MultiChoice
ENRICHING LIVES

MultiChoice South Africa Holdings Proprietary Limited

Integrated annual report **2018**

Integrated annual report to the shareholders of Phuthuma Nathi Investments 2 (RF) Limited for the year ended 31 March 2018

PHUTHUMA NATHI
SHARE THE FUTURE

Contents

Overview

About this report	4
Statement of directors' responsibility	5
Our business	6
Our performance at a glance	8
Our social investment	10
Value-added statement	11

Review

Executive chair's review	14
Our strategic priorities	20
Risk management report	21
Our stakeholders	30

Our material matters

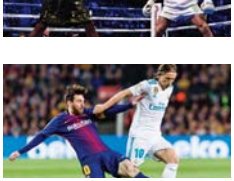
Our operations	36
Our people	44
Our customers	50
Our regulatory environment	54
Corporate social responsibility	58

Corporate governance review

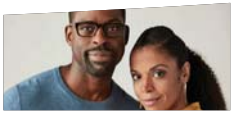
Our approach to governance	64
Our board	67
Remuneration report	77
Report of the audit committee	86

Financial review

Independent auditor's report	93
Summarised consolidated annual financial statements	95



MULTICHOICE SOUTH AFRICA IS A
LEADING VIDEO-ENTERTAINMENT COMPANY



PHUTHUMA NATHI
SHARE THE FUTURE

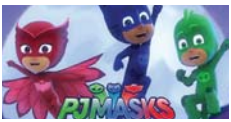
Phuthuma Nathi Investments 2 (RF) Limited

Corporate governance review

Board of directors	100
Report of the audit committee	101
Directors' report	103

Financial review

Report of the independent auditor	107
Summarised financial statements	108



Shareholder information for MultiChoice and Phuthuma Nathi Investments 2 (RF) Limited

MultiChoice South Africa Holdings Proprietary Limited

Notice of annual general meeting	116
Form of proxy	121
Notes to the form of proxy	122

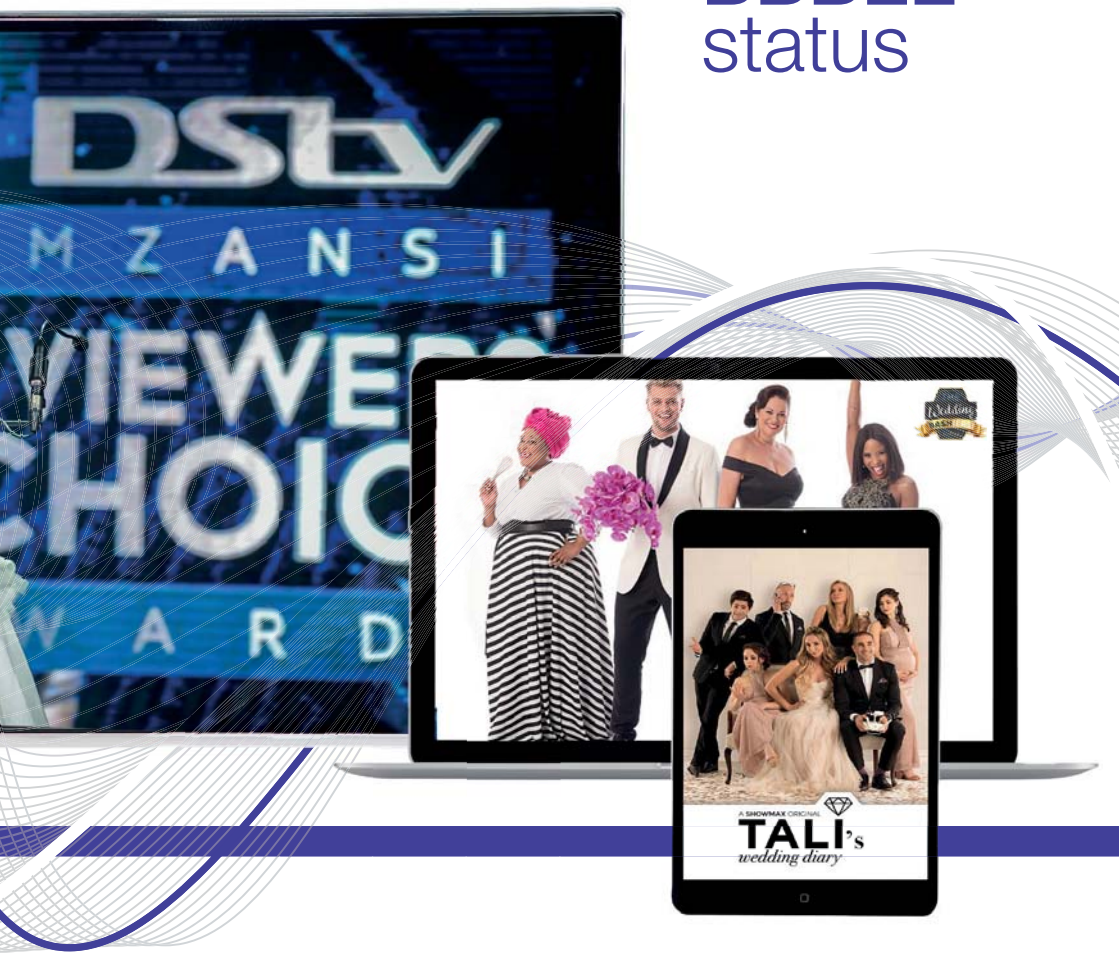
Phuthuma Nathi Investments (RF) Limited

Notice of annual general meeting	123
Form of proxy	133
Notes to the form of proxy	134
Administration and corporate information	IBC

22 Golden Horns scooped

R7bn core headline earnings

Level 1 BBBEE status



6,9m customers

About this report

Reporting boundary

MultiChoice South Africa Holdings Proprietary Limited (MultiChoice) was incorporated in May 2006. The scope of this report includes MultiChoice and its subsidiaries (the group). In addition to financial results, we include corporate information on the two MultiChoice broad-based black economic empowerment (BBBEE) shareholding schemes – Phuthuma Nathi (PN) and Phuthuma Nathi 2 (PN2) (together Phuthuma Nathi). The sole investments of these schemes are the shares held in MultiChoice.

We present our integrated report for the financial year from 1 April 2017 to 31 March 2018 (referred to as 2018) to illustrate how we create value for our stakeholders.

The content of this report focuses on key developments and material issues in our business environment. We believe integrated and balanced reporting on our strategic objectives, material issues and how we are governed, provides a comprehensive view of our financial and non-financial performance and the sustainability of our business.

Determining materiality

In determining content to report, we focused on issues that drive the executive agenda and are material to our stakeholders. These issues are discussed by the board and continually addressed.

Our material matters

We determine our material issues by considering the business's strategies, risks, operations (executive agenda) and stakeholder concerns. We assess the impact these have on the business and our ability to create shareholder value. In doing so, we identified the following themes that capture our material issues:

- **Our operations**
- **Our people**
- **Our customers**
- **Our regulatory environment**
- **Our corporate social responsibility**

Basis of preparation

The structure of this report has been developed against the framework of the International Integrated Reporting Council (IIRC) and due consideration has been given to the recommendations of the King IV™ Report on Corporate Governance in South Africa 2016 (King IV™).

Our aim is to constantly enhance our reporting and disclosure to improve our stakeholders' understanding of the group. Feedback on the report is welcomed and can be communicated to gri@multichoice.co.za.

Assurance providers

Independent assurance has been provided on certain material information presented in this report.

Statement of directors' responsibility

Connect with us on:

- **Financial information:** For the integrated annual report, summarised financial information for the group and Phuthuma Nathi, extracted from the group's audited consolidated annual financial statements and the Phuthuma Nathi annual financial statements for the year ended 31 March 2018, have been reflected correctly. The full financial statements appear on the MultiChoice and Phuthuma Nathi websites (www.multichoice.co.za and www.phuthumanathi.co.za) and are available for inspection at our registered offices from the company secretary.

  Financial information in this report was reviewed by the audit committee and approved by the board. Refer to page 93 for the auditor's report on the group's summarised annual consolidated financial statements and to page 107 for the report on the Phuthuma Nathi summarised annual financial statements.

- **Non-financial information:** EmpowerLogic has verified all BBBEE information in the report.

The audit committee has reviewed and recommended the integrated annual report for approval. The report was approved by the board on 8 June 2018. The integrated annual report and financial statements fairly reflect, in our opinion, the true financial position of the group at 31 March 2018, and that of its operations during this period as described in the report.

On behalf of the board

Nolo Letele
Executive chair
8 June 2018

On behalf of the audit committee

Don Eriksson
Audit committee chair and independent non-executive director
8 June 2018

Forward-looking statements

This report contains forward-looking statements as defined in the United States Private Securities Litigation Reform Act of 1995. Words such as "believe", "anticipate", "intend", "seek", "will", "plan", "could", "may", "endeavour" and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances and should be considered in light of various important factors. While these forward-looking statements represent our judgements and future expectations, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. The key factors that could cause our actual results performance, or achievements to differ materially from those in the forward-looking statements include, among others, changes to IFRS and the interpretations, applications and practices subject thereto as they apply to past, present and future periods; ongoing and future acquisitions, changes to domestic and international business and market conditions such as exchange rate and interest rate movements; changes in the domestic and international regulatory and legislative environments; changes to domestic and international operational, social, economic and political conditions; the occurrence of labour disruptions and industrial action and the effects of both current and future litigation. We are not under any obligation to (and expressly disclaim any such obligation to) revise or update any forward-looking statements contained in this report, whether as a result of new information, future events or otherwise. We cannot give any assurance that forward-looking statements will prove to be correct and investors are cautioned not to place undue reliance on any forward-looking statements contained herein.

Our business

MultiChoice is certified as South Africa's 10th most valuable brand

The business we are building

South Africa's first-choice and leading video-entertainment destination.

Our most popular BRANDS

MultiChoice is home to a variety of well-known brands that deliver exceptional content across a range of platforms. Our brands are constantly evolving to ensure our customers receive the very best in relevant and unique entertainment and services. Household brands in our portfolio include MultiChoice, DStv, DStv Now, BoxOffice, DStv Catch Up, Showmax, M-Net, Mzansi Magic, Africa Magic, Mzansi Wethu, Carte Blanche, kykNET and SuperSport.

MultiChoice, through its DStv services, offers sport, movies, series and general entertainment channels.

M-Net delivers premium channels which includes exclusive content, sourced from international content owners or specifically commissioned (our local productions). This entertainment is distributed to DStv customers on selected packages.

WHO WE ARE

A dynamic, South African-based video-entertainment group providing world-class sports, international and local entertainment content, telling local African stories that enrich the lives of 6,9m (2017: 6,3m) customers across our multiple platforms.

We are extremely proud to share the success of our business with thousands of South Africans and for the second year having achieved a level 1 broad-based black economic empowerment rating.

60,46% (2017: 55,75%) of the economic interest in our business is held by black South Africans via a combination of shareholding in Naspers and our Phuthuma Nathi broad-based share schemes.

DStv is dedicated to finding new ways of connecting customers to their favourite shows – whenever they want and wherever they are, on any platform they desire. Content is bundled into packages with a mix of channels.

SuperSport is the continent's leading aggregator and producer of local and global sport content, showcasing the best on-field action and sport commentary. Available on selected DStv packages.

DStv Media Sales handles commercial airtime sales and on-air sponsorship across M-Net, SuperSport and most of the DStv international channels.

Showmax is our internet-based subscription video-on-demand service with an extensive catalogue of TV shows and movies. Showmax delivers world-class international content and the best of local content.

Our performance at a glance

ENHANCING OUR VALUE CREATION THROUGH OUR **SIX CAPITALS:**

Financial capital

R40,2bn
total revenue down 1%
(2017: R40,5bn)

R10,4bn
trading profit up 5%
(2017: R9,9bn)

R7bn
core headline earnings
(2017: R7bn)

R6,6bn
dividend declared in 2018
(2017: R6,5bn)

Social and relationship capital

6,9m
customers
(2017: 6,3m)

R2,5bn
spent on local content
(2017: R2,1bn)

R2,3bn
spent on local sports content
(2017: R2,0bn)

R8,4bn
(2017: R10,4bn) spent with BBBEE suppliers, including R2,4bn on small and medium enterprises and R1,3bn with suppliers who are at least 30% black women owned

Level 1
BBBEE contributor

Human capital

3 387
employees received training

88% of our employees are black (2017: 87%) and 56% are black women (2017: 51%)

Six directors (64%) are from previously disadvantaged groups and three (27%) are black women

Our performance at a glance (continued)

Manufactured capital

R196m
information and technology spend
(2017: R210m)

R30m
building and infrastructure spend
(2017: R46m)

Natural capital

MultiChoice as a technology-driven entertainment group has a low impact on natural resources compared to other industries. The following practices and initiatives are applied by MultiChoice to minimise impact on natural capital:

- **Energy saving**
- **Water saving**
- **Waste recycling**

Intellectual capital

R2,4bn
local content acquired
(2017: R2,4bn)

R2,4bn
local content produced
(2017: R2,1bn)

R5,1bn
international content acquired
(2017: R5,7bn)

Our social investment

OUR CONTRIBUTION TO SOUTH AFRICA'S ECONOMY

R6,9bn **total taxes paid**
(direct R4,2bn and indirect R2,7bn)
(2017: direct R3,3bn and indirect R2,5bn)

R60,1m spent on our flagship projects and other corporate social investment projects

Through **Let's Play** we reach over 1m children annually and encourage them to be more active, to participate in sport, and to gain benefit from associated life skills. This initiative includes the:

- Let's Play Physical Education Challenge
- Let's Play Field Project
- Let's Play Schools Rugby Project

The **MultiChoice Diski Challenge** is aimed at supporting development in both football and broadcasting. It includes a football challenge for the Premier Soccer League reserve teams, broadcast internships, leadership training for coaches, and the opportunity for community channels on DStv to air the matches for free.

The **Magic in Motion Alumni Network** where we host scriptwriting workshops by Portia Gumede, a South African writer and producer, who teaches learners how to take a great idea or notion and work it to a credible story.

