Notes to the Consolidated And Separate Annual Financial Statements

17. Cash-settled share-based payment arrangements

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000
Cash-settled share-based payment liability				
Balance at the beginning of the year	9,748	2,111	9,748	2,111
Share-based payment expense*	12,848	8,869	12,848	8,869
Share grants vested and paid	(2,284)	(1,232)	(2,284)	(1,232)
Balance at the end of the year	**20,312**	**9,748**	**20,312**	**9,748**
Non-current liability	12,518	8,490	12,518	8,490
Current liability	7,794	1,258	7,794	1,258
	20,312	**9,748**	**20,312**	**9,748**

* the expense is charged to profit and loss R13m (2021: R9m).

Cash-settled grants

The share incentive scheme was approved by shareholders on 13 April 2010. Over time various share grants and share options were issued to directors and employees of the Company.

The purpose of the share incentive scheme is to serve as an incentive and reward to employees (including executive directors) of the Company and its subsidiaries for services rendered and to be rendered, aimed at promoting the continued growth of the Company by giving employees an opportunity to acquire shares in the Company and to serve as a retention mechanism for employees whose services are regarded by the Company to be crucial to the future growth and sustainability of the Company's business. Share options and share grants are granted by the Board on the recommendation of the Remuneration Committee.

1.4m share grants were forfeited due to performance conditions not being met. In the prior year, 0.74m share grants were forfeited due to performance conditions and 3.7m were due to an employee leaving the Group before the grants vested.

The Monte Carlo option pricing model was used to determine the fair value of the share grants.

The vesting of the grants is based solely on performance which is measured based on two conditions as follows: 50% based on Merafe's total shareholder return (TSR) and 50% based on HEPS growth.

If Merafe's TSR over the three-year period places it in one of the top four positions, then 50% of the number of performance shares granted (TSR Portion) will vest in equal proportions on the 3rd, 4th and 5th anniversaries of their grant. If Merafe's TSR over the three-year period places it in 6th position, then one third of the TSR Portion will vest in equal proportions on the 3rd, 4th and 5th anniversaries on their grant. If Merafe's performance over the three-year period lies between any of the above points, then a prorated number of the TSR Portion will vest in equal proportions on the 3rd, 4th and 5th anniversaries of their grant. No share grants will vest for positions 7 and less.

Vesting of the other 50% of grant shares will be in accordance with the following policy as determined by the Board:

- The performance shares allocated will be subject to performance against the growth in HEPS measure;
- If performance meets or exceeds target, i.e. CPI + 2% per annum over the performance period, 100% of shares will vest;
- If performance is at threshold, i.e. CPI + 1% per annum over the performance period, 50% of shares subject to this measure will vest;
- For performance below threshold, 0% of shares subject to this measure, will vest; and
- Linear vesting will take place between different performance milestones.

To avoid dilution of equity, all grants are currently cash settled.

Figures in Rand thousand

17. Cash-settled share-based payment arrangements (continued)

The following assumptions were used in the valuation model:

	2022 2018 - 2022 share grants	**2021 2015 - 2021 share grants**
Risk free rate	7.63%	5.38%
Expected volatility*	55.65%	62.63%
Expected dividend yield	7.66%	12.87%
Expected life (years)	0.25 - 4.25	0.25 - 4.25
Vesting periods (years)	3 to 5	3 to 5
Weighted average share price (Rands)	R1.27	R0.77
Weighted average exercise price (Rands)	R1.81	R0.77
Weighted average grant price (Rands)	R0.3 to R1.85	R0.3 to R1.67
Weighted average option value (Rands)	R0.71	R0.82
Performance conditions	Yes	Yes
Intrinsic value of shares	R45.9m	R39.8m

* The expected volatility of 55.65% (2021: 62.63%) is based on historic volatility of the Merafe share price over the past five years.

The following share grants relating to employees and executive directors were outstanding at 31 December 2022:

Vesting date	**Number of shares**	**Share grant date**
01 April 2023	665,776	01 April 2018
01 April 2023	1,275,312	01 April 2019
01 April 2023	6,387,841	01 April 2020
06 August 2023	213,154	06 August 2018
01 April 2024	1,275,315	01 April 2019
01 April 2024	6,387,842	01 April 2020
01 April 2024	2,647,590	01 April 2021
01 April 2025	6,387,846	01 April 2020
01 April 2025	2,647,592	01 April 2021
01 April 2025	1,405,178	01 April 2022
01 April 2026	2,647,595	01 April 2021
01 April 2026	1,405,179	01 April 2022
01 April 2027	1,405,181	01 April 2022
	34,751,401	

	Group		Company	
	2022 R '000	2021 R '000	2022 R '000	2021 R '000

17. Cash-settled share-based payment arrangements (continued)

The following share grants relating to executive directors were outstanding at 31 December 2022:

Vesting date	**Ms Z Matlala Number of shares**	**Mr D Chocho Number of shares**
01 April 2023	576,692	-
01 April 2023	781,971	337,500
01 April 2023	3,904,903	1,685,363
06 August 2023	-	208,333
01 April 2024	781,971	337,500
01 April 2024	3,904,903	1,685,363
01 April 2024	1,618,480	698,538
01 April 2025	3,904,903	1,685,363
01 April 2025	1,618,480	698,538
01 April 2025	709,641	324,299
01 April 2026	1,618,480	698,538
01 April 2025	709,641	324,299
01 April 2027	709,641	324,299
	20,839,706	**9,007,933**

The movement in the number of share grants can be summarised as follows:

	2022 Number of shares	**2021 Number of shares**
Opening balance	33,168,448	30,366,553
Granted during the year	4,215,538	8,824,429
Vested during the year	(1,258,916)	(1,598,933)
Forfeited during the year	(1,373,669)	(4,423,601)
Closing balance	**34,751,401**	**33,168,448**

18. Trade and other payables

	Group 2022 R '000	Group 2021 R '000	Company 2022 R '000	Company 2021 R '000
Financial instruments:				
Trade payables	538,945	610,255	305	299
Related party loan: GOSA	121,847	58,836	-	-
Other payables	48,146	68,232	1,119	1,652
	708,938	737,323	1,424	1,951
Non-financial instruments:				
Employee benefit accruals	131,101	125,271	18,042	15,104
	840,039	**862,594**	**19,466**	**17,055**

Trade payables are non-interest bearing and are normally settled on 30 to 45 day terms. Other payables are non-interest bearing and are normally settled on 30 day terms. An accrual is recognised for the employer's liability for annual leave and associated costs. The accrual for compensated absences is recognised when the employee renders the service and the accrual is updated on a monthly basis. Employee benefits include an accrual for bonuses in terms of the Group's bonus scheme. The Group's exposure to currency, credit and liquidity risk related to trade and other payables are disclosed in note 27.

Refer to note 32 for other trade payables from related parties.