10. FINANCIAL RISK MANAGEMENT AND NET DEBT (continued)

10.4 Puttable non-controlling interest liabilities (continued)

Acquisitions during the year resulted in the following put options being granted to the following non-controlling shareholders:

Punjab Kitchen Proprietary Limited (Punjab Kitchen)

The non-controlling shareholders have the option to put their 10% interest in Punjab Kitchen to the group, at 10 times EBITDA less net debt on or about June 30 2021. The discount rate used for the Punjab Kitchen put option was 2,0%.

Put options held by non-controlling interests in the group's subsidiaries entitle the non-controlling interest to sell its interest in the subsidiary to the group at predetermined values and on contracted dates. In such cases, the group consolidates the non-controlling interest's share of the equity in the subsidiary and recognises the fair value of the non-controlling interest's put option, being the present value of the estimated future purchase price, as a financial liability in the statement of financial position. In raising this liability, the non-controlling interest is derecognised and any excess or shortfall is charged or realised directly in retained earnings in the statement of changes in equity.

The unwinding of the present value discount on these liabilities is recorded within finance charges in the statement of profit or loss using the effective interest method. The financial liability is fair valued at the end of each financial year and any changes in the value of the liability as a result of changes in assumptions used to estimate the future purchase price are recorded directly in retained earnings in the statement of changes in equity.

11. STAFF REMUNERATION

11.1. Share-based payments

The Bidvest Incentive Scheme (BIS), share appreciation rights (SARs) and conditional share plan (CSPs) grant awards (options) of the holding company, Bidcorp, to executive directors, management and staff. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. All Bidcorp share-based payment schemes are treated as equity-settled share-based payment schemes at a Group and subsidiary level. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options.

The fair value of the awards is measured using a binomial model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the number of awards for which related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

	2019 R'000	2018 R'000
Share based payment expenses recognised for continuing operations:		
Bidvest Incentive Scheme (BIS)	**11 416**	23 001
Bid Corporation Limited Share Appreciation Rights Plan (SARs)	**61 577**	45 212
Bidcorp Conditional Share Plan (CSP)	**41 475**	31 023
	114 468	99 236

11. STAFF REMUNERATION (continued)

11.1 Share-based payments (continued)

The Bidvest Incentive Scheme (BIS)

BIS participants, on the unbundling of Bidcorp from The Bidvest Group Limited, who were granted awards and had not exercised their awards at the unbundling date, exchanged one of their Bidvest Group Limited awards for one right over one Bid Corporation Limited share and one The Bidvest Group Limited share.

The original award price was not adjusted, but on exercise of the replacement right, the original award price is deducted from the combined value of Bidcorp share and The Bidvest Group share. The vesting date and lapse dates of the replacement rights are the same as that of the original awards. Awards vest in tranches after 3 years (50%), 4 years (25%) and 5 years (25%) respectively. Awards not exercised within a 10 year period following the award date, lapse. The scheme has been classified as an equity-settled scheme, and therefore an equity-settled share-based payment reserve has been recognised.

Award holders are only entitled to exercise their awards if they are in the employment of the Bidcorp group in accordance with the BIS scheme rules, unless otherwise recommended by the Remuneration Committee.

The number and weighted average exercise prices of share awards granted to staff are:

	2019		2018	
	Number of awards	**Average price R**	Number of awards	Average price R
Beginning of the year	**1 610 481**	**258,88**	2 423 936	233,88
Lapsed	**(36 750)**	**266,08**	(94 250)	242,52
Exercised	**(614 174)**	**258,05**	(719 205)	218,88
End of the year	**959 557**	**259,14**	1 610 481	258,88
Share options outstanding at June 30 by year of grant are:				
2011	**21 925**	**135,00**	27 800	135,00
2012	**57 500**	**143,63**	64 925	144,20
2013	**83 500**	**208,91**	128 750	208,91
2014	**127 750**	**237,54**	342 125	237,54
2015	**239 632**	**251,30**	396 881	251,07
2016	**429 250**	**301,54**	650 000	301,54
	959 557	**259,14**	1 610 481	258,88

The awards outstanding at June 30 2019 have an exercise price in the range of R135,00 to R301,54 (2018: R135,00 to R301,54) and a weighted average contractual life of 1,4 to 6,5 years (2018: 2,4 to 7,5 years). The fair value of services received in return for shares allotted is measured based on a binomial model. The contractual life of the award is used as an input into this model.

