

Notes to the Consolidated Financial Statements

continued

27. Share-based Payments

During the year, the Company operated the Unapproved Share Option Scheme, the Approved Share Option Scheme, the Long Term Incentive Plan 2008, the Save As You Earn (SAYE) Share Option Scheme, the Long Term Incentive Plan 2017 and the Global SAYE Plan 2018 as described below:

Unapproved and Approved Share Option Schemes

Under these Schemes, options are granted to certain Executives and employees of the Group (excluding Executive Directors) to purchase shares in the Company at a price fixed at the average market value over the three days prior to the date of grant. For the options to vest, there must be an increase in earnings per share of at least 12% above the growth in the UK Retail Prices Index (RPI) over a three year period. Once vested, options must be exercised within ten years of the date of grant.

Long Term Incentive Plan 2008

Vesting is dependent on two performance conditions which must be satisfied over a three year performance period commencing from the start of the financial year within which the award is granted. 50% of the award will vest dependent on the Company's TSR performance against an appropriate comparator group. 50% of the award will vest subject to a performance condition based on annual earnings per share targets. Each of the TSR and EPS elements is subject to an additional ROCE underpin. Unless the Company's ROCE is 10% or more in the final year of the performance period, the award will lapse in full.

SAYE Option Scheme

This scheme is open to all UK employees. Participants save a fixed amount of up to £500 per month for either three or five years and are then able to use these savings to buy shares in the Company at a price fixed at a 20% discount to the market value at the start of the savings period. Prior to 16 October 2012, participants were able to save for a seven year period. The SAYE options must ordinarily be exercised within six months of the completion of the relevant savings period. The exercise of these options is not subject to any performance criteria.

Long Term Incentive Plan 2017

(a) Long Term Incentive Plan Awards

Vesting is dependent on three performance conditions which must be satisfied over a three year performance period commencing from the start of the financial year within which the award is granted. One third of each award is subject to a performance condition based on the Company's TSR performance over the performance period relative to an appropriate comparator over the performance period. Two thirds of each award is subject to a performance condition based on the growth in the Group's underlying diluted EPS over the performance period. Both the TSR element and the EPS element are subject to an additional ROCE performance measure. Unless the Group's ROCE is 10% or more in the final year of the performance period, the awards will lapse in full regardless of TSR and EPS performance. For the purposes of this note they are detailed under the heading Long Term Incentive Plan.

(b) Qualifying LTIP Awards

In addition, awards can be structured as Qualifying LTIP Awards, consisting of a Company Share Option Plan (CSOP) option and a nil-cost LTIP award, with the ordinary award scaled back at exercise to take account of any gain made on exercise of the CSOP option. The Qualifying LTIP Awards are granted to the UK Senior Executive Team which includes the UK resident Executive Directors. The performance conditions are the same as those attached to the awards granted under Approved Share Option Schemes and Long Term Incentives Plan 2017. For the purposes of this note they are detailed under the heading Long Term Incentive Plan (Qualifying LTIP Awards).

(c) Market Value Options

Market value options may be granted under the LTIP 2017 as tax-advantaged CSOP options and as Unapproved share options. These options are granted to certain Executives and employees of the Group (excluding Executive Directors) to purchase shares in the Company at a price fixed at the average market value over the three days prior to the date of grant. For the options to vest, there must be an increase in earnings per share of at least 12% above the growth in the UK Retail Prices Index (RPI) over a three year period. Once vested, options must be exercised within ten years of the date of grant. For the purposes of this note they are detailed under the headings Unapproved and Approved Share Option Schemes.

Global SAYE Plan 2018

The Global SAYE Plan 2018 is an international share option plan, with two schedules, one of which is a UK SAYE Scheme and the other operates as a qualifying Employee Stock Purchase Plan for the benefit of employees in the USA. This scheme is currently open to all UK and USA employees. Participants save a fixed amount of up to £500 (or the USD equivalent) per month for either three years (UK scheme) or two years (USA Scheme). The employees are then able to use these savings to buy shares in the Company at a price fixed at a 10% discount to the market value at the start of the savings period. The SAYE options must ordinarily be exercised within six months of the completion of the relevant savings period. For USA employees, there is a 12 month holding period that applies. The exercise of these options is not subject to any performance criteria.

