
Summarised consolidated financial results for the year ended 31 March 2019


MULTICHOICE

ENRICHING LIVES

MultiChoice Group Limited

# EXECUTIVE REVIEW OF OUR PERFORMANCE

## MultiChoice Group (MCG or the group) delivered solid results for the year ended 31 March 2019.

A total of 1.6m subscribers were added across the continent, representing 12% year-on-year (YoY) growth, taking the overall active subscriber base to 15.1m subscribers. This was achieved despite continued macroeconomic headwinds and consumer affordability pressure, illustrating the resilience of our products. The year also marks the first time that the Rest of Africa (RoA) base of 7.7m subscribers exceeded the 7.4m subscribers in South Africa.

The group generated revenue of R50.1bn, up 6% on last year (6% organic). Subscription revenue amounted to R41.2bn, up 7% on last year (8% organic). This represents an acceleration in growth from previous years driven by the continued success of our value strategy in the RoA and a healthy contribution from South Africa.

Group trading profit rose 11% to R7bn (27% organic) benefiting from a R0.9bn reduction in losses in RoA. As part of the group's cost optimisation programme, a further R1.3bn in costs were removed from the base during the year. This resulted in overall costs being contained to an increase of 5% (2% organic) and achieved the group target of keeping the rate of growth in costs below the rate of growth in revenue.

The group continued its investment in local content adding a further 4 600 hours to take the local content library to nearly 50 000 hours. The spend on local general entertainment content as a percentage of total general entertainment content increased from 38% to 40%, in line with the strategy to reach a target of 45%.

Core headline earnings, the board's measure of sustainable business performance, was up 10% on last year at R1.8bn.

Consolidated free cash flow of R3.3bn was up 96% compared to the prior year. This was achieved after an improvement in the trading result from the RoA, the non-recurrence of once-off content prepayments in the prior year and remittances of cash from Angola.

Capital expenditure of R1bn was slightly up YoY due to additional investments in information technology infrastructure to improve customer experience as well as the renewal of our digital terrestrial television (DTT) licence in Nigeria. The cash conversion ratio (EBITDA-Capex/EBITDA) remains positive at 90%.

As one of the largest taxpayers in Africa, MCG paid direct cash taxes of R3.7bn, in line with the previous year.

Net interest paid amounted to R305m, an increase of R152m from the previous year. This was due to an increase in the interest-bearing loan funding received from Naspers in the RoA segment which was capitalised as part of the unbundling.

# EXECUTIVE REVIEW OF OUR PERFORMANCE continued

The group balance sheet is strong with R9.8bn in net assets, including R6.7bn of cash and cash equivalents and R3.5bn in undrawn facilities providing R10.2bn in financial flexibility to fund our business plan.

## Segmental review

### South Africa

The South African business delivered subscriber growth of 8% YoY or 0.5m subscribers and generated revenues of R33.7bn, up 3% (4% organic) from the prior year. This was on the back of healthy subscriber growth in the mass market and despite absorbing a 1% increase in value-added tax by not passing it on to customers. The Premium segment remained under pressure as consumers were impacted by rising fuel and other costs and we competed for share of wallet. ARPU declined from R335 to R322 due to the ongoing change in subscriber mix towards the mass market. Trading profit was in line with the prior year at R10.2bn, while the trading margin remained relatively stable at 30%.

The segment continued to drive product enhancements by expanding the content offering in some of its bouquets and adding JOOX, a music streaming service, to its platform. Sustained efforts to grow the digital offering through Connected Video and position the business for the future, saw good uptake of both the Showmax and DStv Now services. As a result, online subscribers doubled YoY.

### Rest of Africa

The Rest of Africa (RoA) business continued to build on the success of its value strategy by growing the subscriber base 17% YoY or 1.1m subscribers. The Fifa World Cup resonated extremely positively with our customers and we used the event to drive uptake of our products on both the satellite and digital terrestrial platforms.

The strong subscriber growth translated into revenue growth of 13% (13% organic) to R14.8bn, while trading losses reduced 19% (41% organic) or R0.9bn (R1.9bn organic) to R3.7bn. Encouragingly, average revenue per user (ARPU) in the RoA has stabilised at R159 (FY2018: R160). This is despite the macroeconomic environment that remained challenging with material currency depreciation in the Angolan kwanza (60%), Zambian kwacha (17%) and the Ghanaian cedi (11%).

To solidify our position in the Angolan market, we converted the Angolan operation from an agency to a subsidiary, which has been fully consolidated, from 1 February 2019.

Cash balances and trade receivables of R298m held in Angola and Zimbabwe that remain exposed to weakening currencies, have reduced 80% compared to last year's balance. Liquidity constraints in Angola improved considerably in FY2019, leaving a closing cash position of R168m as at 31 March 2019.

### Technology segment

The Technology segment delivered steady results and contributed R1.6bn in revenues and R0.6bn in trading profit. Despite the impact of non-recurring projects, which generated revenues in the prior year, tight cost controls resulted in trading profits increasing 18% (21% organic) YoY.

Irdeto had some key customer wins in FY2019, including Tata Sky and Bharti Airtel in India. It continues to invest in connected industries, a market which is showing great promise, and that should start contributing more meaningfully to group revenues in the medium term.

## Empowerment transaction

The group remains fully committed to broad-based black economic empowerment and transformation. To reinforce this, on 4 March 2019, the date of the group unbundling from Naspers Limited, the group allocated, for no consideration, an additional 5% stake in the MultiChoice South Africa group to Phuthuma Nathi, our black economic empowerment scheme. The value of this 5% has been calculated at R1.9bn, after the impact of the non-controlling interest, which has an adverse impact on earnings and headline earnings per share of 438 SA cents.

## Prospects

In the year ahead, the group will continue scaling its video-entertainment services across the continent, mainly in the middle and mass markets. Top-line volume growth combined with inflationary price increases and a focus on cost containment is expected to deliver a continued reduction in trading losses in the RoA and stable margins in South Africa and the Technology segment. Innovation is core to our future, and we will continue to drive the adoption of online products (particularly in South Africa).

## Dividend

As set out in the pre-listing statement no dividend is being declared for FY2019. The group remains on track to declare a dividend of R2.5bn, or 569 SA cents per share, for FY2020.

## Directorate

On 14 May 2019, Ms Christine Sabwa was appointed to the board as an independent non-executive director. Over the past 21 years, she gained experience in audit, accounting, special investigations, revenue assurance, risk management, banking, governance and digital finance.

