

Note 32: Share-based payments

Details of options over ordinary shares in G8 Education Limited provided as an incentive to Key Management Personnel of the Group are set out below. The value of options at grant date is set out below. When exercisable, each option is convertible into one ordinary share of G8 Education Limited.

(a) Fair value of options granted

Executive Share Plan “the Plan”

In accordance with the terms and conditions of the Plan approved by shareholders on 21 May 2015, selected KMP are granted the right to acquire shares at a nominated exercise price subject to agreed service and performance criteria (i.e. vesting conditions).

The Plan is an equity plan where shares are acquired up front through the provision of a limited recourse loan from the Company, provided for the sole purpose of acquiring shares in the Company. It operates much like a traditional option plan, as the outstanding loan balance is effectively the ‘exercise price’ that must be paid before any value can be realised.

The following is a summary of the key terms and conditions of the Plan:

- The loan is repayable on termination date (3 years from approval) or earlier if there is a default in which case the shares are no longer held in escrow.
- No interest is payable on the loan.
- The shares are held in escrow as security for the outstanding loan.
- Limited recourse – if the KMP fails to repay the outstanding loan balance in accordance with the plan, they are under no obligation to repay the full amount of the outstanding loan balance and the Group must accept the net proceeds of the sale or buy-back of the shares in escrow in full satisfaction of the outstanding loan balance.
- Borrower is not able to sell, transfer or dispose of shares in escrow. However, the Borrower receives the benefits associated with the shares such as dividends and voting rights during the escrow period.
- The shares rank equally with other ordinary shares on issue with respect to dividends, distribution or return of capital and other rights.
- If borrower leaves the employment of G8 then all secured shares are transferred to a party nominated by G8 and the money owed reduced by number of shares transferred multiplied by \$5 per share – exception is where the borrower is unfit for work.
- Shares are released to borrower in tranches – if conditions are not met then the shares are transferred or cancelled to a party nominated by G8.
 - 1 year – 1/3 shares if EPS @ 31/12/15 is 40% more than EPS at 31/12/14
 - 2 years – 1/3 shares if EPS @ 31/12/16 is 15% above EPS at 31/12/15.
 - 3 years – 1/3 shares if EPS @ 31/12/17 is 15% above EPS at 31/12/16.

During 2016 1/3 of the shares were cancelled due to conditions of performance criteria not being met. Due to the vesting conditions not being met in 2016 shares 1/3 of the shares held in escrow were not released. The Group plans to discontinue the Executive Share Plan, which was in place for the full year in 2016 and will implement the new LTI scheme subject to shareholder approval.