OUR CONTRIBUTION TO TRANSFORMATION

22% of our local procurement spend (R2,4bn of R10,9bn) **benefits small, medium and microenterprises**

Through the **MultiChoice Enterprise Development Trust,** established in 2012 as our investment vehicle for growing the local media and production industry, we provided training to **40 businesses** and approved funding for **16 businesses**, and a further **six startups** received grant funding. The MultiChoice Enterprise Development Trust has committed over **R130m in loans, grants and business development expenses to assist beneficiaries in acquiring skills development opportunities, assets and equipment to over 100 entrepreneurs.**

Value-added statement

The group remains a sustainable for-profit organisation through the commitment, energy and resourcefulness of its people and stakeholders, contributing to the economy and society in general. The value-added statement illustrates how the group distributed its earnings, and how much was retained for reinvestment.

Salaries, wages and benefits

R2,8bn

(2017: R2,69bn)

Dividends paid

R6,5bn*

(2017: R6,5bn**)

Retained earnings

R1,31bn

(2017: R0,46bn)

Capital investments

R1,46bn

(2017: R1,23bn)

Direct taxes paid

R4,2bn

(2017: R3,3bn)

Licence fees

R0,18bn

(2017: R0,17bn)

Finance costs

R0,65bn

(2017: R0,67bn)

** This relates to the dividend declared in June 2017 and paid in September 2017 (which payment took place in the 2018 financial year, being 1 April 2017 until 31 March 2018).*

*** This relates to the dividend declared in June 2016 and paid in September 2016 (which payment took place in the 2017 financial year being 1 April 2016 until 31 March 2017).*

Showmax

free to Premium customers and discounted for Compact customers

We continue to enhance our products to deliver the best

customer experience

DStv Now open to all customers

Investment

in local content remains core to our strategy

Executive chair's review

Nolo Letele
Executive chair

Executive chair's review (continued)

More than 500 000 customers added and now approaching the 7m mark

As a proudly South African business we continue to drive investment in South Africa with R8,4bn spent with BBBEE suppliers, including small and medium enterprises.

Overview

South Africa's currency improved over the past year, after having depreciated by close to 30% over the previous three years. Profitability was positively impacted by the strengthening of the rand since we earn our revenues in South African rand and our cost base is US dollar denominated. Operating margin growth has been impacted by increased competition, which has driven up the cost of content and churn of customers from our premium bouquet. Our customer growth is mainly coming from the lower tiers, which has driven the business to continue its focus on cost reduction.

Competition is increasing with video consumption on online platforms and global players continuing to offer alternatives to our services. As a result, it is becoming more and more important to enhance and differentiate our product offerings.

Despite a challenging environment and increased competition, we continue to grow our business by delivering value to our customers with great content (local and international) and improved service delivery. This demonstrates our management team's continued commitment and focus in meeting the group's objectives and execution of strategies to ensure value creation for all stakeholders. This report illustrates our commitment to sustainability and our objective of enriching the lives of all our stakeholders.

Executive chair's review (continued)

As a proudly South African business we continue to drive investment in South Africa with R8,4bn spent with BBBEE suppliers, including small and medium enterprises of which R1,3bn was with suppliers with at least 30% black female ownership, R2,8bn spent on salaries, R60,1m spent on flagship initiatives, and R6,9bn paid in direct and indirect taxes.

Review of operations

Performance

Despite a tough economic and uncertain political environment, we managed customer growth of more than 500 000 and are now approaching 7m total customers. The trend of growth in the mass market continues, while our Premium tier is showing declining growth and the Compact tier is starting to stabilise. Improved churn management and cost control contributed positively to the growth in net profit of 14% (2017: 14%).

Product enhancements

We continue to enhance our product offering to deliver the best customer experience. Our online properties are gaining traction, and to increase access to DStv Now we have opened it to all bouquet tiers including offering Showmax to our Premium tier at no extra charge. Explora penetration, BoxOffice rentals and connected Explora connections also recorded pleasing growth during the year.

We created a Connected Video division, by merging our Showmax Africa and Digital Media operations into our management structure to ensure seamless focus of our online products.

Content

We have successfully renewed key entertainment and sports rights including the English Premier League (EPL), Premier Soccer League (PSL) in South Africa, UEFA Champions League (UCL), as well as the Discovery, Disney and Turner offerings. We also acquired the rights to the popular World Wrestling Entertainment (WWE). This, in addition to key once-off properties such as the Conor McGregor versus Floyd Mayweather fight (which drew record viewership across platforms in 2018), allows us to continue to serve our customers with top quality local and international content.

Investment in local content remains core to our strategy (primarily through the Mzansi group of channels) with our efforts being well received by customers with our channels among the top performers in their peer group. We launched 1Magic, to cater for the Premium local audience anchored by a high-quality local telenovela – The River. Furthermore, Showmax launched Tali's Wedding, our first original production.

By commissioning local content, we are building an African library that can be used on all group-owned platforms. Accordingly, investing in local content across all our territories remains a focus.

SuperSport continued to strengthen its position as arguably the best aggregator of sport content globally. Significant investments in local and international content on all platforms ensured customers were entertained in multiple languages across our broadcast territory.

Customer service

Our customers, the cornerstone of our business, remain essential to our success. We have ramped up our customer retention and service-delivery initiatives, including: promoting DStv Explora sales through the 'Price Lock' campaign, promoting fixed-term

Executive chair's review (continued)

contracts and streamlining the payment and collections process to help customers stay connected. We will continue to drive the move to connected Exploras and reduce churn by promoting value-added services and DStv Now.

Pivotal to improving our overall customer service is helping customers to help themselves through self-service platforms and applications, reducing the need to make calls to the call centre. Our attention remains focused on upskilling our customer-facing employees through the School of DStv to eliminate errors at the service level.

Dividend

The board considered several factors in recommending a dividend this year: the tough economic environment in South Africa which was compounded by political uncertainty, rising costs, and investment in new technologies. In the year ahead we expect the local trading environment to remain challenging and it could take some time before our plans to grow the base and optimise our spend, have a material positive impact.

The group has managed to generate net profit of R7,8bn and positive free cash flow of R6,4bn (2017: R7,8bn) for the year with a positive cash balance of R2,2bn at 31 March 2018.

Given the context of our positive 2018 financial performance and consideration of the tough economic and political environment we continue to operate in, with rising costs, flattening revenues and plans to invest in online and emerging technologies, the MultiChoice board recommends that a dividend of R6,6bn be paid to its ordinary shareholders in September 2018. This would amount to a dividend of R880m (prior year: R867m) for PN and R440m (prior year: R433m) for PN2 (a total of R1,32bn to PN companies). Dividend tax of 20% per PN share is 391,11 cents. PN shareholders will therefore receive a total net dividend of 1 564,45 (2017:1 540,74) cents per share.

All dividends proposed in this report will be paid from reserves and are subject to the approval of shareholders at the annual general meetings (AGMs) on 30 August 2018. If approved, these dividends will be payable to shareholders recorded in the share register on 30 August 2018, and paid on or about 6 September 2018 (which will fall in the 2019 financial year).

Corporate social responsibility

MultiChoice remains committed to its contributions to society through, among others, the Phuthuma Nathi share schemes. Phuthuma Nathi companies have received some R9.1bn in dividends since inception, ultimately empowering and enriching the lives of thousands of previously disadvantaged South Africans.

We continue to contribute meaningfully towards corporate social responsibility programmes in the group such as the MultiChoice Diski Challenge, Magic in Motion Academy and SuperSport's Let's Play. Our corporate social investment spend on our flagship projects totalled R60,1m in 2018. We also managed to retain a level 1 BBBEE status, displaying our constant commitment to economic transformation.

Enterprise development

We remain committed to supporting emerging entrepreneurs to realise their dreams. We support a broad range of enterprises and community television stations. Our

Executive chair's review (continued)

commitment to enterprise development facilitates job creation and economic growth, which ultimately ensures social upliftment in local communities.

Sustainability

Our sustainable development framework links to our risk management processes, which in turn integrate financial and non-financial risk identification, management and monitoring. While the board is responsible for the integrity of integrated reporting, the audit committee has been tasked to oversee sustainability reporting to ensure the information is reliable and aligned with financial results. This report illustrates our commitment to sustainability and focuses on projects that address social and environmental issues. Some of our more significant initiatives focus on education, skills development, community outreach and environmental sustainability. We aim to play a role in improving the living conditions of our employees, their families and the communities in which we operate, ultimately balancing profit, people and our planet.

Governance

The board oversees the strategic direction of the company, with oversight vesting in the audit and risk committees, and is ultimately responsible for the group's performance. The responsibility for implementing strategy is delegated to management. Governance and sustainability are integral to our strategic implementation and essential to the interests of our stakeholders. The group continually evaluates areas where governance can be improved.

Regulatory

Our strategy formulation and implementation are affected by regulatory developments, such as the Communications Ministry's review of the broadcasting sector and the proposed amendments to copyright legislation and the Film and Publications Act. In addition, the Independent Communications Authority of South Africa (Icasa) is conducting an inquiry into the state of competition in the broadcasting sector. Matters before competition authorities remain a key focus and that, together with regulatory challenges, is placing increasing demands on senior management's time.

An internal review on the ANN7 contract and MultiChoice's lobbying efforts was undertaken and completed by the audit and risk committees of the MultiChoice board. No irregularities were found, but in the absence of national guidelines on lobbying and interaction with regulators and government, formalisation of MultiChoice's lobbying process has been

Executive chair's review (continued)

proposed. MultiChoice management will develop guidelines for approval by the board. In addition, it was decided that ANN7's current contract will not be renewed when it ends in August this year and an open bid process has commenced for a replacement black-empowered local news channel.

Directors

In terms of the MultiChoice memorandum of incorporation, one third of directors retire annually and reappointment is not automatic. Salukazi Dakile-Hlongwane, Kgomotso Moroka and Steve Pacak, who retire by rotation at the AGM, are eligible and offer themselves for re-election.

Uvashni Raman and I were reappointed as executive directors on 10 November 2017. In line with MultiChoice's memorandum of incorporation, we will retire and put ourselves up for re-election by shareholders at the AGM.

In order to improve separation of powers, I was released from being the acting group chief executive on 31 July 2017. The directors subsequently agreed to delegate the roles and responsibilities of MultiChoice's chief executive to the chief financial officer, Uvashni Raman (in addition to her current role), without a position or title change, on an interim basis. She fulfilled the role of the chief executive until 8 June 2018 when the board, on recommendation of the remuneration and equity committee, appointed Imtiaz Patel, the Naspers video-entertainment segment chief executive, as an executive director to fulfil the roles and responsibilities of the chief executive for MultiChoice.

Imtiaz Patel will retire and put himself up for re-election by shareholders at the AGM.

The board supports the election, re-election and reappointments outlined earlier. Shareholders will be asked to consider their appointments at the AGM.

Members of the audit committee at 31 March 2018 were Don Eriksson, Elias Masilela and Salukazi Dakile-Hlongwane. The board recommends their reappointment as audit committee members.

Brief biographical details of all directors appear on pages 74 and 75.

We thank our fellow board members for their continued guidance and support in another challenging year. We also appreciate the commitment of the management teams and employees across our businesses who have driven our strategy to achieve our objectives and realise our full potential.

Focusing on the future

We will continue to focus on giving our subscribers access to a world of entertainment – anywhere, anytime and on any platform. Our direct-to-home and online growth initiatives will remain focused on meeting our customers' expectations by airing the best in sport and general entertainment content on our various platforms. We will continue to invest in local content specific to subscribers, enhance our online product offerings and next generation technologies while continuing to focus on improving our subscriber experience.

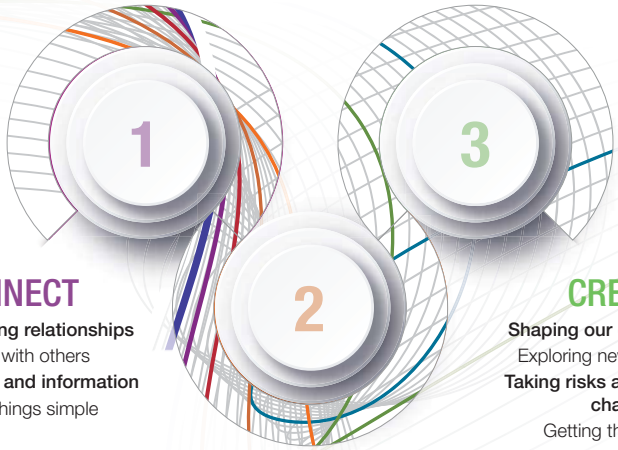
Nolo Letele
Executive chair

8 June 2018

Our strategic priorities

The MultiChoice board determines the overall strategy and is ultimately responsible for overseeing the group's performance. Management teams across our businesses implement these strategies, guided by the group's code of business ethics and conduct, and our values.

OUR VALUES



CONNECT

Building lasting relationships
Working with others
Sharing ideas and information
Keeping things simple

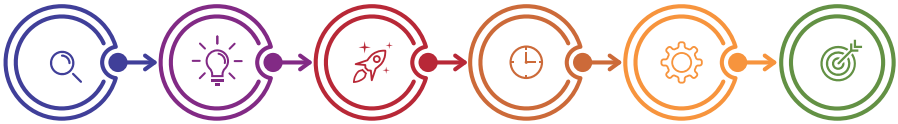
CARE

Doing what's best for everybody
Consistently doing what's right
Treating others with respect
Going the extra mile

CREATE

Shaping our desired future
Exploring new possibilities
Taking risks and embracing change
Getting things done

OUR 2018 STRATEGIC PRIORITIES ENABLED US TO ACHIEVE OUR VISION TO:



- continue to provide strong content with increasing investment in local content
- grow our customer base
- focus on improving our online offerings
- improve customer service and experience
- focus on our people
- effectively manage regulatory issues

Risk management report

Our approach

Risk management is implemented from the top down, and the chief executive is responsible to the board for the effective implementation and execution of risk management across the group.

Risks and opportunities are considered during strategy formulation together with the potential impact (positive and negative) that these may have on the achievement of our strategic objectives and the capitals that we use to create value. In evaluating risks and opportunities, we perform process reviews, risk assessments and use data analytics to identify and monitor key risk indicators, evaluate market information and loss data: we obtain feedback from managers on how evaluated risks and opportunities are being responded to; the controls that are being implemented and how risk and opportunity management is monitored and reported on as part of business activities.