27. Share-based Payments continued

Year ended 30 June 2020

	Exercise Period	Exercise price per share Pence	At 1 July 2019 Number	Exercised Number	Granted Number	Lapsed Number	At 30 June 2020 Number
Unapproved Share Option Scheme							
1 March 2010†*	2013–2020	418.81	2,177	—	—	(2,177)	—
16 September 2013†	2016–2023	721.00	3,000	—	—	—	3,000
11 September 2014†	2017–2024	763.00	7,000	(2,000)	—	—	5,000
15 September 2015†	2018–2025	975.00	18,983	(1,526)	—	—	17,457
18 March 2016†	2019–2026	1118.00	475	(475)	—	—	—
19 September 2016†	2019–2026	1369.00	72,352	(26,489)	—	(3,000)	42,863
2 March 2018	2020–2028	2506.00	98,639	—	—	(5,500)	93,139
26 October 2018	2021–2028	2166.00	120,036	—	—	(6,000)	114,036
6 September 2019	2022–2029	2964.00	—	—	133,929	—	133,929
			322,662	(30,490)	133,929	(16,677)	409,424
Approved Share Option Scheme							
16 September 2013†	2016–2023	721.00	500	(500)	—	—	—
11 September 2014†	2017–2024	763.00	2,000	(2,000)	—	—	—
15 September 2015†	2018–2025	975.00	955	(32)	—	—	923
19 September 2016†	2019–2026	1369.00	9,148	(6,227)	—	—	2,921
2 March 2018	2021–2028	2506.00	7,993	—	—	—	7,993
26 October 2018	2021–2028	2166.00	2,906	—	—	—	2,906
6 September 2019	2022–2029	2964.00	—	—	8,071	—	8,071
			23,502	(8,759)	8,071	—	22,814
Long Term Incentive Plan							
19 September 2016†	2019–2020	—	143,969	(138,687)	—	(5,282)	—
2 March 2018	2020–2021	—	28,240	—	—	(1,282)	26,958
26 October 2018	2021–2022	—	98,679	—	—	—	98,679
6 September 2019	2022–2023	—	—	—	88,232	(3,570)	84,662
			270,888	(138,687)	88,232	(10,134)	210,299
Long Term Incentive Plan (Qualifying LTIP Awards)							
2 March 2018	2021–2028	2506.00	5,136	—	—	—	5,136
2 March 2018	2020–2021	—	49,217	—	—	—	49,217
26 October 2018	2021–2028	2166.00	1,350	—	—	(1,350)	—
26 October 2018	2021–2022	—	3,115	—	—	(3,115)	—
1 March 2019	2022–2029	2429.00	1,235	—	—	(606)	629
1 March 2019	2022–2023	—	4,940	—	—	(2,421)	2,519
			64,993	—	—	(7,492)	57,501
SAYE Option Scheme							
13 October 2014	2017–2020	614.00	13,419	(13,419)	—	—	—
12 October 2015	2018–2021	792.00	15,373	—	—	—	15,373
13 October 2016	2019–2022	1095.00	39,192	(34,413)	—	(948)	3,831
12 October 2017	2020–2023	1646.00	61,576	(759)	—	(4,615)	56,202
29 November 2018	2021–2024	1974.00	33,389	(331)	—	(5,348)	27,710
			162,949	(48,922)	—	(10,911)	103,116
Global SAYE Plan 2018							
4 October 2019	2022–2023	2573.00	—	—	30,073	(2,900)	27,173
16 October 2019	2021–2022	2571.00	—	—	20,632	(1,458)	19,174
			—	—	50,705	(4,358)	46,347
Total			844,994	(226,858)	280,937	(49,572)	849,501
Weighted average exercise price*			994.14p	432.32p	1498.16p	1117.27p	1338.99p

* Adjusted to reflect the bonus element of the Rights Issue — there has been no impact on the overall fair value of options in issue.

† Total share options exercisable at 30 June 2020 are 72,164.