Bid Corporation Limited Share Appreciation Rights Plan (SARs)

SARs Participants were granted share awards (Awards) that vest in tranches after 3 years (50%), 4 years (25%) and 5 years (25%) respectively. The exercise price for the SAR award, is determined using the closing price of the Bid Corporation Limited share on the Johannesburg Stock Exchange, for the business day immediately preceding the award date up to a maximum discount of 10%. Awards not exercised within a 7 year period following the award date, lapse. The scheme has been classified as an equity-settled scheme, and therefore an equity-settled share-based payment reserve has been recognised. Award holders are only entitled to exercise their awards if they are in the employment of the Bidcorp group in accordance with the terms of the SAR plan rules, unless otherwise recommended by the Remuneration Committee.

11. STAFF REMUNERATION (continued)

11.1 Share-based payments (continued)

The number and weighted average exercise prices of share awards granted to staff are:

	2019		2018	
	Number of awards	**Average price R**	Number of awards	Average price R
Beginning of year	**2 683 000**	**250,07**	1 804 500	250,07
Granted	**897 000**	**257,48**	920 500	242,17
Exercised	**(148 000)**	**238,04**	–	–
Lapsed	**(41 186)**	**255,18**	(42 000)	243,58
End of year	**3 390 814**	**250,52**	2 683 000	250,07
Share awards outstanding at June 30 by year of grant are:				
2016	**749 314**	**238,04**	916 500	238,04
2017	**830 000**	**263,42**	846 000	263,43
2018	**914 500**	**242,20**	920 500	242,17
2019	**897 000**	**257,48**	–	–
	3 390 814	**250,52**	2 683 000	247,46

The awards outstanding at June 30 2019 have an exercise price in the range of R238,04 to R313,08 (2018: R238,04 to R286,72) and a weighted average contractual life of 4,0 to 7,0 years (2018: 5,0 to 7,0 years). The fair value of services received in return for shares allotted is measured based on a binomial model.

The fair value of the SARs allotted on the below mentioned dates and the assumptions used are:

	May 21 2019	May 22 2018
Fair value at measurement date (Rand)	**84,38**	79
Exercise price (Rand)	**254,75**	238,30
Expected volatility (%)	**20,96**	23,03
Option life (years)	**4,00 — 5,00**	3,50 — 5,50
Distribution yield (%)	**2,45**	2,36
Risk-free interest rate (based on South African Government Bonds) (%)	**7,36**	7,49

The volatility is based on the recent historic volatility of Bid Corporation Limited shares.

Bidcorp Conditional Share Plan (CSP)

The CSP awards executives of Bidcorp a conditional right to receive shares in Bidcorp free of any cost. Due to the unbundling, the 2016 CSP awards for executive directors were restructured into replacement conditional rights and each conditional right in terms of the 2016 awards was exchanged for a right over a Bid Corporation Limited share. CSP replacement rights are subject to revised performance conditions for the period starting July 1 2016 and ending June 30 2019.

11. STAFF REMUNERATION (continued)

11.1 Share-based payments (continued)

Bidcorp Conditional Share Plan (CSP) (continued)

In addition, to these replacement conditional rights, executives have been awarded Bidcorp CSP share awards. The fair value of services received in return for these conditional share awards have been determined by multiplying the number of conditional share awards expected to vest, by the share price at the date of the award discounted by anticipated future distribution flows.

The number of conditional share awards in terms of the conditional share award scheme are:

	Balance at July 1 2018	CSP replacement rights awarded	Exercised	Closing balance June 30 2019
CSP replacement right awards				
Director				
BL Berson	45 000	–	–	**45 000**
DE Cleasby	24 500	–	–	**24 500**
B Joffe	90 000	–	(45 000)	**45 000**
	159 500	–	(45 000)	**114 500**
CSP awards				
Director				
BL Berson	180 000	**98 000**	–	**278 000**
DE Cleasby	61 000	**38 000**	–	**99 000**
B Joffe	72 500	–	(36 250)	**36 250**
Senior management	65 000	**70 000**	–	**135 000**
	378 500	**206 000**	(36 250)	**548 250**

During the year, B Joffe exercised 81 250 of his replacement rights and CSP awards at an average price of R301,71 (2018: no cash benefits arose from CSP awards).

A total number of 573 060 of the 744 000 CSP awards 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. No conditional share awards or CSP replacement rights were forfeited (2018: nil) as a result of performance conditions not being met.

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 R212,37 per share (2018: R263,89 per share).