The annual risk management plan is based on strategic objectives. In considering how we use, transform and add value, mitigation of risks and maximisation of opportunities are considered during the allocation of resources to facilitate ongoing risk and opportunity evaluation and proactive mitigation. Results of risk and opportunity evaluations throughout the business inform risk discussions at executive and board level. Management is supported by the group risk function to fulfil its responsibility for the day-to-day management of risk, and to ensure risk management processes are integrated into business activities and continually improved.

Risk committee

Roles and responsibilities of the risk committee

The board annually approves the group's risk management policy, plan, information and technology charter and legal compliance policy on recommendation from the risk committee. The board maintains oversight of risk and opportunity management through the risk committee as it remains accountable for delivering against strategy and the value created through the use of and impact on capitals in business activities.

The risk committee assists the board to discharge its responsibilities with regard to the governance of risk, including that associated with information and technology as well as compliance, through formal processes that focus on the opportunities and associated risks when developing strategy as well as the potential positive and negative effects of the same risks on the achievement of group objectives. The risk committee reviews and evaluates key risks and opportunities flowing from assessments that take into account the economy, the society and environment in which we operate, and it considers the design and implementation of appropriate responses to evaluated risks and opportunities. The committee recommends the nature and extent of risks and opportunities that the group should be taking to the board via a detailed risk register and heatmap, and oversees disclosures as recommended by the King IV™ Report on Corporate Governance for South Africa. A detailed risk register, with risk definitions, potential impacts, risk responses and

Risk management report (continued)

statements indicating the nature and extent of the risks and opportunities the group is willing to take, are reviewed and commented on by the risk committee twice a year (in November and March). This is supported by a heatmap demonstrating the relative positioning and movement of key risks facing the group.

The risk management framework plan and budget are reviewed annually by the risk committee. Risk reporting, including details with regard to business continuity, is part of each meeting's documentation to the risk committee for discussion that facilitates the monitoring of the management of risks, which is integral to the execution of the committee's duties.

Committee composition

The committee comprises at least three independent non-executive directors as well as the chief executive and chief financial officer.

The names of the members who were in office during the past financial year are:

Name of committee member	Date of first appointment to the committee
Don Eriksson (chair)	8 March 2007
Salukazi Dakile-Hlongwane	11 August 2010
Steve Pacak	1 April 2009
Elias Masilela	1 April 2015
Uvashni Raman	1 June 2016

As part of the roles and responsibilities of the chief executive, Imtiaz Patel became a member of the committee with effect from 8 June 2018.

Member qualifications and meeting attendance can be found on pages 74 to 76.

Members of the board and senior management responsible for various areas of risk management attended the quarterly meetings by invitation during the year. The standard meeting agenda caters for specific discussions of risks associated with information and technology; business continuity; regulatory; taxation and litigation. During the year, no external advisers were invited to attend any of the meetings.

Risk profile

The risk profile of the group is the result of the board's appetite for risk (nature and extent) and management's ability to deliver performance within predetermined tolerance variables. Such variables are monitored and reported on during the operational and strategic reporting cycles to support progress made with regard to the board's directed strategy. Results from the enterprise-wide risk management process are integrated into the business's strategic, operational, reporting and compliance monitoring activities, and form part of ongoing management responsibilities.

Risk management report (continued)

Key strategic risks

	Risk description	Existing controls and management actions
Risk	**Regulatory and competition enquiries**	
	➤ Level of regulatory and competition authority risks continues to present significant challenges	➤ Ongoing regulatory review and contact with regulatory authorities and public industry bodies ➤ A dedicated skilled team (of internal and external experts) assists with enquiry projects and submissions
Risk	**Disruption and competition risk**	
	➤ Technology disruption in the race to gain customers is an enabler for increased competition ➤ Increased competition for content rights	➤ Continued focus on emerging technologies as well as innovation in our own products and services ➤ Offer better products, value and customer service ➤ Retain key content rights
Risk	**Content exclusivity**	
	➤ Exclusivity of sporting rights and duration of contracts are under regulatory inspection across the continent	➤ Maintain relationships with rights owners and the continuous education of the impact of over-regulation
Risk	**Content costs**	
	➤ Content rights are highly sought after and increasingly expensive	➤ Rights reviewed regularly, economic value of sets of rights considered, and competitive bids tabled accordingly
Risk	**Economic and currency risk**	
	➤ Consumers under increasing economic pressure, affecting size of the potential subscriber base and subscriber retention ➤ Value of local currencies against major foreign currencies aggravating cost impact of international content	➤ Continued focus on reducing costs and improving process efficiencies ➤ Offering options for customers to suit their circumstances and pockets ➤ Focus on customer needs and concerns ➤ Financial risk policy compliance monitored continually
Risk	**Operational technology (business continuity) risk**	
	➤ Technology failures in broadcasting, digital playout, customer service or value-added services may affect customer retention and acquisition, and are ongoing operational risks to the group ➤ Complexity of operations is worsened by a high level of integration (broadcasting and billing systems)	➤ Development of an IT control framework for implementation throughout the group ➤ Significant simplification of billing and business rules ➤ Strict testing programmes implemented for all software launches ➤ Outdated key equipment and platforms built at the disaster-recovery site ➤ Investing in systems

Risk management report (continued)

Key focus areas

A key focus area in the 2018 financial year was to update the group's risk classification and framework. The risk function will be focused on setting and implementing a standard for an objective-driven opportunity and risk framework with the aim to collect risk and opportunity linked to the business for any given financial year. A risk register tool is to be implemented to facilitate

Our risks in relation to the six capitals

Importance of this capital to our business	Key risks linked to this capital
Financial	
➤ MultiChoice is a for-profit company. We buy goods and services, provide employment and pay taxes and invest under our corporate citizen programmes. Therefore, we contribute to economic growth, employment and development opportunities in the communities in which we operate	➤ Financial reporting, fraud, economic, technology disruption, broadcasting interruption, IT systems failure, competition and internal control risks
Manufactured	
➤ To operate effectively we require offices, contact centres, distribution networks, vehicles, inventory, public infrastructure and specialised equipment and technologies	➤ Dated equipment, damage, equipment/vehicle failure/breakdown/unavailability (including technology, system and infrastructure failures such as satellite failures) ➤ Excessive write-offs or weaknesses of fixed assets ➤ Inappropriate use of technologies critical for delivering products and services ➤ Security of data, programming and information ➤ Inadequate procurement/sourcing, supply chain, logistics and delivery strategies and processes (physical) ➤ Natural or human-induced disaster (including terrorist attacks) ➤ Theft, piracy and sabotage ➤ Power or water outages

Risk management report (continued)

the process which will drive management in a structured manner to ensure alignment with the King IV™ principles. Other key focus areas for the risk function during this year are information and technology (I&T) governance, health and safety, third-party governance and, in support of business, the improvement of governance processes in functional areas.

How we manage risks and maximise opportunities linked to this capital	Combined assurance
➤ Implementation, monitoring and creating awareness of accounting policies, procedures and systems and to provide an appropriate internal control environment ➤ Reinforcement of the group code of business ethics and conduct ➤ Strengthened governance structures ➤ Focus on key business processes and monitor actions to reduce risks ➤ Continued focus on reducing costs and improving process efficiencies ➤ Cautious approach to large content investments ➤ Termination of non-performing channels ➤ Strengthening and expanding connected and online offerings and expanding content offerings ➤ Integration of Showmax ➤ Continued focus on emerging technologies as well as innovation ➤ Deploying video content on new platforms ➤ Broadcasting quality assurance and monitoring of key equipment no longer needed ➤ Weekly load/stress tests of IT systems and integration of business continuity plans and processes ➤ Regular market reviews to monitor competitive environment and implement plans to improve competitive advantage	➤ Management assurance ➤ Revenue assurance team ➤ Risk and compliance ➤ Internal audit ➤ External audit ➤ PwC risk and advisory ➤ Independent forensic departments ➤ PwC assurance services ➤ Managing consulting by Accenture ➤ Neotel Professional Services
➤ Implementation of business continuity and disaster recovery plans, including content archiving, backup satellites and hot broadcasting recovery site for minimal downtime when moving to the backup site ➤ Business and resource planning, which includes information and technology, external service-provider selection, contracting and performance evaluations, and responsible scaling strategies ➤ Adequate sourcing/licensing and timely contract renewals ➤ Asset and business interruption insurance cover ➤ Anti-piracy team tracks and prosecutes pirates; regular vulnerability and security audits ➤ Physical security (CCTV, access control) ➤ Backup generators and backup water supply	➤ External health and safety experts ➤ External providers of health and safety assessment services ➤ Insurance intermediary and underwriters ➤ Risk and compliance ➤ Internal audit ➤ Management

Risk management report (continued)

Importance of this capital to our business	Key risks linked to this capital
Intellectual	
➤ Our business revolves around the acquisition and development of content, patent, copyright and trademark rights and industry and market know-how	➤ Infringement or non-compliance, theft, or misuse of intellectual property (IP) rights (eg piracy, rebroadcasting and plagiarism) resulting in impairment of IP, opportunity cost, loss of market share and revenue, reputational damage ➤ Non-renewal of key content rights, both international and local, may reduce the attractiveness of the offering to existing and potential customers ➤ Sporting rights are becoming increasingly expensive, putting pressure on margins ➤ Reputational and financial risk where local productions are not adequately managed ➤ Loss of influential experts whom we use as on-air talent
Human	
➤ Employees are essential to our business as employee skills and experience are needed to drive our business forward	➤ Lack of attraction and retention (including poaching) of talent to execute strategy ➤ Lack of ability and skills to execute strategy ➤ Non-compliance with applicable health and safety, labour and economic empowerment laws ➤ Unfair treatment of employees and inadequate development of employees ➤ Inability to produce the most-relevant and top-performing local content due to poaching of staff by competitors ➤ Inability to retain services of the best producers ➤ Intellectual property loss or violation

Risk management report (continued)

How we manage risks and maximise opportunities linked to this capital	Combined assurance
➤ Adequately protecting our business's IP rights against infringement by: • registering all materially important IP rights in key territories • using terms and conditions that properly address issues such as IP ownership, data usage rights, intermediary liability, third-party rights, and confidentiality • utilising monitoring services to detect and eliminate infringement • use of encryption/decryption technology for digital content • anti-piracy teams, and • ensuring that business takes all reasonable steps to avoid knowingly infringing upon the IP rights of third parties ➤ Sporting rights are reviewed regularly ➤ Strong long-term relationships with content providers ➤ Monitoring of controls around local productions ➤ Developing, attracting and growing local talent ➤ Development of strategically important IP assets ➤ Developing relationships to grow intellectual capital, for example relationships with universities, 'think tanks' and other sources of future intellectual capital ➤ Research and development spend strategies linked to value creation	➤ Management assurance ➤ Internal audit ➤ External legal counsel ➤ Internal production accountants
➤ Talent and high-performer programmes, with a dedicated talent acquisition team, reward programmes and employee referral programmes ➤ Learning and development programmes, coaching programmes (internally and externally) succession planning including active monitoring and management of key talent, and continuous performance and development discussions ➤ Clearly aligned human resources (HR) policies that support legislative requirements, environmental trends and strategic objectives of the group ➤ Various employee wellbeing initiatives and staff engagement activities	➤ Line managers ➤ HR team ➤ Talent and acquisition teams ➤ EmpowerLogic verification ➤ Engagement surveys ➤ Workplace forum ➤ Section 16(1) and section 16(2) appointees ➤ Health and safety representatives ➤ Health and safety audits

Risk management report (continued)

Importance of this capital to our business	Key risks linked to this capital

Social and relationship

➤ The group is a proud contributor to South Africa. We see beyond business priorities and deliver value to stakeholders by adding economic value, enhancing our employees' lives and making a lasting impact on communities. All our initiatives are aimed at delivering real benefits to communities in which we operate and with which we interact, while being mindful of our planet's sustainability. The nature of our operations means we connect with people from all walks of life and our involvement goes beyond our core business	➤ Non-renewal of key content rights or the breakdown of relationships with suppliers, both international and local, may reduce the attractiveness of our offering to existing and potential customers ➤ Relationship complications will potentially increase cost of content, putting pressure on profits ➤ Reputational and financial risk where local productions are not effectively managed ➤ Reduced subscription and advertising income ➤ Unethical behaviour ➤ Unsatisfied customers ➤ Data security breaches ➤ Not developing communities within which the business operates may affect the sustainability of the business ➤ Not knowing or understanding the lawful and reasonable needs, interests and expectations of the business's major stakeholders

Natural

➤ We rely on continued electricity usage, together with other fuels consumed (like diesel generators for irregular electricity usage). We also have many employees and water usage and waste removal are important	➤ Increased costs of water and electricity ➤ Water scarcity in some regions seriously affect productivity and workplace attendance and may lead to health risks and conflicts ➤ Increased compliance costs (eg to reduce emissions) or new regulations or licence fees (eg higher charges for waste disposal) ➤ Local communities may experience reduced access to, or availability of services

Risk management report (continued)

How we manage risks and maximise opportunities linked to this capital	Combined assurance
➤ Strong long-term relationships with studios ➤ Monitoring of controls around local production contracts ➤ Negotiations for new content and renewal of content contracts are focused on economic potential and the ability to attract new subscribers ➤ Significant investment continues to be made in local content, thereby developing and growing local talent and stimulating the local economy ➤ Partnering with international players to produce local content to create high-quality content and share the cost of production ➤ General ethics initiatives and ensuring ethical business in relation to services and products provided ➤ Anti-bribery and anti-corruption initiatives ➤ Customer satisfaction initiatives and monitoring ➤ Customer privacy and data security ➤ Corporate social initiative (CSI) programmes that are targeted, focused and linked to a set business strategy ➤ Managing stakeholder relationships and responding to legitimate and reasonable issues raised by major stakeholders	➤ PwC tax advisory ➤ Deloitte tax advisory ➤ Internal audit ➤ Management ➤ Risk and compliance ➤ Management's assurance based on various tools deployed ➤ EmpowerLogic for annual ratings ➤ External audit ➤ External legal counsel
➤ Energy efficiency and saving measures in relation to, for example, electricity, air-conditioning, heating, ventilation or investing in 'green' infrastructure ➤ Waste reduction in relation to, for example, recycle paper and ewaste, reuse or refurbish equipment (eg decoders and modems) and the responsible disposal of ewaste ➤ Reducing water usage, and use of water recycling	➤ Facilities function (electricity and water) ➤ Business continuity teams ➤ Management ➤ Risk and compliance

Our stakeholders

We identify our stakeholders based on the extent to which they affect, or are affected by, the activities of our business. Our material stakeholders have a significant influence on how we manage our business, how we manage risks and our material issues.

