

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

8 EQUITY STRUCTURE (continued)

8.3 Dividends

Dividends declared to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's directors.

	2015 Cents per share	2015 Rm	2014 Cents per share	2014 Rm
Dividends paid				
Final dividend paid in respect of the prior year	800	14 698 ²	665	12 302 ²
Interim dividend paid in respect of the current year	480	8 808 ²	445	8 225 ²
		23 506		20 527
Dividends declared				
Approved after the reporting date and not recognised as a liability	830 ¹	15 219 ²	800	14 694

¹ Declared at the board meeting on 2 March 2016.

² Excluding dividends on 10 400 061 (2014: 10 704 475) treasury shares.

8.4 Share-based payments

Equity-settled share-based payments

The schemes described below are accounted for as equity-settled share-based payments to employees. Equity-settled share-based payments are measured at fair value (excluding the effect of service or non-market-based vesting conditions) at the grant date. The fair value is measured using a stochastic model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations where applicable. The fair value determined at the grant date of the equity-settled share-based options or rights is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity, based on the Group's estimate of the shares that will eventually vest. The expense is adjusted to reflect the actual number of options and share rights for which the related service and non-market-based vesting conditions are met.

Where employees exercise options or share rights in terms of the rules and regulations of the schemes, new shares are issued to participants as beneficial owners. The directors procure a listing of these shares on the JSE Limited, the securities exchange on which the Company's shares are listed. In terms of the Share Option Scheme participants entitled to share options pay a consideration equal to the option price when the options are exercised. The nominal value of shares issued is credited to share capital and the difference between the nominal value and the option price is credited to share premium. Settlement of the performance share plan (PSP) awards are done through the acquisition of shares in the open market and the subsequent delivery to participants.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

8 EQUITY STRUCTURE (continued)

8.4 Share-based payments (continued)

The MTN Group share options, share appreciation rights and share rights schemes and performance share plan

The Group operates a number of equity-settled share-based payment schemes for the benefit of eligible employees, including executive directors, in accordance with the schemes' rules. The schemes are designed to retain and recognise the contributions of executive directors and eligible employees and to provide additional incentives to contribute to the Group's continued growth.

The performance share plan is the active scheme which superseded the share option scheme, the share appreciation rights and the share rights scheme. The superseded schemes will be wound up once all unvested and/or unexercised awards previously made have run their remaining course.

The vesting periods under the share rights scheme, share option scheme and share appreciation rights scheme are as follows: 20%, 20%, 30% and 30% on the anniversary of the second, third, fourth and fifth years, respectively, after the grant date. The strike price for these schemes is determined as the closing market price for the MTN Group Limited shares on the day prior to the date of allocation. Unexercised options and rights lapse 10 years from the date of grant and are forfeited if the employee leaves the Group before they vest.

The vesting period for the performance share plan is three years and the awards vest in full based on set performance targets.

The total number of shares which may be allocated for the purposes of the schemes shall not exceed 5% of the total issued ordinary share capital of the Company, being 92 274 662 shares as approved by shareholders in 2001.

MTN Group share options

No new options were granted in the current or prior year and no expense was recognised as the above options vested in prior periods. During the current year, no share options were exercised (2014: 63 830 share options exercised).

This share option scheme has been superseded by the introduction of the Group share appreciation rights schemes described below.

MTN Group Share Appreciation Rights Scheme and Share Rights Scheme (the rights schemes)

The Share Appreciation Rights Scheme was implemented on 31 May 2006, and superseded the share option scheme.

On 26 August 2008, the board approved the Share Rights Scheme, which superseded the Share Appreciation Rights Scheme. Both the rights schemes operate under the same provisions with the exception that the share rights scheme was extended to allow participation by junior managers.