No other changes have been made to the directorate of the group since the publishing of the pre-listing statement on 21 January 2019.

## Group company secretary

On 1 April 2019, Mrs R J Gabriels relinquished her secretarial duties as acting group company secretary for MultiChoice Group Limited. Ms D M Dickson was subsequently appointed as the group company secretary on 1 April 2019 by the board.

## Preparation of the summarised consolidated financial results

The preparation of the summarised consolidated financial results was supervised by the group's chief financial officer, Mr Tim Jacobs CA(SA). These results were made public on 18 June 2019.

# EXECUTIVE REVIEW OF OUR PERFORMANCE continued

We operate in 50 countries, resulting in significant exposure to foreign exchange volatility. This can have a notable impact on reported revenue and trading profit metrics, particularly in the RoA where revenues are earned in local currencies while the cost base is largely US dollar denominated.

Where relevant in this report, amounts and percentages have been adjusted for the effects of foreign currency and acquisitions and disposals to reflect underlying trends. These adjustments (non-IFRS performance measures) are quoted in brackets as organic, after the equivalent metrics reported under International Financial Reporting Standards (IFRS). A reconciliation of non-IFRS performance measures (core headline earnings and free cash flow) to the equivalent IFRS metrics is provided in note 11 of these summarised consolidated financial results. These non-IFRS performance measures constitute pro forma financial information in terms of the JSE Listings Requirements.

The company's external auditor has not reviewed or reported on forecasts included in these summarised consolidated financial results.

On behalf of the board

**Imtiaz Patel**
*Chair*

**Calvo Mawela**
*Chief executive*

# SUMMARISED CONSOLIDATED INCOME STATEMENT

for the year ended 31 March

| | Notes | 2019 R'm | 2018 R'm | % change |
|---|---|---|---|---|
| Revenue | 2 | **50 095** | 47 452 | 6 |
| Cost of providing services and sale of goods | | **(29 203)** | (27 588) | |
| Selling, general and administration expenses | | **(13 496)** | (13 058) | |
| Other operating losses – net | | **(33)** | (425) | |
| **Operating profit** | | **7 363** | 6 381 | 15 |
| Interest income | 4 | **910** | 699 | |
| Interest expense | 4 | **(1 437)** | (1 548) | |
| Net foreign exchange translation (losses)/gains | 4 | **(1 492)** | 699 | |
| Empowerment transaction | 6 | **(2 564)** | – | |
| Share of equity-accounted results | | **(171)** | (97) | |
| Other (losses)/gains – net | | **(112)** | 113 | |
| **Profit before taxation** | 5 | **2 497** | 6 247 | (60) |
| Taxation | | **(3 773)** | (3 709) | |
| **(Loss)/profit for the year** | | **(1 276)** | 2 538 | <(100) |
| **Attributable to:** | | | | |
| Equity holders of the group | | **(1 644)** | 1 456 | |
| Non-controlling interests | | **368** | 1 082 | |
| | | **(1 276)** | 2 538 | |
| Basic and diluted headline (loss)/earnings for the year (R'm) | 3 | **(1 550)** | 1 797 | <(100) |
| Basic and diluted headline (loss)/earnings per ordinary share (SA cents) | 3 | **(353)** | 410 | <(100) |
| Basic and diluted (loss)/earnings for the year (R'm) | | **(1 644)** | 1 456 | <(100) |
| Basic and diluted (loss)/earnings per ordinary share (SA cents) | | **(374)** | 332 | <(100) |
| Net number of ordinary shares issued (million) | | **439** | 439 | |

# SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March

| | 2019 R'm | 2018 R'm |
|---|---|---|
| **(Loss)/profit for the year** | **(1 276)** | 2 538 |
| **Total other comprehensive income, net of tax, for the year:** | **(5 365)** | 4 147 |
| Exchange (loss)/gain arising on translation of foreign operations[1]* | **(6 181)** | 4 607 |
| Fair-value gains/(losses) on investments held at fair value | **50** | (47) |
| Net movement in hedging reserve* | **1 326** | (565) |
| Net tax effect of movements in hedging reserve* | **(560)** | 152 |
| **Total comprehensive (loss)/income for the year** | **(6 641)** | 6 685 |
| **Attributable to:** | | |
| Equity holders of the group | **(6 722)** | 5 077 |
| Non-controlling interests | **81** | 1 608 |
| | **(6 641)** | 6 685 |

(1) *Relates to translation of foreign currency Rest of Africa and Technology businesses. The movement relates mainly to the net liability position of these businesses and the rand depreciation from a closing rate of R11.84 in FY2018 to R14.50 in FY2019. This movement is recognised in other reserves on the summarised consolidated statement of changes in equity.*

* *These components of other comprehensive income may subsequently be reclassified to the summarised consolidated income statement during future reporting periods.*

# SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March

| | Share capital[1] R'm | Other reserves[2] R'm | Retained earnings R'm | Non-controlling interests R'm | Total equity R'm |
|---|---|---|---|---|---|
| **Balance at 1 April 2017** | – | (9 721) | (3 157) | (1 037) | (13 915) |
| Profit for the year | – | – | 1 456 | 1 082 | 2 538 |
| Other comprehensive income | – | 3 621 | – | 526 | 4 147 |
| **Total comprehensive income for the year** | – | 3 621 | 1 456 | 1 608 | 6 685 |
| Share-based compensation movement | – | – | 75 | – | 75 |
| Transactions with non-controlling shareholders | – | – | 76 | (79) | (3) |
| Foreign exchange movements on equity reserves | – | (1 056) | – | (443) | (1 499) |
| Contribution from parent[3] | – | – | 9 409 | – | 9 409 |
| Dividends declared | – | – | (5 353) | (1 392) | (6 745) |
| **Balance at 1 April 2018** | **–** | **(7 156)** | **2 506** | **(1 343)** | **(5 993)** |
| Change in accounting policy (note 1) | **–** | **–** | **17** | **18** | **35** |
| **Restated balance at 1 April 2018** | **–** | **(7 156)** | **2 523** | **(1 325)** | **(5 958)** |
| Loss for the year | **–** | **–** | **(1 644)** | **368** | **(1 276)** |
| Other comprehensive income | **–** | **(5 078)** | **–** | **(287)** | **(5 365)** |
| **Total comprehensive loss for the year** | **–** | **(5 078)** | **(1 644)** | **81** | **(6 641)** |
| Share-based compensation movement[4] | **–** | **–** | **3 246** | **60** | **3 306** |
| Transactions with non-controlling shareholders | **–** | **–** | **(218)** | **19** | **(199)** |
| Foreign exchange movements on equity reserves | **–** | **(211)** | **–** | **(115)** | **(326)** |
| Contribution from parent[5] | **–** | **–** | **26 356** | **–** | **26 356** |
| Dividends declared[6] | **–** | **–** | **(5 280)** | **(1 463)** | **(6 743)** |
| **Balance at 31 March 2019** | **–** | **(12 445)** | **24 983** | **(2 743)** | **9 795** |