Engagement efforts over the past year

How do we engage with them?	Main issues raised by stakeholders
Material stakeholders	
Customers	
➤ Contact centre with 1 600 agents ➤ Five service centres ➤ Social media ➤ 117 agencies ➤ 12 service pods ➤ Self-service (web, mobile) ➤ 5 000 payment points ➤ 1 183 DStv accredited installers ➤ CEO escalations team ➤ Media and press ➤ TV promos	➤ Account and billing queries ➤ Reconnections ➤ Upgrades and downgrades ➤ Technical queries ➤ General service queries
Government and regulators	
➤ The regulatory team makes presentations to government and regulators on a number of legislative amendments through written and oral submissions	➤ Electronic Communications Amendment Bill ➤ Copyright Amendment Bill ➤ Draft Liquor Amendment Bill ➤ Competition Amendment Bill ➤ Performers Protection Amendment Bill
Content providers	
➤ New content acquisition engagements or renewal negotiations ➤ Face-to-face meetings, telephonic conference calls and email communication ➤ Internal programming teams engage on an ongoing basis with the stakeholders at an operational level ➤ Meetings in respect of sports rights are held annually at the Sportel Conference ➤ Ad hoc operational engagements by way of meetings, correspondence and/or telephone calls	➤ Rights ➤ Authorised platforms ➤ Content utility ➤ Device usage rules ➤ Exclusivity/holdbacks ➤ Fees ➤ Qualifying content ➤ Encryption/platform security and content protection

Our stakeholders (continued)

	Our response
	➤ Solve individual issues promptly ➤ Communicate company position on issues including engaging with media, posting to our own platforms, sending direct messages and developing on-air promos ➤ Address bigger process and system issues where relevant ➤ Talk to customers via social media on Twitter, Facebook, DStv communities ➤ Ongoing customer satisfaction surveys and mystery shopping ➤ Link bonus of all senior leaders to customer satisfaction
	➤ Written and formal oral submissions were made on various legislative amendments
	➤ We negotiate within approved mandates ➤ Where fees are too high we may look at changing our rights from exclusive to non-exclusive ➤ In cases where certain issues are argued consistently by various studios (eg device usage rules), these issues may inform our own business approach where they are in line with international norms ➤ In extreme circumstances where negotiations deadlock, we weigh up the risk of losing the relevant content to competitors, and we may either compromise to the extent required or walk away from the deal if necessary

Our stakeholders (continued)

How do we engage with them?	Main issues raised by stakeholders

Material stakeholders

Employees

- Workplace forums, employment equity committees and trade union engagements (weekly, monthly, quarterly or annually)
- Further direct engagements with broader groups are also held; eg Group Leadership Forum meets bi-annually; State of the Station address hosted bi-annually
- Office Vibe live engagement tracking and anonymous employee feedback
- Culture Amp Engagement survey

- Retrenchments
- Union recognition
- Salary and benefits negotiations
- Employee enablement, development and recognition

Shareholders

- Shareholder meetings, including annual general meetings
- Annual reports/interim results/information
- Communications/updates on website
- Meetings/other interactions with shareholders and shareholder representatives
- Press releases
- Other corporate documents (eg website question-and-answers documents and other information guides on website)

- Share price and liquidity
- Unlocking shareholder value and removal of trading restrictions
- Appropriateness and constitutionality of current BBBEE arrangements
- ANN7 contract and lobbying efforts
- Personal information and identity theft incidents

Media aimed at the general public

- Direct engagement through one-on-one interviews and press conferences
- Hosting relevant events and launches, including media showcases
- Sending press releases, editorials and general articles
- Responding to media queries

- Business media: MultiChoice's relationship with ANN7 and lobbying processes
- Content media: shows on DStv, new channels, ANN7 and bid for new news channel, value of DStv, comparison to other services like Netflix
- Consumer media: related to consumer issues eg price increase, billing issues, value of DStv, comparison to other services like Netflix
- Technical media: continued support eg Android TV boxes, DStv service offering, comparison to other services

Our stakeholders (continued)

	Our response
	➤ Meaningful retrenchment consultation and involvement ➤ Meaningful salary and benefits negotiations
	➤ Consider awareness campaigns and roadshows to improve awareness ➤ Review of processes followed to verify shareholders' information, such as identity documents ➤ Formalising MultiChoice's lobbying process
	➤ Business media: one-on-one engagement, press conference around ANN7 review ➤ Content media: weekly DStv Scoop newsletter with summary of all news across group for the week, press releases as and when on new channels and services, articles about specific shows, launch events for specific shows and channel, engagement with stars and talent ➤ Consumer media: regular weekly interaction and bi-annual visits in person, ongoing involvement in queries ➤ Technical media: regular interaction and interviews, press releases and articles

Our operations

2 981 hours
of local content commissioned

R2,3bn spent
on local sports content

Mzansi Magic's star, Thuso Mbedu, won an Emmy Award for her performance in Mzansi Magic's Is'thunzi

R2,5bn spent
on local content

Our operations

INVESTING IN INTERNATIONAL AND LOCAL CONTENT

2018 FINANCIAL-YEAR HIGHLIGHTS

- **Top-ranking channels:** M-Net channel 101; M-Net Movies Action+; M-Net Movies Premiere; Mzansi Magic; kykNET
- **Key channel rights renewed:** Discovery, Disney, Turner
- 2 981 hours of new local content commissioned
- **Top-rated local productions:** On Mzansi Magic and 1Magic: Our Perfect Wedding (season 7), Igasi (season 2), Idols SA (season 13), Becoming Mrs Jones, Being Bonang and The River. On kykNET: eNuus, Boer Soek 'n Vrou and on M-Net: Carte Blanche, My Kitchen Rules South Africa and The Voice South Africa
- **Launch of 1Magic with premium telenovela, The River**
- Mzansi Magic received an International Emmy Award nomination for Mzansi Magic's Is'thunzi star Thuso Mbedu in the category Best Performance by an Actress
- M-Net 101 partnered with The Daily Show host, Trevor Noah
- M-Net channels were nominated for 114 awards at the 11th South African Film and Television Awards (Saftas), and scooped 22 Golden Horns (40% of awards)
- M-Net marketing teams won nine gold and 15 silver awards at the PromaxBDA Awards in 2017

M-Net channels were nominated for

114 awards

at the 11th South African Film and Television Awards (Saftas), and scooped 22 Golden Horns

- Both the M-Net 30th birthday campaign and the M-Net Movies' Animania Festival were awarded Gold Promax Global Excellence Awards
- **Sporting rights renewed:**
  - **Football:** English Premier League (UK), Premier Soccer League (South Africa), UEFA Champions League (Europe)
  - **Rugby:** Six Nations tournament, international matches in Wales, Scotland and Ireland
  - **Cricket:** Indian Premier League
  - **Golf:** Masters Tournament
  - **Olympics:** Winter Games 2018
- **Sporting rights acquired:** Commonwealth Games 2018, athletics (IAAF Diamond League events) and global marathons (eg London Marathon), World Wrestling Entertainment (WWE)
- SuperSport pop-up channels and exclusive events: McGregor/Mayweather fight

Our operations (continued)

General entertainment

A key competitive advantage for our group is providing content that resonates with our customers. Our general entertainment channel, M-Net, aims to become the leading African storyteller in the world. To this end, the company needs to deliver flagship general entertainment channels for key markets to differentiate MultiChoice from its competitors, increase the focus on local stories in local languages, and deliver audience growth in the linear and non-linear environments.

The consolidation of M-Net 101 and M-Net Edge reduced repeats and delivered cost savings. Scheduling improvements to M-Net Movies Zone increased ratings, and a customer satisfaction survey carried out in April 2017 recorded a 15% drop in repeat complaints after introducing the reduced repeat strategy.

During the year viewers welcomed the anticipated return of: This Is Us, a number-one show in the US; the much-anticipated American Gods, which the critics have likened to Game of Thrones; America's Got Talent (season 12); Ray Donovan (season 5); American Crime (season 3); Game of Thrones (season 7), with 55% higher ratings than season 6; Suits; and the big local reality show The Voice South Africa.

Friday nights saw the highest increase in performance with the return of the MasterChef Australia daily strip at 18:00, leading into a new season of The Voice (US) at 19:00. The reality combination has increased the day's performance month on month.

The general entertainment genre was further enhanced with the premieres of Chicago Justice and Man in the Orange Shirt, as well as My Kitchen Rules South Africa featuring chefs David Higgs and J'Something.

With numerous shows on production break in December, we added variety to the holiday schedule with specials such as Cirque Du Soleil: La Nouba, Hairspray Live, Phantom of the Opera, Miss Saigon, Michael Bublé's Christmas in Hollywood, Royal Variety Performance 2016 and M-Net's 30th Birthday Celebration.

Pop-up channels continued to perform well and included: M-Net Inspire; M-Net Movies Bond; M-Net Movies Fast and Furious; M-Net Binge, an ad-free weekend channel that featured popular titles such as The Night Of, Westworld, Grey's Anatomy and Game of Thrones; and the M-Net Movies Bucket List that was a four-week blockbuster countdown of 100 movies to see before you die.

The 1000 Movies Collection remained a key driver for Catch Up Plus downloads and Explora sales during the year.

Our operations (continued)

Local content

We are particularly focused on building the local-content industry and continue to invest significantly in original productions and local stories. In the review period we invested R4,8bn in local productions, contributing significantly both to developing the local industry and broadening its pool of skills.

This year saw the launch of Wedding Bashers (season 1) featuring celebrities Zavion Kotze, Denise Zimba, Siba Mtongana and Cindy Nell-Roberts as judges; the new local reality series Dancing with the Stars South Africa, and an innovative partnership with The Daily Show host, Trevor Noah, to produce a 13-part series, Trevor Noah Presents, which showcased 13 of the best new comedians in South Africa. M-Net 101 was also a headline sponsor for Noah's August 2017 South African tour. M-Net's Idols (season 13) performed well and M-Net's format of Our Perfect Wedding was a top-performing show on DStv.

The growth of Mzansi Magic has been driven by a resurgence of Isibaya, growth in The Queen (season 2) and the Monday night drama Is'thunzi. Isibaya's viewership increased year on year, while The Queen continues to hold the number one position in its slot. Content highlights include the new drama Lockdown, two reality shows (Papa Penny: Ahee and Meet the Ranakas), as well as returning seasons of Saints & Sinners and Utatakho. Our Perfect Wedding is the channel's highest-rated show, followed by Isibaya. A new drama, Imposter, premiered in October 2017.

A rebrand of VUZU AMP, 1Magic, launched as a more strategic content proposition, and new original productions (flagship telenovela The River, dating reality Kheto'Mthadayo and drama UnMarried) have assisted in growing viewership for the channel.

The first-ever DStv Mzansi Viewers' Choice Awards were successfully staged, with positive feedback from across the industry. Over 1m votes were cast by the public for their favourite talent across television, sport and music. The show yielded a rating of 8.19.

kykNET maintained its number-one position in the premium Afrikaans market. Show highlights include the new drama by Paul C Venter, Knapsekêrels, the last Boer Soek 'n Vrou episodes, Binnelanders (with a compelling storyline about domestic abuse), Ons Sprokies Bruilof (the Afrikaans version of Our Perfect Wedding), Bravo! and Kwêla, and a number of Afrikaans music specials. kykNET also launched an original film-trivia game show, FliekNET Foendies, which is performing very well.

Our operations (continued)

The kykNET Ghoema Afrikaans music awards are the only independent Afrikaans music awards and were held for the 6th year in April 2017. The awards were successful and broadcast live. The channel invited Emo Adams to record his first live concert, a tribute to Taliep Petersen, which received country-wide appreciation and praise.

Sport

SuperSport continued to perform well while innovating to give sports fans a variety of platforms. As always, broadcasts were underpinned by expert analysis and commentary, supplemental magazine programming, online streaming and DStv Catch Up highlights.

SuperSport, together with the group, runs one of the largest and most-advanced television-broadcast infrastructures, driven by leading technology, and remains the biggest funder of sport in Africa. In the review period SuperSport and The Sports Trust handed over a multipurpose facility to the winners of the 2017 Let's Play Physical Education Challenge – Laerskool Jan Van Riebeeck in Springs. The court can be used for five sports codes.

The Mayweather versus McGregor fight on 27 August 2017 achieved over 11m impressions across Twitter, Facebook and Instagram from 200 posts. It also boosted customer growth ahead of match day, with some 17 000 new Premium customers attributed to the event.

OUR PACKAGES AND PRODUCTS

2018 FINANCIAL-YEAR HIGHLIGHTS

Showmax

free to Premium subscribers

- As part of our digital vision, free online access to all tiers of DStv through the DStv Now app was launched
- Catch Up Plus customers downloading 14 titles a month, from 10 a year ago
- Good growth in Explora units (our proprietary and advanced decoder) – aiding customer retention
- New Playlists feature across DStv platforms assists customers in navigating the breadth and depth of content
- Strengthening distribution partnerships with telecommunication companies (increasingly active in the video-streaming market on mobile)

Catch Up Plus

customers downloading

14 titles

a month, from 10 a year ago

Our operations (continued)

Our DStv service is available in six packages to suit all budgets and tastes. These range from DStv EasyView to our top-tier DStv Premium package.

Our flagship decoder, the award-winning DStv Explora, is changing the way our customers view their entertainment. The DStv Explora uses intuitive software and gives customers access to an extensive library of content through services like DStv Catch Up and BoxOffice.

Connecting their devices to the internet gives customers even more content through DStv Catch Up Plus and the extensive Showmax catalogue. As a result, we exceeded our connected Explora targets for the year, mainly due to the new and easier-to-use wi-fi connector, better marketing and stronger incentives for installers.

This year we have repositioned the Extra Bouquet as Compact Plus, to more accurately define the product proposition. We offered Showmax free to Premium customers and discounted Showmax to R49 for Compact customers resulting in excellent uptake of the product. The DStv Now channel line-up was increased to match our satellite offering, and high-definition SuperSport channels were also added.

GOtv, our digital terrestrial television platform, offers 12 digital channels for R99 per month as a simple solution for customers wanting to upgrade their analogue service.