Share rights under the rights schemes are granted to eligible employees by the relevant employer subsidiary company. Exercised rights are equity-settled whereby the relevant subsidiary purchases the required MTN shares in the open market.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

8 EQUITY STRUCTURE (continued)

8.4 Share-based payments (continued)

MTN Group Share Appreciation Rights Scheme and Share Rights Scheme (the rights schemes) (continued)

Details of the outstanding share appreciation rights are as follows:

	Strike price R	Number outstanding at 31 December 2014	Forfeited during 2015	Exercised during 2015	Number outstanding at 31 December 2015
Offer date					
31 May 2006	56,83	186 200	–	(59 440)	126 760
21 November 2006	71,00	46 500	–	(700)	45 800
22 June 2007	96,00	12 240	–	–	12 240
19 March 2008	126,99	191 801	–	(901)	190 900
Total		436 741	–	(61 041)	375 700

Details of the outstanding share rights are as follows:

	Strike price R	Number outstanding at 31 December 2014	Forfeited during 2015	Exercised during 2015	Number outstanding at 31 December 2015
Offer date					
1 September 2008	118,64	197 706	(3 900)	(56 416)	137 390
28 June 2010	107,49	701 430	(3 100)	(295 690)	402 640
Total		899 136	(7 000)	(352 106)	540 030

The share rights and share appreciation rights outstanding at the end of the year have a weighted average remaining contractual life of three years (2014: four years).

There were no new grants during the 2015 or 2014 financial year.

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

8 EQUITY STRUCTURE (continued)

8.4 Share-based payments (continued)

MTN performance share plan (PSP)

During prior financial years the Group granted eligible employees share rights under the PSP, established in 2010. The rights were granted to employees on level 3, 4, 5 and 6. The PSP was established in order to attract, retain and reward selected employees who are able to contribute to the business of the employer companies and to stimulate their personal involvement thereby encouraging their continued service and encouraging them to advance the interests of the relevant employer company and the Group in general.

The share rights vest after three years from date of grant. The following performance conditions must be fulfilled to qualify for the percentage of the shares granted as stated in the table below:

	Proportion of grant	
	Employee level 3 – 4 %	Employee level 5 – 6 %
Vesting conditions for shares granted		
Total shareholder return	37,5	50,0
Adjusted free cash flow growth	37,5	50,0
Individual retention (guaranteed, subject to remaining on the PSP for the duration of the award fulfilment period)	25,0	–

Notes to the Group financial statements *continued*

for the year ended 31 December 2015

8 EQUITY STRUCTURE (continued)

8.4 Share-based payments (continued)

MTN performance share plan (PSP) (continued)

For the total shareholder return vesting condition, vesting is based on a sliding scale that ranges from 25% vesting at the median to 100% vesting at the 75 percentile of the performance of a comparable group of companies listed on the JSE. For the adjusted free cash flow vesting condition, vesting is based on a sliding scale between 11% and 19% compound annual growth in the adjusted free cash flow, for all grants prior to 2014. The sliding scale has been revised by the board of directors to between 6% and 10% compound annual growth in the adjusted free cash flow, for all grants made in 2014 and thereafter. The individual return retention condition is guaranteed subject to the employee remaining employed by the Group for the duration of the vesting period.

Details of the outstanding equity-settled performance share plan rights are as follows:

	Number outstanding at 31 December 2014			Exercised during 2015	Number outstanding at 31 December 2015
Offer date		Offered	Forfeited		
29 December 2011	1 145 581	–	(304 414)	(841 167)	–
28 December 2012	1 556 933	–	(278 450)	–	1 278 483
20 December 2013	2 090 403	–	(458 030)	–	1 632 373
19 December 2014	2 291 800	–	(487 162)	–	1 804 638
Total	7 084 717	–	(1 528 056)	(841 167)	4 715 494

A valuation has been prepared using a stochastic model to determine the fair value of the performance share plan and the expense to be recognised for share rights granted during the prior year. No new grants were made during the year.

The range of inputs into the stochastic model used for rights granted during the prior year was as follows:

	2014
Share price	221,41
Expected life	3 years
Risk-free rate	6,48% to 6,85%
Expected volatility	20,63% to 21,26%
Dividend yield	4,66%

The risk-free rate was estimated using the implied yield on SA zero-coupon government bonds.

Volatility was estimated using the weekly closing share price and the dividend yield was estimated by using a one-year moving average of the dividend yield at valuation date.

	2015 Rm	2014 Rm
Expense arising from equity-settled share-based payment transactions (note 2.4)	179	110