[1] *Upon unbundling from Naspers Limited on 4 March 2019, 438 837 468 ordinary shares were issued at nominal value.*

[2] *Other reserves include the hedging reserve, fair-value reserve and foreign currency translation reserve.*

[3] *Relates primarily to related party loan waivers between the group and Naspers Limited group companies. This includes a loan waiver of R7bn from Buscapé Company Limited (a Naspers group company).*

[4] *Includes empowerment transaction of R2.6bn (refer to note 6).*

[5] *Relates to contribution of businesses and the capitalisation of loans as part of the unbundling from Naspers Limited (refer to note 9).*

[6] *Relates to dividends paid by companies in the group to previous legal owners. Non-controlling interest relates to dividends paid primarily to Phuthuma Nathi.*

# SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 March

| | Notes | 2019 R'm | 2018 R'm |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | **23 684** | 24 101 |
| Property, plant and equipment | | **17 279** | 17 585 |
| Goodwill and other intangible assets | | **4 283** | 4 190 |
| Investments and loans | | **238** | 123 |
| Amounts due from related parties | 9 | **180** | 1 191 |
| Derivative financial instruments | | **282** | – |
| Deferred taxation | | **1 422** | 1 012 |
| **Current assets** | | **17 319** | 14 477 |
| Inventory | | **924** | 461 |
| Programme and film rights | | **5 133** | 4 910 |
| Trade and other receivables | | **4 095** | 4 827 |
| Amounts due from related parties | 9 | **–** | 139 |
| Derivative financial instruments | | **444** | 96 |
| Cash and cash equivalents | | **6 723** | 4 044 |
| **Total assets** | | **41 003** | 38 578 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity reserves attributable to the group's equity holders** | | **12 538** | (4 650) |
| Share capital | | **–** | – |
| Other reserves | | **(12 445)** | (7 156) |
| Retained earnings | | **24 983** | 2 506 |
| Non-controlling interests | | **(2 743)** | (1 343) |
| **Total equity** | | **9 795** | (5 993) |
| **Non-current liabilities** | | **15 186** | 28 526 |
| Capitalised finance leases | | **14 441** | 12 784 |
| Long-term loans and other liabilities | | **59** | 189 |
| Amounts due to related parties | 9 | **134** | 15 000 |
| Derivative financial instruments | | **4** | 404 |
| Deferred taxation | | **548** | 149 |
| **Current liabilities** | | **16 022** | 16 045 |
| Capitalised finance leases | | **1 290** | 819 |
| Programme and film rights | | **2 493** | 2 206 |
| Provisions | | **136** | 169 |
| Accrued expenses and other current liabilities | | **11 885** | 11 430 |
| Amounts due to related parties | 9 | **–** | 316 |
| Derivative financial instruments | | **218** | 1 105 |
| **Total equity and liabilities** | | **41 003** | 38 578 |
| Net asset value per ordinary share (SA cents) | | **2 231** | (1 365) |

# SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March

| | 2019 R'm | 2018 R'm |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash generated from operating activities | **9 449** | 7 243 |
| Interest income received | **368** | 582 |
| Interest costs paid | **(673)** | (734) |
| Taxation paid | **(3 694)** | (3 664) |
| **Net cash generated from operating activities** | **5 450** | 3 427 |
| **Cash flows from investing activities** | | |
| Property, plant and equipment acquired – net | **(761)** | (543) |
| Intangible assets acquired – net | **(217)** | (216) |
| Loans to related parties* | **(27 726)** | (27 937) |
| Repayment of loans by related parties* | **28 590** | 27 510 |
| Acquisitions of subsidiaries and businesses, net of cash acquired | **(8)** | (114) |
| Disposals of subsidiaries and businesses | **–** | 141 |
| **Net cash utilised in investing activities** | **(122)** | (1 159) |
| **Cash flows from financing activities** | | |
| Proceeds from long- and short-term loans raised | **1 755** | 1 541 |
| Repayments of long- and short-term loans | **(1 813)** | (1 509) |
| Proceeds from related party funding** | **4 573** | 6 607 |
| Repayment of related party funding** | **(196)** | (3 207) |
| Repayments of capitalised finance lease liabilities | **(879)** | (776) |
| Repayments of capital contribution from parent | **(20)** | (26) |
| Transactions with non-controlling interest*** | **(85)** | – |
| Dividends paid**** | **(5 261)** | (5 336) |
| Dividends paid by subsidiaries to non-controlling shareholders | **(1 463)** | (1 421) |
| **Net cash utilised in financing activities** | **(3 389)** | (4 127) |
| Net movement in cash and cash equivalents | **1 939** | (1 859) |
| Foreign exchange translation adjustments on cash and cash equivalents | **740** | (642) |
| Cash and cash equivalents at the beginning of the year | **4 044** | 6 545 |
| **Cash and cash equivalents at the end of the year** | **6 723** | 4 044 |

** Relates to gross inflows and outflows into the Naspers Limited group cash pool which was started at the end of FY2017 to improve cash yield in the group. The cash pool with Naspers Limited ended in February 2019.*

*** Relates to the gross funding inflows and outflows received from Naspers Limited up until February 2019.*

**** During the year ended 31 March 2019, MultiChoice Africa Holdings B.V. increased their controlling interest in MultiChoice Uganda Limited and MultiChoice Tanzania Limited by 20% and 25% respectively for a purchase consideration of R85m.*