INVESTING IN NEW TECHNOLOGIES AND PLATFORMS

Competition is increasing with video consumption on online platforms growing and global players like Netflix, Amazon, Facebook and iFlix continuing to offer alternatives to our service in our territories. In addition, local streaming players like Kwese, Cell C Black and Vodacom VideoPlay have also emerged. Aspiring direct-to-home (DTH) and digital terrestrial television (DTT) players continue to invest across Africa, notably StarTimes, Zap, Azam and Kwese. Free-to-air channels and analogue switch-offs in many countries are also creating further competitive pressure on our products.

A significant differentiator for our group is the advanced functionality of the DStv Explora. The Explora 2 model supports better video-encoding technology and enhances convenience. Our Showmax service is also available via an internet-connected Explora and customers can add the monthly Showmax subscription to their DStv bill.

Our operations (continued)

The DStv Now service remains one of the best all-round video-viewing environments available to customers on the African continent. The service supports streaming 140 linear channels. During the year the service was further enhanced, notably:

- expanded eligibility to all DStv tiers
- expanded the live-streaming offering, adding 19 channels and launching the SuperSport high-definition channels
- deployed a new 'Live TV' channel-navigation layout
- AirPlay and Chromecast now included in our apps, allowing DStv Now to be watched on the big screen, and
- further improved the stability and scalability of our platforms.

Our online properties are gaining traction. Explora penetration, BoxOffice rentals and connected Explora connections also recorded pleasing growth during the year.

During the year we combined Showmax Africa and DStv Digital Media operations into the Connected Video business unit to capitalise on synergies and offer all our over-the-top (OTT) products as added value for traditional pay-TV customers and for standalone subscriptions.

Our SuperSport digital products across web and mobile devices play an important part in the lives of African sport lovers. We provide match facts, statistics, insights, quality journalism and video highlights to all, and live video streams to paying customers.

Our people

88% of our employees are black

and **56%** are **black women**

Our people

We focus on attracting innovative and motivated employees and developing their full professional potential. We promote the wellbeing of our employees by contributing to initiatives that improve the quality of life for all.

Our employees are central to our business. We provide great career opportunities in a dynamic environment that offers growth through international learning opportunities. In addition, as part of the Naspers community, our employees can explore international development and career opportunities across the group.

As at 31 March 2018 we had a total workforce, including independent service providers, of just over 7 200 (2017: 8 000) people. Permanent and fixed-term employees amount to 6 085. Employee numbers have been impacted by the restructure and rightsizing of our business (FutureFit). The main objectives were to optimise group performance, reduce costs and build resilience. To mitigate the negative impacts of the restructure, employees were provided with counselling and career guidance and assistance with finding other employment.

Diversity

We have an ingrained culture of celebrating our individual differences and skills, and we are committed to improving the lives of all our employees. All employees are treated equally and respectfully, and every effort is made to support them in doing their jobs effectively. This includes appropriate access to information and technology.

WE FOSTER A DYNAMIC AND INNOVATIVE CULTURE BY:

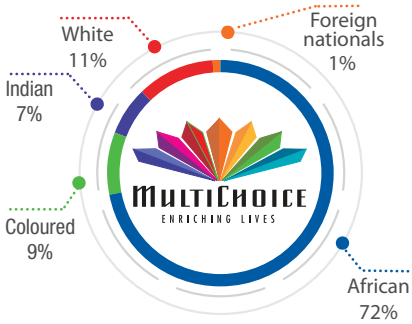
- respecting the rights of our people and their diversity
- complying with relevant employment legislation
- assessing health and safety risks at our facilities, supported by training
- monitoring management's actions through operational and risk management processes, and contract specialists to evaluate our health and safety performance and internal reporting
- promoting development and career growth, and
- understanding that a healthy workforce contributes to business success. We provide medical aid and wellness programmes to our staff.

In our day-to-day interactions we treat each other fairly and respectfully. Everybody has equal access to opportunities and resources, and everyone is encouraged to contribute to MultiChoice's success.

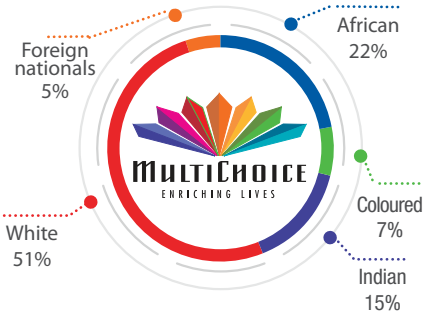
We drive a culture of high performance while challenging and empowering each other to consistently deliver excellence. Our diversity, collaboration and teamwork bring out the best in us in an informal, dynamic, passionate and entrepreneurial environment.

Our people (continued)

All employees



Top and senior management



Health and safety

Our priority is ensuring a healthy and safe workplace for all our employees, and to minimise or eliminate the injury rate on duty. Where required, and in line with legislation, health and safety committees (comprising responsible, trained individuals) ensure regulatory compliance. Appropriate medical emergency and disaster-recovery plans are in place.

Given the nature of our business (indoor, sedentary), key health risks are concentrated in the so-called lifestyle diseases, including hypertension, diabetes and stress management. Through annual wellness days and ongoing awareness campaigns, we emphasise the importance of a balanced, healthy lifestyle.

Wellness

Through our wellness programmes, we take a preventive approach to employee health. Our Randburg offices have a comprehensive onsite wellness centre accessible to all employees, offering cost-effective, convenient and confidential medical care from an onsite nurse and doctor, as well as a beautician, physiotherapist, dietitian and optometrist. Our Cape Town, Durban and Umhlanga offices also have onsite clinics to care for our employees' health needs. MultiChoice City houses a cost-effective gym available to all employees.

Our people (continued)

Employee benefits

Membership of our retirement fund is mandatory for all employees to ensure they plan and save for their retirement. Awareness and education sessions help prepare staff for life's eventualities, including retirement, death, disability, dreaded diseases and more.

MultiChoice operates a Montessori nursery school for employees' children. An early-childhood development subsidy is available for employees' children from three months to six years.

We also offer a unique lifestyle programme to employees, with access to a 24-hour virtual assistant that provides a variety of services, including a 24/7 emergency service and free legal and financial advice.

Video-conferencing facilities contribute to employee wellness by improving their work-life balance, and reducing the strain caused by excessive travel.

Training and development

Investing in skills development is a priority, given the strategic importance of technology and intellectual property to our sustainability in a competitive market.

During the year we invested R58m in training initiatives. Total training for the year was 423 320 hours (2017: 415 132 hours), translating to 125 hours per employee.

Leadership development

Given our focus on leadership development, 242 junior to senior managers attended programmes in their areas of expertise internally or externally. We have also developed a programme with the Gordon Institute of Business to develop women at middle to senior management level. In addition, 106 leaders benefited from business coaching programmes.

Programmes outside the leadership pipeline were tailored around individual competency assessments. This ensures we deliver the right skills for the right people at the right time.

Leadership development training demographic split

Internships

Our internship programmes provided work experience and mentorship for 75 interns over the past year. The group absorbed 33,33% of these interns as permanent employees at the end of the programme.

Our people (continued)

Our graduate programme employed 17 graduates this year. The initiative attracts young talented professionals to add value in various strategic and operational business units. We also offer these young professionals a bursary for the second and third year of study and, where applicable, for their honours degrees. At least 88,2% of these graduates are offered permanent employment.

In our broadcast technology and outside-broadcasting areas, eight young engineers were offered opportunities to gain valuable experience and conduct research while completing their qualifications.

Bursaries

We invested over R18,5m in bursaries in the review period. Much of this was focused on supporting employees in obtaining their first undergraduate degree, and 64% (R11,8m) was allocated to women. While most of the qualifications we fund are in business studies, a growing number are in communication science and media studies.

Skills development and learnerships

Our learnerships combine vocational learning with practical and workplace experience aligned to the National Qualifications Framework (NQF). During the year 89 employees and unemployed learners completed programmes that have equipped them with skills in broadcast engineering, project management, administration, film and television production, paralegal, and technical accounting skills.

A total of 80 learnerships were offered to unemployed people with disabilities.

Online learning

Our people can complete online courses and interact with fellow learners through a cloud-based platform, SABA Talent Management, which facilitates virtual classrooms, assessments, surveys and online and social collaboration. It offers generic courses across seven categories as well as custom-created content (including assessments) to support business imperatives.

In addition, the Naspers-wide online platform, MyAcademy, offers more than 5 000 courses for employees to enhance their skills. With the total number of registered users in MultiChoice making up 6 481 employees, MyAcademy is set to take our employees' learning experience to the next level.

In 2018 we focused on the rollout of online training modules on the code of business ethics and conduct, as well as various corporate governance programmes.

Our customers

We continue to transform our customers' experience by using artificial intelligence to optimise self-service and augment our people's knowledge as well as simplify processes and functions

6,9m customers

Our customers

Customer care

Our customers are our lifeblood and we are committed to delivering an exceptional experience at every point of contact (which we refer to as a touch point – from five walk-in service centres to online self-service platforms). Honest and open communication with our customers at their preferred touch point is a crucial part of our customer-service strategy, as is ensuring a consistent experience across those touch points.

Our focus on improving our self-service platforms allows customers to resolve basic issues themselves without spending time and money phoning our call centre. On 31 March 2018 our service levels (how quickly we answer calls and first-time query resolution) was 93%, exceeding our target of 85%. Our overall customer-satisfaction target of 80%, was also met.

We continue to transform our customer experience by simplifying complex business processes, reducing customer effort, and using artificial intelligence to optimise self-service and augment our people's knowledge, as well as bots to simplify certain processes and functions.

In the 2018 financial year, MultiChoice again won several awards at the Global Contact Centre Awards in London. We entered four categories and received awards in all four.

Social media

Social media has changed the way businesses operate, particularly through increased transparency and accountability. These platforms give customers another (and easier) way to contact us, while followers stay abreast of news, events and schedules. We also use these channels to tell brand stories, educate our customers about products and services, and bolster our search engine optimisation (which helps when people search for us on Google). DStv and each of our brands have dedicated social media platforms to engage with customers.

With monthly interactions on social platforms now averaging over 152 970 (2017: 65 000), this is clearly our customers' preferred medium of interaction. We believe our social media team manages this engagement exceptionally well, with response times above benchmarks and targets.

Our customers (continued)

Social media statistics

Total DStv social media followers:

2 825 783

The DStv Facebook page reaches 2,5m unique social media users on average per month and is a great source of insight to improve our offerings.

Total M-Net social media followers:

16 423 000

The M-Net Twitter account grew 33% year on year, enabling the channel to engage with even more fans.

Total SuperSport social media followers:

16 500 000

During the 2018 financial year, SuperSport's total social media audience grew to over 16,5m fans (including other SuperSport-related pages eg @SuperSportFootball). **SuperSport remains at the top of the Africa Brand Index as the most successful brand on social media in Africa.** The SuperSport Football Facebook page is the second largest page in South Africa, while the brand page is the sixth largest in South Africa.

Our regulatory environment

We work with regulators in the interest of the industry as a whole

Our strategy formulation and strategy implementation are affected by regulatory developments

Our regulatory environment

The highly regulated video-entertainment industry in South Africa has become more complex with several policy reviews under way, as well as an inquiry by the sector regulator. Our strategy formulation and implementation are affected by regulatory developments, including the Department of Communications' review of the broadcasting sector, proposed amendments to copyright legislation and the Film and Publications Act. In addition, the Independent Communications Authority of South Africa (Icasa) is conducting an inquiry into the state of competition in the broadcasting sector. Matters regarding competition authority remain a key focus and they, together with regulatory complexities, are placing increased demands on senior management's time.

Regulatory progress was significantly affected in the review period after the minister and deputy minister of communications appointed by former President Zuma in March 2017 were replaced in March 2018 by President Ramaphosa. We continue to work with the Ministry in the interest of the industry as a whole. The DTT rollout is still the focus of the Department of Communications and we continue to participate actively in support of the project.

Icasa competition inquiry into subscription broadcasting: In August 2017, Icasa published a discussion document on subscription broadcasting for public comment with a postponed date for responses of 4 December 2017. The document's objective is to determine whether there are competition issues in the sector that require Icasa to take action by imposing pro-competitive conditions on relevant licences. It notes potential remedies should Icasa find a need to intervene in the subscription-TV broadcasting sector. With a team of internal and external legal experts and economists working on the matter, our submissions were made to Icasa. The hearings started on 7 May 2018 and the final date was 11 May 2018. We participated in the hearings.

Controversy about ANN7 contract: It was alleged that we had paid this Gupta-owned station disproportionately for content in an attempt to lobby government and influence policy development in our favour.

Our regulatory environment (continued)

Our audit and risk committees completed an internal review on the ANN7 contract and our lobbying efforts. While the committees found no irregularities, the review has enabled us to strengthen our processes considerably:

- We are formalising MultiChoice's lobbying process. In the absence of national guidelines on lobbying and interacting with regulators and government, management will develop guidelines for approval by the board.
- We will not renew ANN7's contract when it ends in August 2018. An open bid process is being followed for a replacement local news channel.
- Reputational risks and controversial issues will be highlighted quarterly by management to the audit and risk committees.

eTV DTT policy review court application: Government published its final policy on DTT in March 2015 which provided for migration without the need for encryption. eTV instituted a court challenge to review the policy by, mainly, alleging that the minister acted outside her powers. MultiChoice joined the SABC and the Department of Communications in seeking to dismiss eTV's review application. The Constitutional Court heard the matter in February and April 2017, and by a majority decision, dismissed eTV's appeal with the costs of two counsels. The DTT project is proceeding based on the current policy.

Corporate social responsibility

We use our **expertise** and **resources** to benefit communities.

R60,1m
spent on flagship projects and other initiatives

Level 1 BBBEE rating

Black South Africans have a **60,46% economic interest** in the MultiChoice group

Corporate social responsibility

As a proud contributor to South Africa, we see beyond business priorities. We understand the need to create value for stakeholders by contributing to economic growth, enhancing our employees' lives, delivering real benefits to communities where we operate and with which we interact, and being mindful of our planet's sustainability.

The nature of our operations means we connect with people from all walks of life and our involvement goes beyond our core business. Our sustainable development policy is focused on economic, environmental and social issues, the community, our people, and health and safety.