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27. Share-based Payments continued

Year ended 30 June 2019

	Exercise price per share Pence	At 1 July 2018 Number	Exercised Number	Granted Number	Lapsed Number	At 30 June 2019 Number	
Unapproved Share Option Scheme							
10 October 2008†*	2011–2018	364.63	2,722	–	–	–	
30 March 2009†*	2012–2019	381.15	8,709	(6,532)	–	–	
1 March 2010†*	2013–2020	418.81	2,177	–	–	2,177	
28 February 2011†*	2014–2021	461.97	3,221	(3,221)	–	–	
10 September 2012†	2015–2022	541.00	13,000	(13,000)	–	–	
16 September 2013†	2016–2023	721.00	6,765	(3,765)	–	3,000	
11 September 2014†	2017–2024	763.00	14,341	(7,341)	–	7,000	
15 September 2015†	2018–2025	975.00	41,255	(22,436)	–	18,983	
18 March 2016†	2019–2026	1118.00	950	(475)	–	475	
19 September 2016	2019–2026	1369.00	78,352	–	–	72,352	
2 March 2018	2020–2028	2506.00	112,310	–	–	98,639	
26 October 2018	2021–2028	2166.00	–	–	130,209	120,036	
			283,802	(56,770)	130,209	(34,579)	322,662
Approved Share Option Scheme							
16 September 2013†	2016–2023	721.00	500	–	–	500	
11 September 2014†	2017–2024	763.00	4,659	(2,659)	–	2,000	
15 September 2015†	2018–2025	975.00	13,440	(12,485)	–	955	
18 March 2016†	2019–2026	1118.00	5,050	(5,050)	–	–	
19 September 2016	2019–2026	1369.00	9,148	–	–	9,148	
2 March 2018	2021–2028	2506.00	9,190	–	–	7,993	
26 October 2018	2021–2028	2166.00	–	–	4,291	2,906	
			41,987	(20,194)	4,291	(2,582)	23,502
Long Term Incentive Plan							
15 September 2015	2018–2019	–	155,834	(155,834)	–	–	
22 March 2016	2019	–	8,786	(5,857)	–	–	
19 September 2016	2019–2020	–	149,463	–	–	143,969	
10 October 2016	2019–2020	–	5,319	–	–	–	
7 March 2017	2019	–	21,033	(21,033)	–	–	
2 March 2018	2020–2021	–	28,240	–	–	28,240	
26 October 2018	2021–2022	–	–	–	124,268	98,679	
			368,675	(182,724)	124,268	(39,331)	270,888
Long Term Incentive Plan (Qualifying LTIP Awards)							
2 March 2018	2021–2028	2506.00	7,530	–	–	5,136	
2 March 2018	2020–2021	–	74,281	–	–	49,217	
26 October 2018	2021–2028	2166.00	–	–	1,350	1,350	
26 October 2018	2021–2022	–	–	–	3,115	3,115	
1 March 2019	2022–2029	2429.00	–	–	1,235	1,235	
1 March 2019	2022–2023	–	–	–	4,940	4,940	
			81,811	–	10,640	(27,458)	64,993
SAYE Option Scheme							
7 April 2014	2017–2019	552.00	20,101	(18,471)	–	–	
13 October 2014	2017–2020	614.00	16,378	(431)	–	13,419	
12 October 2015	2018–2021	792.00	79,761	(63,536)	–	15,373	
13 October 2016	2019–2022	1095.00	42,484	(519)	–	39,192	
12 October 2017	2020–2023	1646.00	69,548	(355)	–	61,576	
29 November 2018	2021–2024	1974.00	–	–	34,527	33,389	
			228,272	(83,312)	34,527	(16,538)	162,949
Total			1,004,547	(343,000)	303,935	(120,488)	844,994
Weighted average exercise price*			759.65p	360.10p	958.52p	772.84p	994.14p

* Adjusted to reflect the bonus element of the Rights Issue – there has been no impact on the overall fair value of options in issue.

† Total share options exercisable at 30 June 2019 are 35,090.

