

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

31. EQUITY COMPENSATION BENEFIT

Forfeitable shares

During the year, 2 782 541 (2013: 3 496 103) 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 25 cents (2013: 23 cents) per ordinary share was declared on 18 August 2013 (2013: 20 August 2012).

The performance condition for the third award grant of forfeitable shares vested on 31 August 2013 was as follows:

- 25% of the shares constituting the allocation were awarded for retention purposes and vested if the employee was still employed within the Group at the vesting date (31 August 2013).
- 25% of the shares constituting the allocation vested on the achievement by individual employees of their individual key performance indicators.
- 50% of shares constituting the allocation vested as the Group's core HEPS were equal to or exceeded the core HEPS per ordinary share at the beginning of the performance period, 1 June 2010, by the percentage change in the CPI over the performance period, plus 15%. There was no linear vesting to this portion of the allocation.

The performance condition for the fourth award grant of forfeitable shares vesting on 31 August 2014 is as follows:

- 25% of the shares constituting the allocation are awarded for retention purposes and shall vest if the employee is still employed within the Group at the vesting date (31 August 2014).
- 25% of the shares constituting the allocation will vest on the achievement by individual employees of their individual key performance indicators.
- 50% of shares constituting the allocation will vest if the Group's core HEPS are equal to or exceed the core HEPS per ordinary share at the beginning of the performance period, 1 June 2011, by the percentage change in the CPI over the performance period, plus 15%. There is no linear vesting to this portion of the allocation.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

31. EQUITY COMPENSATION BENEFIT (continued)

Forfeitable shares (continued)

The performance condition for the fifth award grant vesting on 31 August 2015 of forfeitable shares is 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 (31 August 2015).
- 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, then 20% of the 50% will vest.
- If growth is 10% above CPI over three years, then an additional 50% (i.e. a total of 70%) of the 50% will vest.
- If growth is 25% above CPI over three years, then 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 of no less than three times dividend cover on a grossed-up basis.

The performance condition for the sixth award grant vesting on 31 August 2016 of forfeitable shares is 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 (31 August 2016).
- 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, then 20% of the 50% will vest.
- If growth is 10% above CPI over three years, then an additional 50% (i.e. a total of 70%) of the 50% will vest.
- If growth is 25% above CPI over three years, then 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 of no less than three times dividend cover on a grossed-up basis.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

31. EQUITY COMPENSATION BENEFIT (continued)

Forfeitable shares (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
At 31 May 2012			12 127 082	59 578
Second award			3 083 804	18 040
Third award			4 214 634	19 809
Fourth award			4 828 644	21 729
Granted during the year			3 496 103	23 459
Fifth award	3 September 2012	31 August 2015	3 496 103	23 459
Shares forfeited during the year			(1 285 962)	(6 382)
Second award			(383 291)	(2 242)
Third award			(389 810)	(1 832)
Fourth award			(512 861)	(2 308)
Shares vested during the year			(2 700 513)	(15 798)
Second award		1 September 2012	(2 700 513)	(15 798)
At 31 May 2013			11 636 710	60 857
Third award			3 824 824	17 977
Fourth award			4 315 783	19 421
Fifth award			3 496 103	23 459
Granted during the year			2 782 541	24 347
Sixth award	2 September 2013	31 August 2016	2 782 541	24 347
Shares forfeited during the year			(1 074 880)	(5 724)
Third award			(194 902)	(916)
Fourth award			(496 374)	(2 234)
Fifth award			(383 604)	(2 574)
Shares vested during the year			(3 629 922)	(17 061)
Third award		31 August 2013	(3 629 922)	(17 061)
At 31 May 2014			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

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 31 May 2014

31. EQUITY COMPENSATION BENEFIT (continued)

Forfeitable shares (continued)

Refer to note 18 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 value paid for the shares on the open market at grant date.

The total number of forfeitable shares issued to executive directors during the period is 1 010 060 (2013: 1 096 759).

The share-based payment expense in relation to these executive directors is R5.6 million (2013: R6.3 million).

Refer to note 29 for details per director.

32. COMMITMENTS

Future operating lease commitments

The Group leases various offices under non-cancellable operating lease agreements.

The lease terms are between one and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rates.

The Group also leases various equipment under cancellable operating lease agreements.

The Group is required to give six months' notice for the termination of the majority of these agreements.

The lease expenditure charged to the statement of comprehensive income during the year is disclosed in note 19.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2014 R'000	2013 R'000
Premises		
Payable within one year	29 434	27 288
Payable in two to five years	53 526	70 012
Payable in greater than five years	348	4 489
Equipment		
Payable within one year	416	1 424
Payable in two to five years	342	376
Payable in greater than five years	—	—
	84 066	103 589