How we do this

- We use our expertise and resources to benefit communities that we touch through corporate social initiatives.
- We contribute to general economic prosperity.
- We minimise our impact on the environment.
- We measure and report on our carbon footprint to understand and manage our direct impact on the environment.
- We reduce waste where possible.
- We comply with relevant environmental legislation.

Corporate social investment

We believe in building a sustainable business and playing our part in the growth and development of our country. Through our corporate social investment (CSI) initiatives, we reinvest in communities and people. By doing so, we share our success and nurture undiscovered talent.

Our objectives are to:

- make a measurable, sustainable impact on less fortunate communities.
- retain and enhance employee loyalty and pride in the company, and
- capitalise on internal expertise and experience to ensure that our programmes have a meaningful impact on beneficiaries and their communities.

In the review period we invested R60,1m across our flagship and other initiatives.

Spend per flagship project and other initiatives

MultiChoice Diski Challenge
R45m
per annum

SuperSport Let's Play
R2,5m

M-Net Magic in Motion
R10,9m

MultiChoice Make a Difference
R1,2m

The Sports Trust
R500 000

Our flagship projects

MultiChoice Diski Challenge

A multifaceted programme aimed at developing football and broadcasting through:

- football competition (for reserve teams of the Premier Soccer League or PSL)
- internship programme where apprentices produce live matches in the competition for SuperSport
- leadership and life skills training courses for players, coaches and interns, and
- broadcasting Diski competitions – for free – on community television channels on DStv.

Since inception the Diski Challenge has reached more than 600 young footballers per season, with more than 100 being promoted to the PSL since 2014, including PSL stars such

Corporate social responsibility (continued)

as Percy Tau, Sphesihle Ndlovu and Teboho Mokoena. More than 50 interns have produced over 150 live matches on SuperSport, and six community channels have benefited by being offered free Diski content including live matches and the Diski magazine show.

SuperSport Let's Play
Let's Play is SuperSport's key social investment initiative. As an implementation partner of school sport for the Department of Basic Education, Let's Play is now active in thousands of schools nationwide, reaching more than 1m children annually.

In 2016, SuperSport, in partnership with the Department of Basic Education, Sport and Recreation South Africa, the Physical Education Institute of South Africa and Unicef South Africa, launched the biggest school sport initiative of its kind – the Let's Play Schools Physical Education Challenge. The primary objective of this challenge is to reinforce the instruction of curriculum-oriented physical education as well as teaching basic movement and coordination, and physical activity in all schools. Over the past three years the challenge engaged 1 344 240 learners across 1 583 schools.

Let's Play assists the Department of Basic Education with its school infrastructure project via the provision of playing facilities, together with partners Hitachi Construction Machinery and Builders. Eight multi-purpose artificial fields have been built at selected primary schools to date, with another three to be built at beneficiary schools in 2018.

In 2018 we also launched the Let's Play Rugby Project which aimed to create a sustainable rugby culture with an inclusive programme for both boys and girls. The initiative included training of coaches and providing kit and equipment.

M-Net Magic in Motion
Through the Magic in Motion (MiM) Academy, M-Net provides an extensive internship in film-making, where young film producers work with industry experts for hands-on experience. Over the past four years 44 academy interns have produced and directed eight original Mzansi Magic films. These have featured among the top 10 on the channel in the month of broadcast. One of the movies, Dipoloko, produced by the Class of 2017, is currently the fourth highest-rated movie in the Saturday night slot.

Since 2014 the MiM Career Expo has given learners a complete view of the industry, from the variety of jobs available, such as presenting, acting, camerawork and directing, to valuable insights from industry experts and practical exposure to several disciplines. In presenting the Career Expo, M-Net partners with tertiary and financial institutions as well as production companies.

Magic in Motion Alumni Network scriptwriting workshop
In 2017 we launched the MiM Alumni Network and hosted scriptwriting workshops by Portia Gumede, a successful South African writer and showrunner. The 20-hour intensive workshops teach interns how to take a great idea or notion and work it to a credible story bible, how to create compelling characters, write a pilot, pitch their idea and how to work in a writers' room.

Other projects in the review period include: community development initiatives which benefited various charities and non-profit organisations, community TV studio equipment donations, MultiChoice Make a Difference employee programme and the Ahmed Kathrada Foundation.

Corporate social responsibility (continued)

Socio-economic transformation

Our transformation initiatives are outlined below:

- **Ownership:** Via a combination of shareholding in Naspers and the Phuthuma Nathi share schemes, black South Africans have a 60,46% (2017: 55,75%) economic interest in the group.
- **Preferential procurement:** Suppliers' BBBEE performance is evaluated against specific criteria and they are expected to boost their annual BBBEE ratings. Our preferential procurement spend was R8,4bn in the period, equating to 76% local procurement with BBBEE-compliant suppliers. Some 22% of the local procurement was directed at small, medium and microenterprises or SMMEs (2017: 31%) and 12% went to suppliers with at least 30% black female ownership.
- **MultiChoice** has a network of 1 183 accredited installers across South Africa, employing 5 371 trained technicians.
- **Enterprise development:** Our enterprise and supplier development programme offers various forms of support, from improving the cash flow of these beneficiaries by paying them early, to business development support as well as legal and accounting assistance, granting funding for startups and access to the DStv platform as a marketing tool. Recognising the impact small businesses have on their communities.
- **Through the MultiChoice Enterprise Development Trust,** established in 2012 as our investment vehicle for growing the local media and production industry, we provided training to 40 businesses and approved funding for 16 businesses, and a further 6 startups received grant funding. We also provided over R39m in airtime to assist SMMEs in marketing themselves and their businesses. The MultiChoice Enterprise Development Trust has committed over R130m in loans, grants and business development expenses to assist beneficiaries in acquiring skills, assets and equipment.

Minimising our impact on the environment

MultiChoice is classified as having a low impact on the environment. While we do have manufacturing operations, these are largely for electronic devices such as decoders, and these processes generate fewer emissions and less waste overall. Most of our office buildings were either designed as environmentally friendly or retrofitted for energy and water efficiency where possible.

Our primary impact on our natural capital stems from our use of coal-fired electricity or other fuels such as diesel to power generators during electricity outages. A sizeable workforce also uses water and generates waste. Water scarcity is a particular issue in some regions, such as the Western Cape. Our facilities department continually monitors the use of natural resources, as well as trends and environmental impact.

To mitigate the risk of rising tariffs for water and electricity, we have implemented a number of initiatives to reduce, reuse or recycle. These include:

- Energy-efficiency and energy-saving measures for electricity, air-conditioning, heating and ventilation or investing in 'green' infrastructure.
- Waste reduction includes recycling paper, cans, plastic and ewaste (electronic components), reusing or refurbishing equipment (such as decoders and modems) and responsibly disposing of ewaste.
- Reducing water use and recycling, especially in water-scarce areas such as Cape Town. This is being achieved through green-accredited buildings, low-water-use taps, dual-flush toilets and pressure reducers, as well as educating employees and guests on minimising water use.

Corporate social responsibility (continued)

We also monitor global and local trends in environmental sustainability for possible opportunities. For example, emerging environmental markets and credible sustainable products may offer new revenue streams (including carbon offsets, sale of surplus water rights, and investing in companies in these markets).

Through continual improvement and sustainable technological innovation, our policy is to create solutions that minimise our impact on the environment.

Carbon footprint

MultiChoice measures its gross carbon footprint from scope 1 and 2 emissions in line with the Greenhouse Gas Protocol. The 2018 gross carbon footprint (scope 1 and 2) decreased to 56 550 tonnes of CO_2e (2017: 58 165 tonnes).

The largest contributor to direct emissions remains electricity, accounting for 100% of scope 2 emissions (98% of total emissions). We have installed generators to ensure a continuous supply of electricity and mitigate the risk of disruptions.

MultiChoice City and the Samrand backup facility are the main contributors to the overall increase in the gross carbon footprint.

Specific initiatives to reduce energy use include:

- light motion sensors in buildings and basements
- energy-efficient chillers
- heat pumps for hot water
- LED lights with daylight harvesting in MultiChoice City, which will be rolled out in older buildings during the 2019 financial year
- standalone air-conditioning units have energy-efficient inverter technology
- solar panels are being installed in Samrand, and
- gas stoves in canteens.

Waste management

Managing our waste responsibly is an important component of our environmental strategy. Given the nature of our business, we focus on reducing pollution – fewer harmful chemicals and lower greenhouse gas emissions. Initiatives include:

- waste is sorted (paper, plastic, glass, cardboard) and recycled
- ewaste is disposed of through an ewaste vendor
- smartcards are refurbished, and
- grey water is harvested and we use subsoil drainage at MultiChoice City.

Green Star-rated building

The MultiChoice City building has a 5-Star Green Star rating from the Green Building Council of South Africa. Key points include:

- management of building tuning, environmental and waste
- indoor environment quality – ventilation rates, air-change effectiveness and volatile organic compounds
- energy – greenhouse gas emissions, energy sub-metering, lighting power density, lighting zoning and peak energy-demand reduction
- water – occupant amenity water, water meters, landscape irrigation and heat-rejection water, and
- materials – use of environmentally friendly material.

Video-conferencing facilities

We encourage our people to utilise video-conferencing facilities, as a key benefit of video conferencing is reduced air travel, which benefits the environment by lowering associated carbon emissions.

Corporate governance review

64% of directors are from previously disadvantaged groups

27% of directors are female

Our approach to governance

MultiChoice is focused on sound corporate governance and effective leadership. The board conducts the group's business with integrity by applying appropriate corporate governance policies and practices.

MultiChoice is a subsidiary of Naspers Limited, listed on the JSE Limited's stock exchange (JSE) and London Stock Exchange (LSE). As such, MultiChoice complies with the JSE Listings Requirements, as well as legislation for public companies in South Africa (where applicable to a subsidiary of a JSE-listed company) and the guidelines of the King IV™ Report on Corporate Governance in South Africa 2016 (King IV™). Compliance with the applicable JSE and LSE listings requirements is monitored jointly by the risk and audit committees of the board.

Our independent board of directors has its own governance practices and committees that comply with relevant governance and regulatory requirements. The board's audit, risk, and remuneration and equity committees fulfil key roles in ensuring good corporate governance in the group. We use independent external advisers to monitor regulatory developments, locally and internationally, to enable management to make recommendations to the board on matters of corporate governance.

Application of King IV™

A disciplined reporting structure ensures the MultiChoice board is fully apprised of subsidiary activities, risks and opportunities. All controlled entities are required to subscribe to the relevant principles of King IV™.

Business and governance structures have clear approval frameworks. Compliance and progress are monitored jointly by the risk and audit committees and reported to the board. In the review period, we effected system and process changes to align the group to King IV™'s principles.

A comprehensive analysis of our governance framework against King IV™ shows that the group complies with all key elements. Minor instances of non-compliance are either not applicable or under consideration.

Our full King IV™ register can be found on our website.

Business ethics

Our code of business ethics and conduct appears on our website under the corporate governance tab in the About us section.

This code is reviewed annually and applies to all directors and employees in the group. Ensuring group companies adopt appropriate processes and establish supporting policies and procedures is an ongoing process. Management focuses on policies and procedures that address key ethical risks, including potential conflicts of interest, accepting and giving inappropriate gifts (including entertainment) and unethical business conduct. A key area of focus in the reporting period was the creation of awareness and continued integration of the code of ethics and business conduct in the business. Planned future focus areas include improved reporting to the board and audit committee.

Our approach to governance (continued)

The board is the overall custodian of business ethics. The disciplinary codes and procedures of the various companies are used to ensure compliance with policies and practices that underpin the overall code of business ethics and conduct.

Unethical business behaviour by senior staff members, as well as the manner in which the company's disciplinary code was applied in such instances, is reported to the remuneration and equity committee, which assists the board in carrying out its duties in relation to business ethics. The group is committed to conducting its business in compliance with the law, with integrity and with proper regard for ethical business practices. Whistleblowing facilities enable employees to anonymously report unethical business conduct.

Corporate citizenship

The board has approved the sustainable development policy which incorporates corporate citizenship considerations. The group's values, strategies and purpose are aligned with corporate citizenship principles. As MultiChoice expands its business, it aims to contribute to the communities in which it operates, develop its own people, contribute to general economic prosperity and minimise its impact on the environment. MultiChoice's approach is structured around the six capitals.

The various areas are monitored and measured in accordance with legislative requirements, good governance guidelines, the code of business conduct and ethics and economic factors.

A key focus area in the 2018 financial year was the alignment of the company's policies and approaches with King IV™, the triple context and six capitals. A planned area of focus for the 2019 financial year is the identification of gaps, improvement of processes and enhancements of reporting.

Gender and racial diversity statement

The MultiChoice diversity policy was approved by the board in November 2017. In developing this policy at board level, we considered key aspects of diversity, including making good use of differences in the skills, geographical and industry experience, background, race, gender and other distinctions between members of the board. While no specific targets have been set for race or gender due to the complex nature of our businesses, we are focused on achieving the appropriate balance of knowledge, skills, experience, diversity and independence.

Compliance framework

Our legal compliance programme involves maintaining inventories of material laws and regulations for each business unit, implementing appropriate policies and procedures, establishing processes to supervise compliance and mitigate risks, monitoring compliance, implementing effective training and awareness programmes, and reporting to the board and management on the effectiveness of these initiatives. A legal compliance programme based on the legal compliance framework approved by the board, has been developed and implemented. A compliance officer has been appointed to

Our approach to governance (continued)

enable effective management, monitoring of and reporting on legal compliance. The board has delegated the responsibility of oversight of legal compliance to the risk committee. The compliance programme is controlled by our head of legal and compliance, Brandon Foot, who reports on these activities to the Naspers global legal compliance lead and to our risk committee.

A key focus area in the 2018 financial year was to align policies and implement processes to King IV™ and to enhance reporting to the risk committee.

Penalties

Because MultiChoice operates in a highly regulated environment in South Africa, compliance is important. The company participates in the regulatory process affecting its industry through various public forums and debates, providing inputs on formulating standards and strategies for this industry.

MultiChoice and M-Net received fines from the self-regulatory body, the Broadcasting Complaints Commission of South Africa (BCCSA). These relate to failure by channels to provide correct classification information, resulting in MultiChoice and M-Net contravening the BCCSA Code.