27. Share-based Payments continued

The weighted average exercise price of options eligible to be exercised at 30 June 2020 was 1199.72p (2019: 862.72p). For options exercised during the year, the weighted average market price at the date of exercise was 2777.57p (2019: 2365.36p). The weighted average remaining contractual lives of options outstanding at the Consolidated Statement of Financial Position date was 4.9 years (2019: 4.3 years).

Outstanding options on all Long Term Incentive Plan, Approved and Unapproved plans prior to 30 June 2019 were exercisable at 30 June 2020. No options issued under SAYE plans were exercisable at 30 June 2020 (2019: nil).

The fair values for shares granted under the Unapproved, Approved and SAYE Option Schemes have been calculated using the Black-Scholes option pricing model. The fair values of shares awarded under the Long Term Incentive Plan have been calculated using a Monte Carlo simulation model which takes into account the market-based performance conditions attaching to those shares. The assumptions used in calculating fair value are as follows:

Long Term Incentive Plan

Date of grant	10/10/16	19/09/16
Number of shares awarded	5,319	149,463
Share price at date of grant	1389p	1379p
Exercise price	Nil	Nil
Expected life	3 years	3 years
Risk-free rate	0.12%	0.12%
Volatility	22%	22%
Dividend yield	1.54%	1.54%
Fair value per share	1108p	1108p

Unapproved and Approved Share Option Schemes

		26/10/18				
Date of grant	06/09/19	& 01/03/19	02/03/18	19/09/16	18/03/16	15/09/15
Number of shares awarded	8,071	6,876	17,917	106,000	6,000	74,000
Share price at date of grant	3036p	2188p	2548p	1379p	1185p	990p
Exercise price	2964p	2166p	2506p	1369p	1188p	975p
Expected life	6.5 years	6.5 years	6.5 years	6.5 years	6.5 years	6.5 years
Risk-free rate	0.31%	1.05%	1.20%	0.47%	1.02%	1.47%
Volatility	28%	28%	23%	26%	26%	27%
Dividend yield	1.00%	0.90%	1.91%	1.54%	1.62%	0.54%
Fair value per share	928p	596p	521p	305p	273p	284p

Long Term Incentive Plan 2017

Valuation date	06/09/19
Award date	06/09/19
Vesting date	30/09/22
Expected exercise	30/09/22

Type of awards	Standalone Nil-cost options		Conditional share awards		Nil-cost options (CSOP linked and standalone options)		Market value options
Holding period restriction	2 years		2 years		N/A		N/A
Number of awards at grant	11,696	23,391	3,661	7,323	14,053	28,108	133,929
Share price at date of grant	3036p	3036p	3036p	3036p	3036p	3036p	3036p
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil	2964p
Expected life	3.07 years	3.07 years	3.07 years	3.07 years	3.07 years	3.07 years	6.50 years
Risk-free rate	0.34%	0.34%	0.34%	0.34%	0.34%	0.34%	0.34%
Volatility	28.2%	28.2%	28.2%	28.2%	28.2%	28.2%	28.2%
Dividend yield	n/a	1.0%	n/a	1.0%	n/a	1.0%	1.0%
Fair value per share	1872p	2647p	1872p	2647p	2080p	2941p	928p

Notes to the Consolidated Financial Statements

continued

27. Share-based Payments continued

Long Term Incentive Plan 2017

Valuation date	26/10/18 & 01/03/19
Award date	26/10/18 & 01/03/19
Vesting date	30/09/21
Expected exercise	30/09/21

Type of awards	Standalone Nil-cost options		Conditional share awards		Nil-cost options (CSOP linked and standalone options)		Market value options
Holding period restriction	2 years		2 years		N/A		N/A
Number of awards at grant	23,919	47,838	4,815	9,629	15,374	30,748	130,209
Share price at date of grant	2188p	2188p	2188p	2188p	2188p	2188p	2188p
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil	2166p
Expected life	2.93 years	2.93 years	2.93 years	2.93 years	2.93 years	2.93 years	6.5 years
Risk-free rate	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	1.05%
Volatility	27.95%	27.95%	27.95%	27.95%	27.95%	27.95%	27.95%
Dividend yield	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%
Fair value per share	943p	1939p	943p	1939p	1036p	2131p	596p

