeds will be returned to the participating employer, or may be retained by the Group for future awards.

Dividends declared in respect of these forfeitable shares are held in escrow until such time as the performance conditions are met and the shares have vested. Shares forfeited during the vesting period will forfeit any dividends pertaining to such shares. A dividend of 31 cents (2015: 27 cents) per ordinary share was declared on 18 August 2015 (2015: 19 August 2014).

The performance condition of the forfeitable shares for the fifth, sixth, seventh and eighth award vesting on 31 August 2015, 31 August 2016, 31 August 2017 and 31 August 2018 respectively are as follows:

- 40% of the awards are allocated towards retention. In order to receive this portion of the allocation the employee is required to be employed within the Group at the vesting date.
- 60% of the awards are allocated on the basis of 50% for growth in core headline earnings per share and 10% for shareholder returns.

The 50% for growth in core headline earnings will be based on the following achievements:

- If growth is 5% above CPI over three years, 20% of the 50% will vest.
- If growth is 10% above CPI over three years, an additional 50% (i.e. a total of 70%) of the 50% will vest.
- If growth is 25% above CPI over three years, a further 30% (i.e. a total of 100%) of the 50% will vest.

The 10% for shareholder return will be based on a 10% compounded growth in the share price over the three-year vesting period measured with reference to the weighted average price per share during the month of the commencement of the allocation and the weighted average share price for the month during which the vesting takes place, plus dividends over the three-year period.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

continued

For the year ended 31 May 2016

11. Equity compensation benefit continued

Movements in the number of forfeitable shares outstanding during the year are as follows:

	Grant date	Vesting date	Number of shares	Fair value of grant
At 31 May 2014			4 241 011	26 779
Fourth award			1 811 995	8 154
Fifth award			1 288 836	8 648
Sixth award			1 140 180	9 977
Granted during the year			1 261 973	11 232
Seventh award	3 September 2014	31 August 2017	1 261 973	11 232
Shares vested during the year			(1 811 995)	(8 154)
Fourth award		31 August 2014	(1 811 995)	(8 154)
At 31 May 2015			3 690 989	29 857
Fifth award			1 288 836	8 648
Sixth award			1 140 180	9 977
Seventh award			1 261 973	11 232
Shares forfeited during the year			(468 086)	(4 132)
Sixth award			(229 214)	(2 006)
Seventh award			(238 872)	(2 126)
Granted during the year			920 592	9 362
Eighth award	1 September 2015	31 August 2018	920 592	9 362
Shares vested during the year			(1 288 836)	(8 648)
Fifth award		31 August 2015	(1 288 836)	(8 648)
At 31 May 2016			2 854 659	26 439
Sixth award			910 966	7 971
Seventh award			1 023 101	9 106
Eighth award			920 592	9 362

Refer to note 14 for the expense recognised in the statement of comprehensive income relating to the equity compensation benefits.

The fair value of the shares is based on the open market closing price at grant date.

The total number of forfeitable shares issued to Executive Directors during the period is 664 875 (2015: 955 617).

The share-based payment expense in relation to these Executive Directors is R5.7 million (2015: R8.9 million).

Included in this is R1.4 million (2015: R659 000) paid by subsidiaries.

Refer to note 5.3 of the Group annual financial statements for details per Director.