Fines paid to the BCCSA:

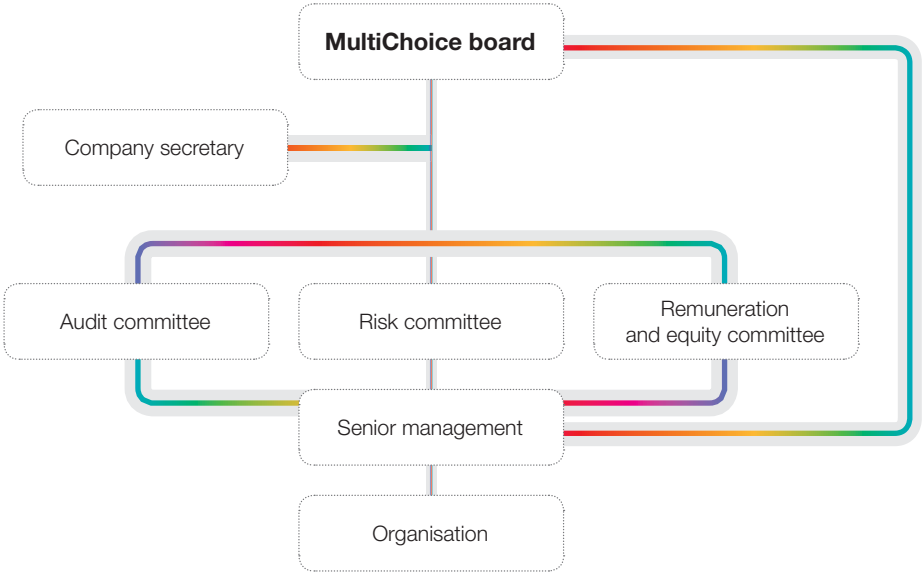
- 2016 financial year: R10 000
- 2017 financial year: R90 000
- 2018 financial year: R0

In the past year there were no environmental accidents, nor were any environment-related fines imposed by any government.

DStv Media Sales Proprietary Limited (DMS), a subsidiary of MultiChoice South Africa Proprietary Limited, entered into a consent agreement with the Competition Commission. The agreement was approved by the Competition Tribunal. It was agreed that an administrative penalty of R22m be paid (provided for in the prior financial year), a contribution of R8m, payable over three years to a fund to be administered through an industry trust to assist small black-owned media agencies.

Our board

Governance structure



How the board adds value

- Steer and provide strategic direction to the group and monitor management's implementation and progress towards strategic objectives.
- Monitor ethical conduct across the group.
- Monitor key compliance with applicable laws and adopted codes and standards.
- Set appropriate risk appetite thresholds and monitoring key risks and mitigation plans.
- Ensure fair and responsible remuneration processes and policies are implemented.
- Monitor stakeholder engagement and relationships.
- The board is assisted by its committees in fulfilling its duties.

Composition

Biographical details of directors at 31 March 2018 appear on pages 74 and 75. MultiChoice has a unitary board that fulfils oversight and control functions. The board charter shows a clear division of responsibilities. As required by King IV™, the majority of board members are non-executive directors. To ensure no one individual has unfettered powers of decision-making and authority, the roles of chair and chief executive are separate.

Our board (continued)

At 31 March 2018 the board comprised four independent non-executive directors, four non-executive directors and two executive directors. On 8 June 2018 an additional executive director was appointed, taking the number of executive directors to three. Seven directors (64%) are from previously disadvantaged groups and three (27%) are female.

The chair of the board

The chair, Nolo Letele, is an executive director. The chair is not a member or chair of a board committee, but attends committee meetings by invitation when required.

Khulu Sibiya, an independent non-executive director, serves as lead independent director in all matters not dealt with by the executive chair, including:

- managing potential conflicts of interest
- leading in the absence of the chair
- serving as a sounding board for the chair
- acting as an intermediary between the chair and other members if necessary, and
- strengthening independence on the board.

The chief executive

From 1 August 2017 until 8 June 2018 Uvashni Raman was delegated the responsibilities of the chief executive in addition to her role as chief financial officer. Board authority conferred on management is delegated through the chief executive, in line with approved authority levels.

The chief executive is responsible for the implementation of strategies and policies set by the board across the group. With effect from 8 June 2018 the roles and responsibilities of the chief executive for MultiChoice was delegated to Imtiaz Patel, the Naspers Video Entertainment chief executive.

Orientation and development

An induction programme for new members of the board and key committees is specifically tailored to the needs of individuals. The company secretary assists the chair with the induction and orientation of directors, and arranges specific training if required.

Conflicts of interest

Potential conflicts are appropriately managed to ensure candidates and existing directors have no conflicting interests between their obligations to the company and their personal interests. Any interest in contracts with the company must be formally disclosed and documented. Directors and employees must also adhere to a policy on trading securities in MultiChoice's holding company, Naspers Limited.

Independent advice

Individual directors may, after consulting with the chair or chief executive, seek independent professional advice at the expense of the company, on any matter connected with discharging their responsibilities as directors.

Board meetings and attendance

The board meets at least four times a year and when specific circumstances require. Details of attendance at board and committee meetings appear on page 76.

Our board (continued)

Evaluation

The remuneration and equity committee evaluate the performance of the board and its committees as well as the chair against mandates in their charters. Committees perform self-evaluations against their charters for consideration by the board. In addition, the performance of each director is evaluated by other board members using a questionnaire. Evaluations are formal, and in line with King IV™ independence assessment requirements are conducted annually at present. Going forward the formal evaluation will only be done every two years, and every alternate year the board will reflect and discuss performance of the board and its committees, its chair and members as a whole.

The chair of the remuneration and equity committee (who is an independent non-executive director) discusses the results of the 2018 evaluation with each director, and a consolidated summary is discussed by the board. The chair of this committee leads the discussion on the performance of the chair of the board.

The annual board-effectiveness evaluation process showed that the board and its committees had functioned well and discharged their duties in line with their mandates. No material remediation actions were found to be required. In addition, the independence of each director was evaluated. The board determined that although some directors had served as members for nine years or longer, they all demonstrated that they were independent in character and judgement and there were no relationships or circumstances that were likely to affect their independence.

The board is satisfied that the evaluation process is improving its performance and effectiveness.

Board committees

While the board remains accountable for the performance and affairs of the company, it delegates certain functions to board committees and management to assist in discharging its duties. Appropriate structures for these delegations are in place, accompanied by monitoring and reporting systems. The board is satisfied that the structures and frameworks in place contribute to promote clarity and the effective exercise of authority and responsibilities by committees and management.

Each committee acts within formal, approved charters. The chairs of each committee, all independent non-executive directors, report at each scheduled board meeting. The chair of each committee is required to attend the annual general meeting (AGM) to answer shareholders' questions. The board is satisfied that the committees properly discharged their responsibilities over the past year.

Our board (continued)

MultiChoice has the following committees:

Remuneration and equity committee

The remuneration and equity committee's primary roles and responsibilities are to:

- determine and approve general remuneration policy to be approved by shareholders by way of a non-binding advisory vote
- review annually the remuneration of independent non-executive directors.
- review and approve the basic structure of the compensation
- review and recommend to the board of directors of MultiChoice the share incentive plans to be established for the companies, and appoint the trustees and administrators of the group share schemes
- review annually the group's code of business ethics and conduct
- consider and recommend selection of directors to the board
- review annually the structure, size and composition of the board
- approve the role and responsibilities of the chair and the lead independent director
- review the allocation of roles and associated responsibilities, composition and effectiveness of committees of the board collectively, and make recommendations to the board with regard to the effective collaboration through cross membership of committees, and
- determine for approval by the board the policy for diversity at board level; restrictions on the number of external company boards on which a director may serve; the service period of directors; retirement and succession in respect of directors, and a policy governing the seeking of independent professional advice by individual board members.

Audit committee

The audit committee's primary roles and responsibilities are to:

- execute the committee's statutory obligations in terms of the South African Companies Act
- review the regular internal reports to management prepared by the Naspers internal auditing department and management's response
- review and approve for presentation to and approval by the board the integrated annual report, including the annual financial statements, interim and provisional reports, and any other company press releases with material financial or internal control impacts
- disclose in the integrated report significant matters that the committee has considered in relation to the annual financial statements, and how these were addressed by the committee
- review the documented assessment of the viability of the companies and the group on a going-concern basis
- receive and review the external auditors' reports directly from the external auditors.
- oversee the management of financial and other risks that affect the integrity of external reports
- evaluate the effectiveness of internal financial controls and disclose the committee's views on the effectiveness of the design and implementation of internal financial controls, and on the nature and extent of any significant weaknesses in the design, implementation or execution or internal financial controls that resulted in material financial loss, fraud, corruption or error. Such views must be reported to the board and in the integrated annual report

Our board (continued)

- approve, recommend and annually review the internal audit charter for recommendation to the board for approval
- oversee the internal audit function as provided by the Naspers internal audit department and assist the board in fulfilling its responsibilities
- monitor compliance with the board-approved group levels of authority
- approve all related-party transactions
- evaluate legal matters, which may affect the financial statements, and
- establish procedures based on the whistle-blower policy for the receipt, retention and treatment of complaints received by the group regarding accounting, internal control or auditing matters, risk management and management or other fraudulent activities, including procedures for confidential, anonymous reporting by employees in respect of questionable matters.

Risk committee

The risk committee's primary roles and responsibilities are to:

- review and monitor implementation of a risk management policy and plan
- make recommendations to the board concerning risk indicators, levels of risk tolerance and risk appetite (namely the board's propensity to take appropriate levels of risk) as well as the limit of the potential loss, and that the group has the capacity to tolerate, and
- exercise ongoing oversight of risk management and ensure that the following results are achieved:
  - assessing risks and opportunities emanating from the total environment in which the group operates and resources that the group uses and affects
  - establishing and implementing business continuity arrangements that allow the group to operate under conditions of volatility, and to withstand and recover from acute shocks
  - integrating and embedding risk management in the business activities and culture of the group
  - review and approve the legal compliance policy and recommend such policy to the board for approval
  - overseeing compliance
  - review and approve the information and technology charter and recommend such charter to the board for approval, and
  - overseeing technology and information management.

MultiChoice does not have a nominations committee or a social and ethics committee. The role and responsibilities of the nominations committee are fulfilled by the remuneration and equity committee. In terms of the Companies Act, MultiChoice is exempted from establishing a social and ethics committee as it is a subsidiary of Naspers Limited, which has a social and ethics committee that deals with the responsibilities of a social and ethics committee on behalf of MultiChoice and other Naspers Limited subsidiaries. The chair of the MultiChoice board is a member of the Naspers social and ethics committee and reports to the social and ethics committee in relation to the triple context on behalf of MultiChoice. Enhanced reporting on social and ethics issues is planned for the year ahead. This will be done to the MultiChoice board by its chair.

Our board (continued)

Internal control systems

MultiChoice has mature systems of internal controls based on policies and guidelines. As part of overall risk management, internal control measures aim to prevent significant risks from materialising and to detect these expediently if they arise to mitigate potential adverse consequences. Internal audit reviews systems of internal control and reports concerns to management and the audit and risk committees. The external auditor considers elements of internal control systems as they relate to financial reporting as part of its audit and communicates deficiencies where identified.

The possibility of human error or deliberately bypassing control measures always exists. The group's system of internal controls is designed to provide reasonable assurance on the integrity and reliability of internal controls; to safeguard, verify and maintain accountability of its assets; and to detect fraud, potential liability, loss and material misstatement while complying with regulations.

The board reviewed the effectiveness of the internal control system for the review period by confirming the board-approved combined assurance model based on representation letters from executive management. Input from internal audit, external audit, compliance, risk management and other assurance providers was also considered. Where necessary, programmes for corrective actions have been initiated. Nothing has come to the attention of the board to indicate that any material breakdown in the functioning of internal controls occurred during the year.

Internal audit

An internal audit function is in place throughout the group. The internal audit function has been outsourced to Naspers Limited, MultiChoice's ultimate holding company. The head of internal audit reports to the chair of the audit committee, with administrative reporting to the Naspers chief audit executive.

Non-audit services

The group's policy on services provided by the independent external auditor provides guidelines on dealing with audit, audit-related, tax and other non-audit services that may be provided by the independent external auditor. It also sets out services that may not be performed by the independent external auditor.

Our board (continued)

Information and technology governance

Information and technology (I&T) governance is integrated in the operations and risk-management processes of our businesses. Management of each subsidiary/business unit is responsible for ensuring effective processes for I&T governance are in place. Internal audit provides assurance to management and the audit committee on the effectiveness of these processes.

A key focus area in 2018 was to update and align the I&T charter to King IV™ by setting the direction and approach to I&T across the group.

A technology governance forum has been constituted and is functional, with oversight of:

- information security
- software acquisition, and
- business continuity management and recovery.

Management is required to submit an annual written report on the extent of which it has implemented the charter.

Other key focus areas for 2018 are to:

- enhance reporting on information and technology governance to the audit and risk committee (I&T is a standing risk committee agenda item)
- implement a cybersecurity policy in the 2019 financial year, and
- look at data privacy as this has been identified as a high-priority area.

Company secretary

The company secretary is responsible for guiding the board on discharging its responsibilities in terms of legislation and regulatory requirements. Directors have unlimited access to her advice and services, and she maintains an arm's length relationship and is not a member of the board. The company secretary plays a role in the company's governance and ensures that, in line with pertinent laws, the proceedings and affairs of the board, the company and, where appropriate, shareholders are properly administered. The company secretary attends all board and committee meetings.

The independence and performance of the company secretary is assessed annually in accordance with the company's annual performance review process.

Carmen Koopman stepped down as company secretary for MultiChoice on 19 March 2018 to take up a role in the MultiChoice Africa business. Rochelle Gabriels, the MultiChoice South Africa Proprietary Limited chief financial officer, has been appointed in the position on an interim basis until the MultiChoice board has appointed a permanent company secretary.

Our board (continued)

Nolo Letele | Don Eriksson | Jim Volkwyn | Salukazi Dakile-Hlongwane | Imtiaz Patel

Nolo Letele (68)

Executive chair
Appointed: 2010
BScHons (electronic engineering) (University of South Hampton, UK)

Experience: Nolo joined M-Net in 1990 and pioneered MultiChoice's expansion outside South Africa. In 1999 he was appointed chief executive of MultiChoice South Africa, and later served as the MultiChoice group chief executive until 2010, when he was appointed executive chair of the MultiChoice South Africa Holdings board. He has received numerous awards for his expertise in the media field, including the lifetime achievement prize for media development in Africa (Millennium Excellence Foundation).

