

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2019

J. RELATED PARTIES continued

J1 RELATED-PARTY TRANSACTIONS AND BALANCES continued

J1.3 Directors' interests in Hyprop shares*

	GROUP				COMPANY			
	30 June 2019				30 June 2018			
	Direct beneficial	Indirect beneficial	Non-beneficial	Total	Direct beneficial	Indirect beneficial	Non-beneficial	Total
Independent non-executive directors	30 500	2 940	—	33 440	25 500	2 940	—	28 440
Non-executive directors	—	378 000	—	378 000	—	378 000	3 447 855	3 825 855
Executive directors	6 000	1 870	—	7 870	—	526 501	—	526 501
Total	36 500	382 810	—	419 310	25 500	907 441	3 447 855	4 380 796

* The above table excludes shares outstanding under the Hyprop share scheme for executive directors.

Details of directors' remuneration are included in note K1 – Directors' remuneration.

K. REMUNERATION

K1 DIRECTORS' REMUNERATION

K1.1 Remuneration

	Fees R000	Basic salary R000	Pension fund contributions R000	Performance bonus R000	Share incentive scheme ⁽⁴⁾ R000	Other benefits R000	Total R000
30 June 2019							
Independent non-executive directors							
Gavin Tipper (chairman)	807	—	—	—	—	—	807
Lindie Engelbrecht ⁽³⁾	230	—	—	—	—	—	230
Zuleka Jasper	479	—	—	—	—	—	479
Mike Lewin	421	—	—	—	—	—	421
Nonyameko Mandindi	383	—	—	—	—	—	383
Thabo Mokgatlha	567	—	—	—	—	—	567
Stewart Shaw-Taylor	637	—	—	—	—	—	637
Non-executive directors							
Kevin Ellerine	397	—	—	—	—	—	397
Louis Norval	397	—	—	—	—	—	397
Executive directors							
Morné Wilken (CEO)	—	2 087	162	—	—	492	2 741
Wilhelm Nauta (CIO)	—	2 432	280	2 186	—	77	4 975
Brett Till (CFO)	—	1 719	295	—	—	33	2 047
Pieter Prinsloo (former CEO) ⁽¹⁾	—	2 493	118	3 708	1 751	447	8 517
Laurence Cohen (former CFO) ⁽²⁾	—	202	35	—	—	66	303
Total	4 318	8 933	890	5 894	1 751	1 115	22 901

⁽¹⁾ Resigned with effect from 31 January 2019

⁽²⁾ Resigned with effect from 31 July 2018

⁽³⁾ Resigned with effect from 30 November 2018

⁽⁴⁾ Market value of shares on vesting date

30 June 2018	Fees R000	Basic salary R000	Pension fund contributions R000	Performance bonus R000	Share incentive scheme R000	Other benefits R000	Total R000
Independent non-executive directors							
Gavin Tipper (chairman)	688	—	—	—	—	—	688
Lindie Engelbrecht	543	—	—	—	—	—	543
Mike Lewin	392	—	—	—	—	—	392
Nonyameko Mandindi	325	—	—	—	—	—	325
Thabo Mokgatla	462	—	—	—	—	—	462
Stewart Shaw-Taylor	551	—	—	—	—	—	551
Non-executive directors							
Kevin Ellering	343	—	—	—	—	—	343
Louis Norval	343	—	—	—	—	—	343
Executive directors							
Pieter Prinsloo (former CEO)	—	4 153	196	3 498	2 069	115	10 031
Laurence Cohen (former CFO)	—	2 362	410	1 759	1 115	83	5 729
Total	3 647	6 515	606	5 257	3 184	198	19 407

K1.2 Reconciliation of number of shares outstanding under the CUP for executive directors

GROUP AND COMPANY						
	Outstanding at the beginning of the year R000	Issued R000	Forfeited R000	Vested R000	Outstanding at the end of the year R000	Market value of shares outstanding at 30 June 2019 R000
30 June 2019						
Morné Wilken (CEO)	—	37 190	—	—	37 190	2 598
Pieter Prinsloo (former CEO)	88 045	29 715	(109 123)	(8 637)	—	—
Brett Till (CFO)	—	18 927	—	—	18 927	1 322
Wilhelm Nauta ⁽¹⁾	16 742	10 012	—	—	26 754	1 869
Laurence Cohen (former CFO)	47 541	—	(47 541)	—	—	—
Total	152 328	95 844	(156 664)	(8 637)	82 871	5 789

⁽¹⁾ The unvested shares shown for Mr Nauta include all share allocations granted during his tenure, including prior to becoming an executive director on 5 July 2018

GROUP AND COMPANY						
	Outstanding at the beginning of the year R000	Issued R000	Forfeited R000	Vested R000	Outstanding at the end of the year R000	Market value of shares outstanding at 30 June 2018 R000
30 June 2018						
Pieter Prinsloo (former CEO)	105 627	24 416	(2 316)	(39 682)	88 045	9 011
Laurence Cohen (former CFO)	57 261	13 154	(1 248)	(21 626)	47 541	4 865
Total	162 888	37 570	(3 564)	(61 308)	135 586	13 876

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2019

K. REMUNERATION continued

K2 SHARE-BASED PAYMENTS

K2.1 Accounting policy

Long-term benefits – share-based payments

The company operates equity-settled share-based conditional share plans (CUP) for its employees.

The grant date fair value of equity-settled share-based payment arrangements granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

All share-based remuneration is ultimately recognised as an expense in profit or loss, with a corresponding increase in equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of shares expected to vest.