***** Relates to dividends paid by companies in the group to previous legal owners.*

# SEGMENTAL REVIEW
for the year ended 31 March

| Revenue | 2019 External R'm | 2019 Inter-segmental R'm | 2019 Total R'm | 2018 External R'm | 2018 Inter-segmental R'm | 2018 Total R'm |
|---|---|---|---|---|---|---|
| South Africa | **33 696** | **6 605** | **40 301** | 32 702 | 7 398 | 40 100 |
| Rest of Africa | **14 836** | **250** | **15 086** | 13 106 | 686 | 13 792 |
| Technology | **1 563** | **1 721** | **3 284** | 1 644 | 1 361 | 3 005 |
| Eliminations | **–** | **(8 576)** | **(8 576)** | – | (9 445) | (9 445) |
| | **50 095** | **–** | **50 095** | 47 452 | – | 47 452 |

| | EBITDA 2019 R'm | EBITDA 2018 R'm | Trading profit 2019 R'm | Trading profit 2018 R'm |
|---|---|---|---|---|
| South Africa | **12 101** | 12 355 | **10 199** | 10 446 |
| Rest of Africa | **(2 428)** | (3 315) | **(3 735)** | (4 591) |
| Technology | **617** | 533 | **550** | 466 |
| Eliminations | **–** | – | **–** | – |
| | **10 290** | 9 573 | **7 014** | 6 321 |

**Reconciliation of consolidated trading profit to consolidated operating profit**

Trading profit as presented in the segment disclosure is the chief operating decision maker (CODM) and management's measure of each segment's operational performance.

A reconciliation of the segmental trading profit to operating profit as reported in the income statement is provided below:

| | 2019 R'm | 2018 R'm |
|---|---|---|
| **Consolidated trading profit** | **7 014** | 6 321 |
| Lease interest on capitalised transponder leases | **650** | 648 |
| Amortisation of intangibles (other than software) | **(79)** | (71) |
| Other operating losses – net | **(33)** | (425) |
| Equity-settled share-based compensation | **(189)** | (87) |
| Early settlement gains | **–** | (5) |
| Operating profit per the income statement* | **7 363** | 6 381 |

* *The summarised consolidated income statement discloses all reporting items from consolidated operating profit to consolidated profit before taxation.*

# NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL RESULTS

for the year ended 31 March

## 1. Basis of preparation and accounting policies

**Background information**

MultiChoice Group Limited (formerly MultiChoice Group Proprietary Limited and K2018473845 (South Africa) Proprietary Limited) was incorporated on 4 September 2018, as a wholly owned subsidiary of the Naspers Limited Group (Naspers).

On 28 September 2018, MultiChoice Group Limited (the company) received a parent company contribution from Naspers of MultiChoice South Africa Holdings (Pty) Ltd group, MultiChoice Africa Holdings B.V. group, Irdeto Holdings B.V. group and the Showmax B.V. group. This resulted in the formation of the MultiChoice Group (MCG or the group).

On 27 February 2019 the group was listed on the Johannesburg Stock Exchange (JSE) and on 4 March 2019 was unbundled from Naspers to its shareholders as a dividend in specie. Up until this date the results of the group were consolidated within Naspers as part of the video-entertainment segment.

The year ended 31 March 2019 is the first financial year the group will present summarised consolidated financial results.

**Presentation of summarised consolidated financial results**

Although there was a change in the legal ownership of the underlying subsidiaries, the previous shareholder, Naspers, retained control of the company and its newly contributed subsidiaries both before and after the time of the creation of the new group (the Restructuring). The Restructuring is a business combination under common control as defined by IFRS 3 *Business Combinations*. Although IFRS 3 defines a business combination under common control, IFRS 3 does not provide any guidance on accounting for these types of business combinations. Therefore management has developed an accounting policy to present the results and financial position of the group, including the comparatives, at 31 March 2019 as follows:

- The summarised consolidated financial results have been prepared on the basis that the entities have always been consolidated and therefore the comparative information incorporates the results, assets, liabilities and disclosures of all entities that form part of the group.
- The summarised consolidated financial results was prepared as a combination of the historic financial information recognised in the Naspers consolidated financial statements related to the group; no new goodwill was recognised (predecessor accounting).
- *Contribution from parent* – As a result of applying predecessor accounting, the contribution from Naspers was recognised at the carrying value of the net assets contributed to the company at the earliest comparative period presented in the summarised consolidated financial results. On unbundling from Naspers this has subsequently been converted to the retained earnings of the group and has been renamed as such for all periods presented.

## 1. Basis of presentation and accounting policies continued

- *Intercompany* – Transactions and balances with Naspers Limited and Naspers group companies have been disclosed as related party transactions and balances up until the date of unbundling. Thereafter these have been reflected as third-party transactions and balances.

The measurement and recognition policies applied in the preparation of the summarised consolidated financial results are consistent with those applied in the combined historical financial information that was included in the pre-listing statement published on 21 January 2019.

The summarised consolidated financial results for the year ended 31 March 2019 are prepared in accordance with the JSE Limited (JSE) Listings Requirements (the JSE Listings Requirements) relevant to summarised financial statements and the provisions of the Companies Act No 71 of 2008. The JSE Listings Requirements require provisional reports to be prepared in accordance with the framework concepts, the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*. The summarised consolidated financial results do not include all the disclosures required for complete consolidated annual financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB). The accounting policies applied in the preparation of the consolidated annual financial statements from which the summarised consolidated financial results were derived, are consistent with those applied in previous financial years, except as set out below.

The group has adopted all new and amended accounting pronouncements issued by the IASB that are effective for financial years commencing 1 April 2018. None of the new or amended accounting pronouncements that are effective for the financial year commencing 1 April 2018 had a material impact on the group.

The group's reportable segments reflect the components of the group that are regularly reviewed by the chief executive officer and other senior executives who make strategic decisions.

Trading profit excludes the amortisation of intangible assets (other than software), but includes the finance cost on transponder leases, while trading profit and EBITDA (earnings before interest, taxation, depreciation and amortisation) exclude impairment of assets, equity-settled share-based payment expenses and other gains/losses.

The group adopted the following new accounting pronouncements, set out below, during the current period.

# NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL RESULTS continued

for the year ended 31 March

## 1. Basis of presentation and accounting policies continued

### Pronouncements adopted with adjustments to the opening balance of retained earnings

| Accounting pronouncement | Adoption impact |
|---|---|
| IFRS 9 *Financial Instruments* (IFRS 9). IFRS 9 replaces the previous financial instrument recognition and measurement guidance applied by the group as contained in IAS 39 *Financial Instruments: Recognition and Measurement.* | The group has applied IFRS 9 from 1 April 2018 and elected not to restate comparatives on transition. The impact of adoption has been recognised as an adjustment to the opening balance of retained earnings as at 1 April 2018. The only significant impact of adoption was an increase in impairment allowances on trade receivables due to the IFRS 9 requirement to consider forward-looking information when determining expected credit losses. The cumulative net impact of adopting IFRS 9 was an increase of R170m in expected credit losses on trade receivables and a corresponding decrease of R157m in retained earnings and R13m in non-controlling interests. Principles of IFRS 9 hedge accounting have been applied by the group. |
| IFRS 15 *Revenue from Contracts with Customers* (IFRS 15). IFRS 15 replaces the previous revenue recognition guidance applied by the group as contained in IAS 18 *Revenue.* | The group has applied IFRS 15 on a retrospective basis hence the impact is included in the comparative information contained in the summarised consolidated financial results. The application of IFRS 15 did not have a significant impact on the group's results or financial position. The only impact from the adoption of IFRS 15 was the reclassification from set-top box revenue to installation revenue amounting to R308m in the prior year. |
| IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (IFRIC 22). IFRIC 22 clarifies that non-monetary assets and liabilities arising from the payment/receipt of advance consideration (eg prepaid expenses and deferred revenue) are not retranslated to the entity's functional currency after initial recognition. | The group has applied IFRIC 22 on a prospective basis, with the impact of adoption recognised as an adjustment to the opening balance of retained earnings as at 1 April 2018. The impact of adoption was an increase in prepaid expenses of R205m, and a corresponding increase of R174m in retained earnings and R31m in non-controlling interests. |

## 1. Basis of presentation and accounting policies continued

### Pronouncements adopted with adjustments to the opening balance of retained earnings continued

#### Adjustments to the opening balances of the statement of financial position (extract)

| | As at 1 April | | |
|---|---|---|---|
| | 2018 Restated R'm | 2018 Change in accounting policy[1] R'm | 2018 Previously reported R'm |
| **ASSETS** | | | |
| **Non-current assets** | **24 101** | – | 24 101 |
| **Current assets (subtotal)** | **14 512** | 35 | 14 477 |
| Programme and film rights | **5 115** | 205 | 4 910 |
| Trade and other receivables | **4 657** | (170) | 4 827 |
| **TOTAL ASSETS** | **38 613** | 35 | 38 578 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity reserves attributable to the Group's equity holders** | **(4 633)** | 17 | (4 650) |
| Other reserves | **(7 156)** | – | (7 156) |
| Retained earnings | **2 523** | 17 | 2 506 |
| **Non-controlling interests** | **(1 325)** | 18 | (1 343) |
| **TOTAL EQUITY** | **(5 958)** | 35 | (5 993) |
| **Non-current liabilities** | **28 526** | – | 28 526 |
| **Current liabilities** | **16 045** | – | 16 045 |
| **TOTAL EQUITY AND LIABILITIES** | **38 613** | 35 | 38 578 |

[1] *Represents the impacts of adopting IFRS 9* Financial Instruments *and IFRIC 22* Foreign Currency Transactions and Advance Consideration *as of 1 April 2018.*

| | 2019 R'm | 2018 R'm |
|---|---|---|
| **2. Revenue** | | |
| Subscription fees | **41 248** | 38 547 |
| Advertising | **3 180** | 3 092 |
| Set-top boxes | **2 042** | 1 847 |
| Installation fees | **123** | 308 |
| Technology contracts and licensing | **1 564** | 1 639 |
| Other revenue* | **1 938** | 2 019 |
| | **50 095** | 47 452 |

** Other revenue primarily includes sub-licensing and production revenue.*

The following table shows unsatisfied performance obligations resulting from long-term technology contracts as at 31 March 2019.

| | | |
|---|---|---|
| Aggregate amount of the transaction price allocated to long-term technology contracts that are partially or fully unsatisfied | **350** | * |

** As permitted under the transitional provision in IFRS 15, the transaction price allocated to unsatisfied performance obligations as of 31 March 2018 is not disclosed.*

Management expects that 35% of the transaction price allocated to the unsatisfied contracts as of 31 March 2019 will be recognised as revenue during the next reporting period (R123m) and 31% (R109m) will be recognised as revenue in the FY2021 reporting period. The remaining 34% (R118m) will be recognised as revenue in FY2022 and thereafter. The amount disclosed above does not include variable consideration which is constrained.

All other technology contracts are for periods of one year or less or are billed based on time incurred.

| | 2019 R'm | 2018 R'm |
|---|---|---|
| **3. Headline (loss)/earnings** | | |
| **Net (loss)/profit attributable to shareholders** | **(1 644)** | 1 456 |
| Adjusted for: | | |
| – Impairment of property, plant and equipment and other assets | **4** | 426 |
| – Impairment of other intangible assets | **44** | – |
| – Loss/(profit) on sale of assets | **17** | (7) |
| – Profit on disposal of investments | **–** | (96) |
| – Other impairments | **41** | 11 |
| | **(1 538)** | 1 790 |
| Total tax effects of adjustments | **(12)** | 7 |
| **Headline (loss)/earnings** | **(1 550)** | 1 797 |

## 4. Interest (expense)/income

| | 2019 R'm | 2018 R'm |
|---|---|---|
| **Interest expense** | | |
| Loans and overdrafts | **(485)** | (704) |
| Transponder leases | **(650)** | (648) |
| Other | **(302)** | (196) |
| | **(1 437)** | (1 548) |
| **Interest income** | | |
| Loans and bank accounts | **335** | 322 |
| Other | **575** | 377 |
| | **910** | 699 |

A significant portion of the group's operations are exposed to foreign exchange risk. The table below presents the net (loss) or profit from our foreign exchange exposure and incorporates effects of qualifying forward exchange contracts that hedge this risk.

| | 2019 R'm | 2018 R'm |
|---|---|---|
| **Net (loss)/profit from foreign exchange translation and fair-value adjustments on derivative financial instruments** | | |
| On translation of liabilities | **(11)** | (75) |
| On translation of transponder leases* | **(1 887)** | 1 150 |
| On translation of forward exchange contracts | **406** | (376) |
| **Net foreign exchange translation (losses)/gains** | **(1 492)** | 699 |

* *Movement relates to rand depreciation from a closing rate of R11.84 in FY2018 to R14.50 in FY2019 on our US dollar transponder lease liability.*