Long Term Incentive Plan 2017

Valuation date	02/03/18
Award date	02/03/18
Vesting date	30/09/20
Expected exercise	30/09/20

Type of awards	Nil-cost options (CSOP linked)		Conditional share awards		Nil-cost options (CSOP linked and standalone options)		Market value options
Holding period restriction	2 years		2 years		N/A		N/A
Number of awards at grant	20,459	40,918	4,033	8,066	9,682	19,363	114,113
Share price at date of grant	2506p	2506p	2506p	2506p	2506p	2506p	2506p
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expected life	2.58 years	2.58 years	2.58 years	2.58 years	2.58 years	2.58 years	6.5 years
Risk-free rate	0.82%	0.82%	0.82%	0.82%	0.82%	0.82%	1.20%
Volatility	23.21%	23.21%	23.21%	23.21%	23.21%	23.21%	23.21%
Dividend yield	1.91%	1.91%	1.91%	1.91%	1.91%	1.91%	1.91%
Fair value per share	1979p	22.50p	19.79p	22.50p	21.33p	24.25p	522p

27. Share-based Payments continued**Save As You Earn Option Scheme and Global SAYE Scheme**

Date of grant	16/10/2019	04/10/2019	29/11/18	12/10/17	13/10/16	12/10/15
Number of shares awarded	20,632	30,073	34,527	73,108	52,877	101,513
Share price at date of grant	2626p	2736p	2136p	2175p	1370p	930p
Exercise price	2517p	2573p	1974p	1646p	1095p	792p
Expected life						
– two year scheme	2.0 years	–	–	–	–	–
– three year scheme	–	3.0 years	3.4 years	3.25 years	3.25 years	3.25 years
– five year scheme	–	–	5.4 years	5.25 years	5.25 years	5.25 years
Risk-free rate						
– two year scheme	0.52%	–	–	–	–	–
– three year scheme	–	0.25%	0.77%	0.54%	0.22%	0.83%
– five year scheme	–	–	0.91%	0.79%	0.44%	1.17%
Volatility						
– two year scheme	32.10%	–	–	–	–	–
– three year scheme	–	28.60%	27.94%	21.6%	22%	22%
– five year scheme	–	–	25.09%	22.2%	24%	26%
Dividend yield	1.20%	1.20%	0.95%	1.91%	1.51%	0.53%
Fair value per share						
– two year scheme	486p	–	–	–	–	–
– three year scheme	–	504p	485p	551p	302p	215p
– five year scheme	–	–	530p	587p	346p	283p

Expected volatility was determined by calculating the historical volatility of the Group's share price over its entire trading history.

National Insurance contributions are payable by the Company in respect of some of the share-based payments. These contributions are payable on the date of exercise based on the intrinsic value of the share-based payments and are therefore treated as cash settled awards. The Group had an accrual at 30 June 2020 of £0.6 million (2019: £1.0 million), of which £0.1 million (2019: £0.2 million) related to vested options. The total charge to the Consolidated Income Statement within administrative expenses in respect of share-based payments was:

	2020 £m	2019 £m
Equity settled share-based transactions	1.5	2.3
Cash settled share-based transactions	–	0.1
	1.5	2.4

28. Changes in Net Debt

	At 1 July 2019 £m	Cash flows £m	Acquisitions £m	Changes in accounting policy £m	Foreign exchange movements £m	Other non-cash movements £m	At 30 June 2020 £m
Cash and cash equivalents	80.3	143.8	–	–	3.3	–	227.4
Lease liabilities within one year	–	3.6	–	(2.7)	–	(4.1)	(3.2)
Bank loans within one year	(1.2)	1.3	–	–	–	(1.5)	(1.4)
Lease liabilities after one year	–	–	(0.1)	(10.0)	–	(1.7)	(11.8)
Bank loans and senior loan notes after one year	(306.9)	(25.1)	–	–	(6.3)	(0.3)	(338.6)
Net debt	(227.8)	123.6	(0.1)	(12.7)	(3.0)	(7.6)	(127.6)