

26. Employee remuneration

26.1 Phantom share scheme

The Hyprop board recognises that a key factor in the success of the group is the retention and incentivisation of management and staff. Accordingly, a scheme was formulated to reward employees who make a meaningful and sustainable contribution to the financial performance of Hyprop by providing them with the opportunity to participate in its future growth. Senior management and staff were offered this incentive.

The incentive is directly linked to the performance of Hyprop's shares. Employees were granted "phantom" Hyprop shares at a notional strike price (the initial price (IP)). Employees receive an award equivalent to the increase in the market value of the Hyprop share over the initial price. This award is paid in four payments within 30 days after the date on which the relevant payment is calculated.

The payment is calculated as follows:

Cash bonus = $\frac{1}{4} AS \times (P - IP) - \text{relevant taxes}$

AS = allocated "phantom" shares

P = volume weighted average traded price of Hyprop shares for the 30 JSE trading days prior to the calculation date

IP = initial price

If the market price of the Hyprop share on the relevant calculation date is not greater than the initial price, no payment is made. The award is only applicable if the employee is in the employ of Hyprop on the payment date. A total of 222 222 "phantom" Hyprop shares were in issue at 30 June 2015 (2014: 473 979). The scheme will expire in 2016.

The liability for the "phantom" scheme is measured at fair value at each reporting date. Refer to note 21.

26.2 Equity-settled share-based employee remuneration

On 1 January 2014, the group implemented a long-term employee incentive scheme (the conditional unit plan (CUP)), which consists of two components – performance shares and the retention shares. Both the performance and the retention components of the scheme will be settled with Hyprop shares.

The terms and conditions of the long-term employee incentive scheme were approved at the Hyprop annual general meeting on 5 December 2013.

26.2.1 Performance shares

In terms of the CUP, fully paid awards are made on an annual basis, comprising performance shares and retention shares. The split between performance shares and retention shares is 70%:30% for all participants.

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

- Growth in distribution per share relative to the peer group (weighting 40%)
- Share price performance relative to the peer group (weighting 40%)
- Strategic component, which will be determined by the remuneration committee in line with the prevailing circumstance and projects at the time of the award (weighting 20%).

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

26.2.2 Retention shares

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

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for the year ended 30 June 2015

FINANCIAL STATEMENTS

26. Employee remuneration continued

26.2 Equity-settled share-based employee remuneration continued

26.2.3 Reconciliation of shares allocated in terms of the CUP

	Number of performance shares	Number of retention shares
Unvested at 1 July 2013		
Granted	107 563	46 100
Forfeited		
Vested		
Unvested at 30 June 2014	107 563	46 100
Granted	110 422	47 324
Forfeited	(3 368)	(1 443)
Vested		
Unvested at 30 June 2015	214 617	91 981
	Performance shares	Retention shares
Tranche 1		
Grant date	1 January 2014	1 January 2014
Vesting period ends	31 December 2016	31 December 2018
Fair value of shares at grant date	R73,17	R73,17
The inputs used in the measurement of the fair value at grant date were as follows:		
Expected life	3 years	5 years
Volatility	20,00%	20,00%
Interest-free rate after taxation of 28%	5,83%	5,83%
Dividend yield	5,81%	5,81%
Tranche 2		
Grant date	1 July 2014	1 July 2014
Vesting period ends	30 June 2017	30 June 2019
Fair value of shares at grant date	78,51	78,51
The inputs used in the measurement of the fair value at grant date were as follows:		
Expected life	3 years	5 years
Volatility	20,00%	20,00%
Interest-free rate after taxation of 28%	5,83%	5,83%
Dividend yield	6,92%	6,92%
The executive directors were allocated the following percentages of the total shares allocated:		
	Pieter Prinsloo (CEO)	Laurence Cohen (FD)
Tranche 1		
Performance shares	19%	10%
Retention shares	19%	10%
Tranche 2		
Performance shares	20%	11%
Retention shares	20%	11%

The charge to the statement of comprehensive income for the year ended 30 June 2015 amounted to R6,7 million. As the above are equity-settled share-based payments, the accounting treatment recognises the share-based payments in profit and loss on a straight-line basis over the vesting period, with a corresponding credit to equity.