11.2 Remuneration of directors

The remuneration paid to executive directors during the year ended June 30 2019 can be analysed as follows:

	Remuneration and benefits paid to directors				
	Basic remuneration R'000	Other benefits and costs R'000	Retirement/ medical benefits R'000	Cash incentives R'000	Total emoluments R'000
Director					
BL Berson	**15 700**	**259**	**253**	**16 919**	**33 131**
DE Cleasby	**5 873**	**193**	**469**	**6 913**	**13 448**
Total	**21 573**	**452**	**722**	**23 832**	**46 579**

11. STAFF REMUNERATION (continued)

11.2 Remuneration of directors (continued)

For comparative purposes the remuneration paid to the executive directors during the year ended June 30 2018 can be analysed as follows:

	Remuneration and benefits paid to directors				
	Basic remuneration R'000	Other benefits and costs R'000	Retirement/ medical benefits R'000	Cash incentives R'000	Total emoluments R'000
Director					
BL Berson	14 847	253	249	16 240	31 589
DE Cleasby	5 457	193	441	6 642	12 733
Total	20 304	446	690	22 882	44 322

The remuneration paid to non-executive directors during the year ended June 30 2019 is analysed as follows:

	2019			
	Director fees R'000	**Other services R'000**	**Total R'000**	2018 R'000
Non-executive director				
PC Baloyi	**696**	**–**	**696**	564
DDB Band	**868**	**–**	**868**	705
B Joffe*	**472**	**4 240**	**4 712**	6 288
S Koseff	**2 970**	**–**	**2 970**	924
DD Mokgatle	**430**	**–**	**430**	445
NG Payne	**954**	**–**	**954**	800
H Wiseman**	**1 371**	**514**	**1 885**	1 625
Total	**7 761**	**4 754**	**12 515**	11 351

** B Joffe provided advisory consulting services for the year ended June 30 2019.*
*** H Wiseman provided services by chairing the quarterly Bidcorp divisional audit and risk committee meetings.*

Prescribed officers

Due to the nature and structure of the group and the number of executive directors on the board of the company, the directors have concluded that there are no prescribed officers of the company.

	2019					
	Share-based payment expense R'000	**Benefit arising from exercise of awards R'000**	**Gross benefit R'000**	**Previous share-based payment expense R'000**	**Actual long-term incentive benefit R'000**	2018 R'000
Summary of directors' long-term incentives						
BL Berson	**18 061**	**–**	**18 061**	**–**	**18 061**	12 831
DE Cleasby	**6 910**	**–**	**6 910**	**–**	**6 910**	4 865
B Joffe	**8 753**	**24 514**	**33 267**	**(18 636)**	**14 631**	10 149
Total	**33 724**	**24 514**	**58 238**	**(18 636)**	**39 602**	27 845

During the year, B Joffe exercised 81 250 of his replacement rights and CSP awards at an average price of R301,71 (2018: no cash benefits arose from the CSP awards).

	2019 R'000	2018 R'000
11. STAFF REMUNERATION (continued)		
11.3 Post-retirement obligations		
Post-retirement assets		
The Bidvest South Africa Pension Fund in South Africa	**(20 928)**	(19 380)
Post-retirement obligations	**59 117**	48 489
Angliss Hong Kong Food Service Limited Retirement Benefit Plan	**43 947**	34 754
Unfunded defined benefit early retirement plan	**15 170**	13 735
	38 189	29 109

Defined benefit pension funds

The group provides retirement benefits for its permanent employees through pension funds with defined benefit and defined contribution categories and defined contribution provident funds or appropriate industry funds.

All funds are defined benefit pension funds administered independently of the group and are subject to the relevant pension fund legislation.

The defined benefit funds operated by the group are The Bidvest South Africa Pension Fund in South Africa and Angliss Hong Kong Food Service Limited Retirement Benefit Plan.

Employer contributions to defined contribution funds are set out in note 4.2.

Summarised details of the defined benefit pension funds

	2019 R'000	2018 R'000
Defined benefit pension (assets) obligations of the various funds		
The Bidvest South Africa Pension Fund in South Africa	**(20 928)**	(19 380)
Angliss Hong Kong Food Service Limited Retirement Benefit Plan	**43 947**	34 754
	23 019	15 374
Contributions to the funds		
Employer contributions	**14 384**	11 120
Employee contributions	**113**	105
Total pension fund asset (unfunded pension liability)		
Fair value of plan assets	**173 454**	164 575
Actuarial present value of defined benefit obligations	**(195 929)**	(178 627)
Net deficit in the plans	**(22 475)**	(14 052)
Amounts not recognised due to ceiling adjustments and other limitations	**(544)**	(1 322)
	(23 019)	(15 374)
Movement in the liability for defined benefit obligations		
Balance at beginning of year	**(178 627)**	(153 086)
Benefits	**7 424**	6 740
Risk premiums and expenses	**65**	63
Current service costs	**(16 501)**	(14 534)
Interest	**(4 360)**	(2 392)
Member contributions	**(113)**	(105)
Actuarial losses	**721**	(6 339)
Exchange rate adjustments on foreign plans	**(4 538)**	(8 974)
Balance at end of year	**(195 929)**	(178 627)

