

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued

For the year ended 31 May 2016

## 4. Non-financial instruments continued

### 4.5 Provisions continued

#### Onerous contracts

The onerous contracts related to line subscriptions for which the Group was contracted to incur unavoidable charges that were expected to exceed the related economic benefits to be received. A provision was raised due to the uncertainty associated with the amount of net outflow for each subscription.

As at 31 May 2016, the Group holds no line subscriptions that give rise to onerous contracts.

#### Retail platform clawback provision

The retail platform clawback provision represents the estimated value payable as a clawback on deficient debtors for amounts already received on goods sold through a third-party platform provider.

The provision will be utilised within nine months of the following financial year per the contractual terms of the clawback arrangement.

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## 5. Employees

### 5.1 Equity compensation benefit

During the year 2 591 066 (2015: 2 937 836) 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 50% for growth in core headline earnings in respect of the seventh and eight awards has been amended to include growth in core headline earnings at subsidiary level with regards to qualifying employees.

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.

In November 2015 a decision was made to accelerate the vesting of all qualifying employees in Velociti Proprietary Limited in anticipation of the disposal of this Group company. The expense that would have been recognised over the vesting period has been recognised in the income statement in the current year.

#### Critical accounting estimates and assumptions

In determining the number of forfeitable shares that will vest due to performance conditions being met, management assesses the attrition rates of staff based on the grades of staff that have been granted awards as well as the historic staff turnover.

# NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS continued

For the year ended 31 May 2016

## 5. Employees continued

### 5.1 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 R'000
<b>At 31 May 2014</b>			9 714 449	62 419
Fourth award			3 819 409	17 187
Fifth award			3 112 499	20 885
Sixth award			2 782 541	24 347
Granted during the year			2 937 836	26 147
Seventh award	3 September 2014	31 August 2017	2 937 836	26 147
Shares forfeited during the year			(419 998)	(3 346)
Fifth award			(161 233)	(1 082)
Sixth award			(258 765)	(2 264)
Shares vested during the year			(3 819 409)	(17 187)
Fourth award		31 August 2014	(3 819 409)	(17 187)
<b>At 31 May 2015</b>			<b>8 412 878</b>	<b>68 033</b>
Fifth award			<b>2 951 266</b>	<b>19 803</b>
Sixth award			<b>2 523 776</b>	<b>22 083</b>
Seventh award			<b>2 937 836</b>	<b>26 147</b>
Granted during the year			<b>2 591 066</b>	<b>26 351</b>
Eighth award	1 September 2015	31 August 2018	<b>2 591 066</b>	<b>26 351</b>
Shares forfeited during the year			<b>(612 453)</b>	<b>(5 407)</b>
Sixth award			<b>(287 142)</b>	<b>(2 512)</b>
Seventh award			<b>(325 311)</b>	<b>(2 895)</b>
Shares vested during the year			<b>(3 163 359)</b>	<b>(21 676)</b>
Fifth award		31 August 2015	<b>(2 951 266)</b>	<b>(19 803)</b>
Sixth award		30 November 2015	<b>(94 961)</b>	<b>(831)</b>
Seventh award		30 November 2015	<b>(117 132)</b>	<b>(1 042)</b>
<b>At 31 May 2016</b>			<b>7 228 132</b>	<b>67 301</b>
Sixth award			<b>2 141 673</b>	<b>18 740</b>
Seventh award			<b>2 495 393</b>	<b>22 210</b>
Eighth award			<b>2 591 066</b>	<b>26 351</b>

Refer to note 5.2 for the expense recognised in the income statement 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).

Refer to note 5.3 for details per Director.