## 5. Profit before taxation

In addition to the items already detailed, profit before taxation has been determined after taking into account, inter alia, the following:

| | 2019 R'm | 2018 R'm |
|---|---|---|
| **Depreciation of property, plant and equipment** | **2 400** | 2 407 |
| **Amortisation** | **305** | 268 |
| – software | **226** | 197 |
| – other intangible assets | **79** | 71 |
| **Net realisable value adjustments on inventory, net of reversals*** | **275** | 483 |
| **Other operating losses – net** | **(33)** | (425) |
| – (loss)/gain on sale of property, plant and equipment and intangible assets | **(17)** | 9 |
| – impairment of other assets | **(30)** | (341) |
| – impairment of property, plant and equipment | **(5)** | (111) |
| – dividend received | **19** | 18 |
| **Other (losses)/gains – net** | **(112)** | 113 |
| – profit on sale of investments | **–** | 113 |
| – loss on acquisition of assets and liabilities | **(112)** | – |

** Net realisable value adjustments relate primarily to set-top box subsidies in South Africa and Rest of Africa segments.*

## 6. Empowerment transaction

On 4 March 2019, the date of the group unbundling from Naspers Limited, the group allocated, for no consideration, an additional 5% stake in MultiChoice South Africa Holdings Proprietary Limited (MCSA) to Phuthuma Nathi Investments (RF) Limited and Phuthuma Nathi Investments 2 (RF) Limited (collectively Phuthuma Nathi). In terms of IFRS 2 *Share-based payments*, this transaction is treated as an equity-settled share-based payment. The value of the 5% allocated to Phuthuma Nathi shareholders has been calculated at R2.6bn which has been included in the summarised consolidated income statement and in retained earnings in the summarised consolidated statement of changes in equity.

After the allocation to the non-controlling interest, the transaction had an adverse impact on earnings and headline earnings of R1.9bn or 438 SA cents per share.

The transaction also caused the group's effective tax rate to increase by 76%. Overall, the group's effective tax rate increased from 59% in FY2018 to 151% in FY2019.

# NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL RESULTS continued

for the year ended 31 March

## 7. Commitments and contingent liabilities

Commitments relate to amounts for which the group has contracted, but that have not yet been recognised as obligations in the summarised consolidated statement of financial position.

| | 2019 R'm | 2018 R'm |
|---|---|---|
| **Commitments** | **38 813** | 38 030 |
| – capital expenditure | **68** | 107 |
| – programme and film rights | **33 376** | 33 474 |
| – set-top boxes | **2 049** | 2 164 |
| – other | **2 032** | 1 012 |
| – operating leases | **1 288** | 1 273 |

The group operates a number of businesses in jurisdictions where taxes may be payable on certain transactions or payments. The group continues to seek relevant advice and works with its advisers to identify and quantify such tax exposures. Our current assessment of possible withholding and other tax exposures, including interest and potential penalties, amounts to approximately R1.8bn (2018: R1.7bn). No provision has been made as at 31 March 2019 and 2018 for these possible exposures.

## 8. Financial instruments

The group's activities expose it to a variety of financial risks such as market risk (including currency risk, fair-value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The summarised consolidated financial results do not include all financial risk management information and disclosures required in the consolidated annual financial statements and should be read in conjunction with the consolidated annual financial statements for the year ended 31 March 2019.

## 8. Financial instruments (continued)

The fair values of the group's financial instruments that are measured at fair value are categorised as follows:

| Financial instrument | Fair value 2019 R'm | Fair value 2018 R'm | Valuation method | Level in fair value hierarchy |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Investments held at fair value through other comprehensive income | **155** | 105 | Quoted prices in a public market | Level 1 |
| Forward exchange contracts | **643** | 76 | Fair value using forward exchange rates that are publicly available | Level 2 |
| Currency depreciation features | **83** | 20 | The fair value is calculated based on the LIBOR rate of 2.48% | Level 3 |
| **Financial liabilities** | | | | |
| Forward exchange contracts | **15** | – | Fair value using forward exchange rates that are publicly available | Level 1 |
| Forward exchange contracts | **207** | 1 509 | Fair value using forward exchange rates that are publicly available | Level 2 |

Currency depreciation features relate to clauses in content acquisition agreements that provide the group with protection in the event of significant depreciations of the purchasing entity's functional currency relative to the currency of the content acquisition agreement. The fair value of currency depreciation features is measured through the use of discounted cash flow techniques. Key inputs used in measuring fair value include the terms and benchmark rates contained in content acquisition agreements and spot exchange rates prevailing at the relevant measurement dates.

## 8. Financial instruments (continued)

The group discloses the fair values of the following financial instruments as their carrying values differ from their fair values:

| Financial instrument | Carrying value 2019 R'm | Fair value 2019 R'm | Carrying value 2018 R'm | Fair value 2018 R'm |
|---|---|---|---|---|
| Capitalised finance leases (level 3) | **15 731** | **15 727** | 13 603 | 13 212 |

Level 3 – the fair values of all level 3 disclosures have been determined through the use of discounted cash flow analyses. Key inputs include current market interest rates as well as contractual cash flows.

## 9. Related party transactions and balances

The group entered into various related party transactions in the ordinary course of business. In total the contribution from Naspers Limited through the contribution of businesses (R3bn) and the capitalisation of loans (R23bn) as part of the unbundling amounted to R26bn.

Apart from the above there have been no significant changes in related party transactions and balances in the current financial year.

## 10. Events after the reporting period

There have been no events noted, that occurred after the reporting date, that could have a material impact on the summarised consolidated financial results.

# INDEPENDENT AUDITOR'S REPORT

## Independent auditor's report on the summarised consolidated financial statements

## To the shareholders of MultiChoice Group Limited

### Opinion

The summarised consolidated financial statements of MultiChoice Group Limited, contained in the accompanying provisional report, which comprise the summarised consolidated statement of financial position as at 31 March 2019, the summarised consolidated income statement, summarised consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of MultiChoice Group Limited for the year ended 31 March 2019.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, as set out in note 1 to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

### Summarised consolidated financial statements

The summarised consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summarised consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

### The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 14 June 2019. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

### Directors' responsibility for the summarised consolidated financial statements

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, set out in note 1 to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

### Auditor's responsibility

Our responsibility is to express an opinion on whether the summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

PricewaterhouseCoopers Inc.