	2019 R'000	2018 R'000
11. STAFF REMUNERATION (continued)		
11.3 Post-retirement obligations (continued)		
Movement in the plans' assets		
Balance at beginning of year	**164 575**	141 421
Contributions paid into the plans	**14 497**	11 225
Benefits	**(7 424)**	(6 740)
Risk premiums and expenses	**(647)**	(410)
Interest income	**5 709**	3 979
Return on plan assets in excess of interest	**(6 904)**	7 942
Exchange rate adjustments on foreign plans	**3 648**	7 158
Balance at end of year	**173 454**	164 575
The plans' assets comprise		
Cash	**41 084**	31 610
Equity securities	**74 888**	81 083
Bills, bonds and securities	**56 865**	50 486
Other	**617**	1 396
	173 454	164 575
Amounts recognised in the statement of profit or loss		
Current service costs	**16 501**	14 534
Interest on obligations	**4 360**	2 392
Interest on assets	**(5 709)**	(3 979)
Ceiling adjustments and other limitations	**128**	222
Risk premiums and expenses	**582**	347
	15 862	13 516
Amounts recognised in other comprehensive income		
Return on plan assets in excess of interest income	**6 904**	(7 942)
Actuarial losses	**(721)**	6 339
Ceiling adjustments and other limitations	**(906)**	(1 112)
	5 277	(2 715)
Key actuarial assumptions used in the actuarial valuations:		
The Bidvest South Africa Pension Fund in South Africa		
Number of in service members June 30	**2**	2
Discount rate (%)	**9,3**	9,7
Inflation rate (%)	**5,6**	6,2
Salary increase (%)	**6,6**	7,2
Pension increase allowance (%)	**3,9**	4,3
Angliss Hong Kong Food Service Limited Retirement Benefit Plan		
Number of in service members June 30	**206**	230
Discount rate (%)	**1,4**	1,2
Salary increase (%)	**4,5**	5,0
Date of valuation of all funds	**June 30 2019**	June 30 2018

11. STAFF REMUNERATION (continued)

11.3 Post-retirement obligations (continued)

Assumptions regarding future mortality are based on published statistics and mortality tables.

Sensitivity analysis

The table below summarises the impact that a reasonably possible change in the respective assumption, occurring at the end of the year, would have, by increasing (decreasing) the net deficit in the plans, while holding all the other assumptions constant.

	Impact of an increase in assumption R'000	Impact of a decrease in assumption R'000
2019		
The Bidvest South Africa Pension Fund in South Africa		
Discount rate – 1%	**1 485**	**(2 075)**
Salary increase – 1%	**(1 109)**	**818**
Angliss Hong Kong Food Service Limited Retirement Benefit Plan		
Discount rate – 0,25%	**2 842**	**(3 022)**
Salary increase – 0,25%	**(2 607)**	**2 547**
2018		
The Bidvest South Africa Pension Fund in South Africa		
Discount rate – 1%	790	(1 846)
Salary increase – 1%	(949)	103
Angliss Hong Kong Food Service Limited Retirement Benefit Plan		
Discount rate – 0,25%	2 767	(2 850)
Salary increase – 0,25%	(2 561)	2 501

The sensitivity analyses presented above may not be representative of the actual change in the net deficit in the plans as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Unfunded defined benefit retirement plans

Distrubuzione Alimentari Convivenze SPA (Italian subsidiary) provides a retirement plan for its employees. The liability recognised is based on the actuarial valuation performed as at June 30.

	2019	2018
Number of members at June 30	**345**	330
	R'000	R'000
Movement in the liability for unfunded defined benefit early retirement plan		
Balance at beginning of year	**13 735**	10 619
Interest expense	**338**	287
Risk premiums and expenses	**1 798**	2 222
Actuarial adjustments recognised in other comprehensive income	**980**	58
Settlement	**(1 641)**	(422)
Exchange rate adjustments on foreign plans	**(40)**	971
Balance at end of year	**15 170**	13 735
Key actuarial assumptions		
Discount rate (%)	**0,77**	1,45
Inflation rate (%)	**1,00**	1,5
Salary increase rate (%)	**2,25**	2,55
Date of valuation	**June 30 2019**	June 30 2018