The CUP consists of two components – performance shares and retention shares, both of which are settled by the issue of Hyprop shares. The allocation between performance and retention shares is 70%:30% for all participants. Awards under the CUP are made on an annual basis.

Performance shares

The performance conditions for the shares allocated as performance shares are as follows:

40% Growth in distribution per share relative to the peer group

40% Share price performance relative to the peer group

20% A strategic component, which is determined by the remuneration committee in line with the prevailing circumstances and projects at the time of the award

Each of the performance conditions is measured over a three-year performance period. Participants must be employed until the end of the vesting period to be eligible for the award.

Retention shares

Retention shares vest after five years, provided the participant is still employed by the group.

K2.2 Reconciliation of number of shares outstanding under the CUP

	GROUP AND COMPANY		GROUP AND COMPANY	
	Performance shares 30 June 2019	Retention shares 30 June 2018	Performance shares 30 June 2019	Retention shares 30 June 2018
Outstanding at the beginning of the year	235 815	181 820	260 811	153 606
New awards granted	135 583	58 116	84 840	35 114
Vested and settled by the issue of Hyprop ordinary shares	(49 336)	(37 465)	(94 390)	(1 312)
Forfeited	(111 515)	(60 958)	(15 446)	(5 588)
Outstanding at the end of the year	210 547	141 513	235 815	181 820
Weighted average remaining vesting period (years)	1,5	2,4	1,1	2,0

K2.3 Balances and movements

	GROUP AND COMPANY	
	30 June 2019 R000	30 June 2018 R000
Share-based payment reserve		
Opening balance at 1 July	27 443	23 901
Release of reserve on vesting of shares	(8 513)	(7 632)
Share-based payment expense	10 365	11 174
Forfeitures	(9 009)	—
Closing balance at 30 June	20 286	27 443

K2.4 Valuation methodology

The day-one fair value of the awards granted under the CUP is determined based on the 30-day VWAP of Hyprop shares ending on the grant date, as specified in the CUP rules. The fair value of each outstanding tranche of share awards are detailed below:

PERFORMANCE	TRANCHE 4	TRANCHE 5	TRANCHE 6	TRANCHE 7	TRANCHE 8
Number of awards granted	80 979	5 982	84 840	96 302	39 281
Share price at grant date (R)	129,89	117,31	116,76	102,34	81,50
Grant date	1 Jul 16	1 Jan 17	1 Jul 17	1 Jul 18	1 Jan 19
Vesting period ends	30 Jun 19	31 Dec 19	30 Jun 20	30 Jun 21	31 Dec 21
Black Scholes valuation					
Fair value of shares at grant date (R)	112,56	100,11	97,66	81,99	61,69
Expected life (years)	3	3	3	3	3
Volatility (%)	20,0	20,0	20,0	20,0	20,0
Risk-free rate after taxation of 28% (%)	6,3	6,4	6,4	6,4	6,4
Dividend yield (%)	4,8	5,3	6,0	7,4	9,3
% allocated to executive directors on grant date (%)	30,7	0,0	31,0	28,9	100,0

Tranche 3 of the performance shares vested during the year at a fair value of R88,00 per share.

RETENTION SHARES	TRANCHE 2	TRANCHE 3	TRANCHE 4	TRANCHE 5	TRANCHE 6	TRANCHE 7	TRANCHE 8
Number of awards granted	47 324	33 549	33 499	2 564	35 114	41 281	16 835
Share price at grant date (R)	79,51	121,00	129,89	117,31	116,76	102,34	81,50
Grant date (R)	1 Jul 14	1 Jul 15	1 Jul 16	1 Jan 17	1 Jul 17	1 Jul 18	1 Jan 19
Vesting period ends	30 Jun 19	30 Jun 20	30 Jun 21	31 Dec 21	30 Jun 22	30 Jun 23	31 Dec 23
Black Scholes valuation							
Fair value of shares at grant date (R)	59,08	96,68	102,32	90,07	86,70	70,72	51,24
Expected life (years)	5	5	5	5	5	5	5
Volatility (%)	20,0	20,0	20,0	20,0	20,0	20,0	20,0
Risk-free rate after taxation of 28% (%)	5,9	6,0	6,3	6,4	6,4	6,4	6,4
Dividend yield (%)	5,9	4,5	4,8	5,3	6,0	7,4	9,3
% allocated to executive directors on grant date (%)	30,4	31,0	31,8	0,0	32,1	28,9	100,0

Tranche 1 of the retention shares vested during the year at a fair value of R105,99 per share.

K3 RETIREMENT BENEFITS**K3.1 Accounting policy****Post-employment benefits – defined contribution plan**

A defined contribution plan is a post-employment benefit plan under which the company pays contributions to a separate entity. The company has no legal or constructive obligation to pay further amounts if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Company contributions to defined contribution plans are recognised as an employee benefit expense when the related services have been rendered.

K3.2 Profile

All permanent employees must be members of the Uncover Pension Fund (an umbrella defined contribution fund) (the fund), except those who elect not to be members in terms of section 197 of the Labour Relations Act 66 of 1995 (LRA).

In addition to the post-retirement benefits, the fund provides comprehensive death, disability, funeral and universal education cover for all members.

K3.3 Retirement benefits – expense

	GROUP AND COMPANY	
	30 June 2019 R000	30 June 2018 R000
Defined contribution fund contributions	12 587	11 508