**PricewaterhouseCoopers Inc.**
**Director: B S Humphreys**
*Registered auditor*

Johannesburg
14 June 2019

## 11. Non-IFRS performance measures

The group has presented certain revenue, cost and trading profit metrics in constant currency, excluding the effects of changes in the composition of the group (non-IFRS performance measures) in the following tables. The non-IFRS performance measures are the responsibility of the board of directors and is presented for illustrative purposes. Information presented on a non-IFRS basis has been extracted from the group's management accounts, the quality of which the board is satisfied with.

Shareholders are advised that, due to the nature of the non-IFRS performance measures and the fact that it has been extracted from the group's management accounts, it may not fairly present the group's financial position, changes in equity, results of operations or cash flows.

The non-IFRS performance measures have been prepared to illustrate the impact of changes in foreign exchange rates and changes in the composition of the group on its results for the period ended 31 March 2019. The following methodology was applied in calculating the non-IFRS performance measures:

1. Foreign exchange/constant currency adjustments have been calculated by adjusting the current period's results to the prior period's average foreign exchange rates, determined as the average of the monthly exchange rates for that period. The constant currency results, arrived at using the methodology outlined above are compared to the prior period's actual IFRS results. The relevant average exchange rates (relative to the South African rand) used for the group's most significant functional currencies, were US dollar (2019: 13.82; 2018: 12.91); Nigerian naira (2019: 26.28; 2018: 27.87); Angolan kwanza (2019: 20.54; 2018: 13.86); Kenyan shilling (2019: 7.33; 2018: 7.99) and Zambian kwacha (2019: 0.81; 2018: 0.74).
2. Adjustments made for changes in the composition of the group (or M&A) relate to acquisitions and disposals of subsidiaries. For mergers, the group composition adjustments include a portion of the prior year results of the entity with which the merger took place. The following significant changes in the composition of the group during the respective reporting periods have been adjusted for in arriving at the non-IFRS performance measures:

| Period | Transaction | Basis of accounting | Reportable segment | Acquisition/ disposal |
|---|---|---|---|---|
| Year ended 31 March 2018 | Disposal of the group's interest in MWEB | Subsidiary | South Africa | Disposal |
| Year ended 31 March 2018 | Acquisition of the group's interest in Denuvo | Subsidiary | Technology | Acquisition |

The net adjustment made for all acquisitions and disposals that took place during the year ended 31 March 2019 amounted to a negative adjustment of R117m on revenue and a positive adjustment of R11m on trading profit.

An assurance report issued in respect of the non-IFRS performance measures, by the group's external auditor, is available at the registered office of the company.

## 11. Non-IFRS performance measures continued

The adjustments to the amounts, reported in terms of IFRS that have been made in arriving at the non-IFRS performance measures are presented in the tables below:

### 11.1 Key performance indicators

| | 2018 Reported | 2019 Currency impact | 2019 Organic growth | 2019 Reported | 2019 versus 2018 Reported % | 2019 versus 2018 Organic growth % |
|---|---|---|---|---|---|---|
| **Subscribers ('000s)*** | 13 476 | **n/a** | **1 621** | **15 097** | 12 | 12 |
| South Africa | 6 921 | **n/a** | **526** | **7 447** | 8 | 8 |
| Rest of Africa | 6 555 | **n/a** | **1 095** | **7 650** | 17 | 17 |
| **ARPU (R)**** | | | | | | |
| Blended | 252 | **–** | **(11)** | **241** | (4) | (4) |
| South Africa | 335 | **–** | **(13)** | **322** | (4) | (4) |
| Rest of Africa | 160 | **(1)** | **–** | **159** | (1) | – |
| **90-day-active subscribers ('000s)***** | 16 376 | **n/a** | **2 203** | **18 579** | 13 | 13 |
| South Africa | 7 332 | **n/a** | **617** | **7 949** | 8 | 8 |
| Rest of Africa | 9 044 | **n/a** | **1 586** | **10 630** | 18 | 18 |
| **90-day-active ARPU (R)**** | | | | | | |
| Blended | 206 | **–** | **(9)** | **197** | (4) | (4) |
| South Africa | 317 | **–** | **(15)** | **302** | (5) | (5) |
| Rest of Africa | 115 | **(1)** | **–** | **114** | (1) | – |

* *Subscriber numbers are a non-IFRS unaudited operating measure of the actual number of paying subscribers at 31 March of the respective year, regardless of the type of programming package to which they subscribe.*

** *ARPU represents a non-IFRS unaudited operating measure of the average revenue per subscriber (or user) in the business on a monthly basis. The group calculates ARPU by dividing average monthly subscription fee revenue for the period (total subscription fee revenue during the period divided by the number of months in the period) by the average number of subscribers during the period (the number of subscribers at the beginning of the period plus the number of subscribers at the end of the period, divided by 2). Subscription fee revenue includes BoxOffice rental income but excludes decoder insurance premiums and reconnection fees which are disclosed as other revenue in terms of IFRS.*

*** *All subscribers that have been active in the previous 90 days.*

## 11. Non-IFRS performance measures continued

### 11.2 Group financials including segmental analysis

#### 11.2.1 Segmental results

| | 2018 IFRS R'm | 2019 M&A-related R'm | 2019 Currency impact R'm | 2019 Organic growth R'm | 2019 IFRS R'm | 2019 versus 2018 IFRS % | 2019 versus 2018 Organic growth % |
|---|---|---|---|---|---|---|---|
| **Revenue** | 47 452 | **(117)** | **111** | **2 649** | **50 095** | 6 | 6 |
| South Africa | 32 702 | **(178)** | **–** | **1 172** | **33 696** | 3 | 4 |
| Rest of Africa | 13 106 | **–** | **(10)** | **1 740** | **14 836** | 13 | 13 |
| Technology | 1 644 | **61** | **121** | **(263)** | **1 563** | (5) | (16) |
| **Trading profit** | 6 321 | **11** | **(1 053)** | **1 735** | **7 014** | 11 | 27 |
| South Africa | 10 446 | **(12)** | **–** | **(235)** | **10 199** | (2) | (2) |
| Rest of Africa | (4 591) | **–** | **(1 018)** | **1 874** | **(3 735)** | 19 | 41 |
| Technology | 466 | **23** | **(35)** | **96** | **550** | 18 | 21 |

#### 11.2.2 Revenue and costs by nature

| | 2018 IFRS R'm | 2019 M&A-related R'm | 2019 Currency impact R'm | 2019 Organic growth R'm | 2019 IFRS R'm | 2019 versus 2018 IFRS % | 2019 versus 2018 Organic growth % |
|---|---|---|---|---|---|---|---|
| **Revenue** | 47 452 | **(117)** | **111** | **2 649** | **50 095** | 6 | 6 |
| Subscription fees | 38 547 | **(178)** | **(45)** | **2 924** | **41 248** | 7 | 8 |
| Advertising | 3 092 | **–** | **16** | **72** | **3 180** | 3 | 2 |
| Set-top boxes | 1 847 | **–** | **6** | **189** | **2 042** | 11 | 10 |
| Technology contracts and licensing | 1 639 | **61** | **119** | **(255)** | **1 564** | (5) | (16) |
| Other revenue | 2 327 | **–** | **15** | **(281)** | **2 061** | (11) | (12) |
| **Operating expenses** | 41 131 | **(128)** | **1 164** | **914** | **43 081** | 5 | 2 |
| Content | 16 793 | **–** | **471** | **451** | **17 715** | 5 | 3 |
| Set-top box purchases | 5 435 | **–** | **142** | **479** | **6 056** | 11 | 9 |
| Staff costs | 5 454 | **7** | **120** | **(40)** | **5 541** | 2 | (1) |
| Sales and marketing | 1 944 | **(6)** | **45** | **484** | **2 467** | 27 | 25 |
| Transponder costs | 2 626 | **–** | **76** | **(95)** | **2 607** | (1) | (4) |
| Other | 8 879 | **(129)** | **310** | **(365)** | **8 695** | (2) | (4) |

## 11. Non-IFRS performance measures continued

### 11.3 Reconciliation of headline earnings to core headline earnings

Core headline earnings excludes non-recurring and non-operating items – we believe this is a useful measure of the group's sustainable operating performance. However, core headline earnings is not a defined term under IFRS and may not be comparable with similarly titled measures reported by other companies.

| | 2019 R'm | 2018 R'm | % change |
|---|---|---|---|
| **Basic and diluted headline (loss)/earnings attributable to shareholders (IFRS)** | **(1 550)** | 1 797 | |
| Adjusted for (after tax effects and non-controlling interests): | | | |
| – equity-settled share-based payment expenses | **265** | 68 | |
| – empowerment transaction | **1 923** | – | |
| – amortisation of other intangible assets | **55** | 45 | |
| – foreign currency losses and fair-value adjustments | **1 434** | 409 | |
| – realised losses on foreign exchange contracts | **(564)** | (691) | |
| – non-recurring current and deferred taxation impacts | **–** | 8 | |
| – acquisition-related costs | **237** | 5 | |
| **Core headline earnings** | **1 800** | 1 641 | 10 |
| **Core headline earnings per ordinary share (SA cents)** | **410** | 374 | 10 |

### 11.4 Reconciliation of cash generated from operating activities to free cash flow

| | 2019 R'm | 2018 R'm | % change |
|---|---|---|---|
| **Cash generated from operating activities** | **9 449** | 7 243 | 31 |
| Adjusted for: | | | |
| – capitalised finance lease repayments (including interest) | **(1 529)** | (1 424) | |
| – net capital expenditure | **(978)** | (759) | |
| – interest received | **–** | 250 | |
| – investment income | **19** | 18 | |
| – taxation paid | **(3 694)** | (3 664) | |
| **Free cash flow** | **3 267** | 1 664 | 96 |

# ASSURANCE ENGAGEMENT REPORT

## To the directors of MultiChoice Group Limited

## Report on the Assurance Engagement on the Compilation of Pro Forma Financial Information included in the summarised consolidated financial results

We have completed our assurance engagement to report on the compilation of the pro forma financial information of MultiChoice Group Limited and its subsidiaries (the 'group') by the directors of MultiChoice Group Limited ('directors'). The pro forma financial information, as set out on pages 21 to 24 of the summarised consolidated financial results, consists of pro forma financial information for the year ended 31 March 2019 so as to separately present the impact of foreign currency (to reflect constant currency with the prior year), significant acquisitions, and significant disposals as at and for the year ended 31 March 2019. It also includes the calculation of core headline earnings and free cash flow metrics. The applicable criteria on the basis of which the directors have compiled the pro forma financial information are specified in the JSE Limited (JSE) Listings Requirements and described on page 21 of the summarised consolidated financial results.

The pro forma financial information has been compiled by the directors to illustrate the impact of foreign currency by reflecting a constant currency to the prior year and significant acquisitions and disposals during the period (to reflect results on an organic basis) on certain earnings and cost measures. It also includes core headline earnings and free cash flow which are metrics management consider useful to understand the sustainable operating performance of the group. As part of this process, information about the group's financial performance has been extracted by the directors from the group's consolidated financial statements for the year ended 31 March 2019, on which an audit report has been published.

## Directors' responsibility

The directors of the group are responsible for compiling the pro forma financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described on page 21 of the summarised consolidated financial results.

## Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B).

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## Reporting accountant's responsibility

Our responsibility is to express an opinion about whether the pro forma financial information has been compiled, in all material respects, by the directors on the basis of the applicable criteria specified in the JSE Listings Requirements and described on page 21 of the summarised consolidated financial results based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information as issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the pro forma financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information is solely to provide users with relevant information and measures used by the group to assess performance and to illustrate the impact of foreign currency movements and significant acquisitions and disposals on the company's unadjusted financial information as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Opinion

In our opinion, the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described on page 21 of the summarised consolidated financial results.

PricewaterhouseCoopers Inc.

**PricewaterhouseCoopers Inc.**
**Director: B S Humphreys**
*Registered auditor*

Johannesburg
14 June 2019

# SHAREHOLDERS' DIARY

| | |
|---|---|
| **Financial year-end** | 31 March 2019 |
| **Provisional results announcement on SENS** | 18 June 2019 |
| **Integrated annual report distribution** | 26 July 2019 |
| **Annual general meeting** | 29 August 2019 |
| **Interim results announcement** | 11 November 2019 |

# ADMINISTRATION AND CORPORATE INFORMATION

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## Registration number
2018/473845/06
Incorporated in South Africa

## Auditor
PricewaterhouseCoopers Inc.

## Transfer secretaries
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