Don Eriksson (73)

Independent non-executive
Appointed: 2007
CA(SA)

Experience: Don is an honorary life member of the Institute of Directors of Southern Africa (IoDSA). He is currently chair of Oakleaf Insurance Company Limited, Renasa Insurance Company Limited, NMS Insurance Services Limited, and a director of Naspers Limited and Coface Insurance Company Limited. He was a partner at PricewaterhouseCoopers Inc. and an executive director of the Commercial Union Group.

Jim Volkwyn (60)

Independent non-executive
Appointed: 2007
CA(SA)

Experience: Jim joined the group in 1990 and was chief executive officer of the group's global video-entertainment platforms from 2001 to 2009. He resumed this role for 18 months from April 2014 to September 2015. Jim has been a director of MultiChoice South Africa since March 2007.

Salukazi Dakile-Hlongwane (67)

Independent non-executive
Appointed: 2007
BA (economics and statistics) (National University of Lesotho), MA (development economics) (Williams College, Massachusetts, USA)

Experience: Salukazi is the chair of Nozala Investments Proprietary Limited, a broad-based women-owned and -led investment company representing over 500 000 direct/indirect women beneficiaries, which she cofounded in 1996. Her career includes 30 years with Lesotho National Development Corporation, African Development Bank (Abidjan Côte d'Ivoire), Development Bank of Southern Africa, FirstCorp Merchant Bank and BOE Merchant Bank.

Imtiaz Patel (53)

Executive
Appointed: 2018
Higher diploma in education from Wits University
Executive programmes: PMD offered by the UCT Business School and the senior executive programme at the Harvard Business School

Experience: Imtiaz started his career at SuperSport in November 1999. In March 2005 Imtiaz was appointed chief executive officer of SuperSport South Africa and in 2007 he filled the position of CEO of SuperSport International. Imtiaz is currently the chief executive officer of Video Entertainment, Naspers. His responsibilities include overseeing the operations of the Video Entertainment group in South Africa and Africa.

Our board (continued)

Bob van Dijk Khulu Sibiya Steve Pacak Kgomotso Moroka Uvashni Raman Elias Masilela

Bob van Dijk (45)

Non-executive
Appointed: 2014
MBAHons (INSEAD), MSc (cum laude) (econometrics) (Erasmus University Rotterdam)

Experience: Bob was appointed chief executive of Naspers Limited in April 2014. He has over a decade of general management experience in the online growth business, as a founder and entrepreneur and later with eBay and Schibsted, spanning online marketplaces, online classifieds and etail segments. He was vice-president and general manager of eBay Germany and Europe Emerging Markets. He started his career in McKinsey focused on mergers and acquisitions, and media.

Khulu Sibiya (70)

Independent non-executive, lead independent director
Appointed: 2007
Diploma in journalism and management (Michigan, USA)

Experience: Khulu was a senior reporter for the Detroit News in Michigan, where he obtained a diploma in journalism and management. He is chair of the SuperSport United Football Club. He was editor-in-chief of the City Press newspaper, senior general manager (consulting) of Media24, former chair of M-Net and SuperSport International Holdings and director of MIH Holdings.

Steve Pacak (63)

Non-executive
Appointed: 2006
CA(SA)

Experience: Steve is a chartered accountant (SA), began his career with Naspers at M-Net in 1988 and has held various executive positions in that group. He is a non-executive director on the Naspers board and a director of MultiChoice South Africa Holdings and other companies in the wider Naspers group. He was appointed an executive director of Naspers in 1998. He retired as Naspers's financial director in June 2014, but remained on the board as a non-executive director.

Kgomotso Moroka (63)

Independent non-executive
Appointed: 2007
BProc (University of the North), LLB (Wits)

Experience: Kgomotso is a senior advocate of the High Court of South Africa, and in practice at the Johannesburg Bar since 1989. External directorships: Standard Bank Group Limited and Network Healthcare Holdings Limited. She is chair of Royal Bafokeng Platinum. Kgomotso is a trustee of the Nelson Mandela Children's Fund and Hospital and The Apartheid Museum.

Uvashni Raman (45)

Executive, chief financial officer
Appointed: 2016
CA(SA)

Experience: Uvashni's previous positions include vice-president finance/chief financial officer for BHP Billiton's global manganese and iron ore divisions 2008 to 2015, and vice-president finance/chief financial officer for South32's (demerger from BHP Billiton) Australian region from February 2015.

Elias Masilela (54)

Non-executive
Appointed: 2015
BSocSci (economics and statistics) (University of Swaziland), MSc (economic policy and analysis, Addis Ababa University). He trained with Harvard University.

Experience: Elias is the executive chair of DNA Economics and commissioner of the first and second national planning commission in South Africa. He is also chair of the V&A Waterfront, Capital Harvest, ABSA Asset Management and Economic Research Southern Africa. Elias is a former board member of the South African Reserve Bank, Government Employee Pension Fund, UN Global Compact – among others – and CEO of the Public Investment Corporation.

Our board (continued)

Directors and attendance at meetings in the 2018 financial year:

	Date first appointed in current position	Six board meetings: Attendance	Category
S Dakile-Hlongwane	8 March 2007	6	Independent non-executive
D G Eriksson	8 March 2007	6	Independent non-executive
F L N Letele	14 September 2006	6	Executive
K D Moroka	8 March 2007	6	Independent non-executive
S J Z Pacak	14 September 2006	6	Non-executive
K B Sibiya	8 March 2007	6	Independent non-executive
J J Volkwyn	8 March 2007	6	Non-executive
B van Dijk	2 April 2014	5	Non-executive
E Masilela	1 April 2015	6	Non-executive
U Raman	1 June 2016	6	Executive

Committees and attendance at meetings in the 2018 financial year:

	Audit	Risk	Remuneration and equity	
	Four meetings: Attendance	Four meetings: Attendance	Three meetings: Attendance	Category
S Dakile-Hlongwane	3	3		Independent non-executive
D G Eriksson	4	4		Independent non-executive
K D Moroka			3	Independent non-executive
S J Z Pacak		4	3	Non-executive
B van Dijk			3	Non-executive
E Masilela	4	4		Non-executive
U Raman		4		Executive

Special joint audit and risk committee meetings held for ANN7 review in the 2018 financial year:

	Special joint audit and risk committee	
	Four meetings: Attendance	Category
S Dakile-Hlongwane	4	Independent non-executive
D G Eriksson	4	Independent non-executive
K D Moroka	4	Independent non-executive
S J Z Pacak	4	Non-executive
E Masilela	4	Non-executive

Remuneration report

for the year ended 31 March 2018

BACKGROUND STATEMENT

Role of the remuneration and equity committee

The remuneration and equity committee comprised only non-executive directors as at 31 March 2018. Executive directors and certain members of management attend meetings by invitation as appropriate. The current members of the committee are Adv Kgomotso Moroka (chair), Messrs Bob van Dijk and Steve Pacak. Qualifications of members and meeting attendance are detailed on pages 74 to 76 of this report.

Its main responsibilities are to:

- determine and approve general policy on strategic remuneration issues, which must be tabled at each annual general meeting for a non-binding advisory vote by shareholders
- prepare an annual remuneration report for inclusion in the company's integrated annual report
- annually review and approve remuneration packages of the most senior executives, including incentive schemes and increases, ensuring they are appropriate and in line with the remuneration policy
- annually appraise the performance of the chief executive
- annually review the remuneration of non-executive directors of the board and its committees
- fulfil delegated responsibilities on share-based incentive plans
- review incidents of unethical behaviour by senior managers and the chief executive.
- annually review the company's code of business ethics and conduct
- annually review the committee's charter and, if appropriate, recommend amendments for approval by the board, and
- perform an annual self-assessment of its effectiveness, reporting these findings to the board of directors.

The committee fulfilled its remit during the year.

Composition and attendance of the remuneration and equity committee

The names of the current members of the remuneration and equity committee are as follows:

Name of committee member	Date of first appointment to committee
Kgomotso Moroka (chair)	6 June 2014
Steve Pacak	6 June 2014
Bob van Dijk	20 March 2015

The committee is chaired by an independent non-executive director, categorised as such under King IV™. Qualifications of members can be found on pages 74 and 75 of this report and meeting attendance on page 76 of this report.

Remuneration report (continued)

for the year ended 31 March 2018

Our strategic intent for pay

Our pay decisions are driven by the following principles:

1. We believe in pay for performance; we are comfortable with bigger rewards for those who make the highest contribution.

2. Remuneration must be aligned with shareholder outcomes.

3. Remuneration must incentivise the achievement of strategic, operational and financial objectives, in both the short and long term.

4. We strive to be consistent; our reward package elements are broadly the same across different levels.

5. Our reward systems must help attract and retain the best talent in our market, in a fair and responsible way.

In practice, this means that we take into account market practices, as well as the needs of the business and the calibre of the individual when implementing our pay framework. We benchmark our pay using the PricewaterhouseCoopers Inc. (PwC) Remchannel and PE Corporate executive surveys for South Africa. We broadly position pay at the median of the market and for scarce skills and high performers we will consider a range at the upper quartile.

The way we structure pay is purposely linked to our strategy and the delivery of long-term sustainable growth to our shareholders.

Our pay principles are applied through three key elements:

- **Guaranteed pay (total cost to company or TCTC):** This is guaranteed pay comprising salary plus cash and non-cash benefits.
- **Short-term incentive:** Annual incentive plan that pays out depending on performance achieved against strategic, operational and financial objectives.
- **Long-term incentive:** A longer-term incentive that pays out based on the growth in value of the business at a MultiChoice SA and Naspers level.

Executive pay is weighted towards variable pay (short- and long-term incentives) with every award subject to individual performance.

Our approach to long-term incentives ensures that the executives' reward is directly linked to the growth in shareholder value. Executives only receive payouts under our long-term incentive plan when the value of the underlying asset increases.

When making executive pay decisions, we consider the individual's performance and the performance of the business.

Remuneration report (continued)

for the year ended 31 March 2018

Our remuneration structure

We have outlined the three elements of pay for our executive directors below. The same principles are applied to employees across the company.

Our pay design links to our pay principles

1. **Pay for performance**
2. **Shareholder alignment**
3. **Incentivisation**
4. **Consistency**
5. **Attract and retain**

Pay principle		1	2	3	4	5
(1) Total cost to company (TCTC)	➤ Guaranteed pay comprising salary plus cash and non-cash benefits ➤ Personal performance is the primary driver for pay increases ➤ Set at a level to ensure we can attract and retain talent of the required calibre ➤ Take into account market practice as well as an individual's contribution	*	*	*	*	*
(2) Short-term incentives (STIs): Annual performance-related incentive or STI	➤ We operate an annual incentive plan that pays out depending on performance achieved against strategic, operational and financial objectives ➤ The purpose of the annual incentive plan is to ensure executive alignment with and focus on the annual business plan. The achievement of these annual plans will cumulatively drive long-term shareholder value ➤ The same structure is applied throughout the organisation to ensure a consistent approach with measures linked to an individual's role so that pay is linked to their contribution	*	*	*	*	*
(3a) Long-term incentives (LTIs): Share appreciation rights (SARs)	➤ A longer-term incentive that pays out based on the growth in value of the business ➤ Awards are made to individuals based on their contribution to the business ➤ The change in value is measured over a five-year period to ensure focus on the long-term delivery of shareholder value	*	*	*	*	*
(3b) LTIs: Naspers share options (SOs)	➤ Longer-term awards made in Naspers share options with payouts based on the growth in Naspers's share price over a four- or five-year period[1] ➤ The vesting period has been determined taking into account practice in companies with which we compete for talent ➤ Provides long-term alignment with Naspers's shareholders as value is only delivered to participants if there is an increase in the share price	*	*	*	*	*

Note

[1] All awards made from September 2017 onwards in Naspers share options will have a four-year-phased vesting period. Awards made prior to this time will have a five-year vesting period with vesting at the end of years three, four and five.

Remuneration report (continued)

for the year ended 31 March 2018

Remuneration focus areas and key decisions in 2018 financial year

The following table outlines the key areas of focus and key decisions taken by the remuneration and equity committee during the 2018 financial year:

Meeting	Key decisions made
April 2017	➤ Annual salary increase mandate for MCSA ➤ Annual performance incentive KPIs for senior executives for the forthcoming financial year ➤ Ad hoc share-based incentive awards ➤ Assessments of compliance with board and committee charters
June 2017	➤ Performance and total remuneration review of senior executives. Decision on prior-year performance and short-term incentive payout, salary increases and long-term incentive awards ➤ Considered and approved annual share-based incentive scheme awards to be made to employees in MCSA ➤ Review of SARs scheme valuations completed by PwC ➤ Evaluation of the board ➤ Assessment of individual directors • assessment of independence of directors • composition of board and committees ➤ Review of remuneration report ➤ Evaluation of chair of the committee
November 2017	➤ Review of remuneration policy ➤ Ad hoc share-based incentive awards ➤ Succession planning ➤ Human resources and employment equity update ➤ Review of code of business ethics and conduct

Business performance for 2018 financial year

Company financial performance is detailed in the summarised financial statements on pages 95 to 98 and the annual financial statements that can be found on www.multichoice.co.za.

Executive director remuneration in the fiscal year 2017/18

Element	Nolo Letele	Uvashni Raman
Remuneration excluding pension, directors' fees and incentives	R4 325 052	R4 584 881
Pension	–	R530 433
Directors' fees	R3 495 814[1]	–
Short-term incentive (performance bonus)	R3 457 891	R4 136 328
Short-term incentive (acting bonus)	R1 500 000[2]	–
Short-term incentive (sign-on bonus)	–	R2 000 000
Short-term incentive (project bonus)	–	R1 300 000[3]
Long-term incentive (fair value awarded)	–	R4 351 229

Notes

[1] Directors' fees paid by Naspers in relation to directorship held in Naspers Limited.
[2] Bonus for acting as group chief executive until June 2017.
[3] Project bonus relating to the successful completion of a group project.

Remuneration report (continued)

for the year ended 31 March 2018

THE REMUNERATION POLICY

In this section we present the remuneration policy for our executive directors and an overview of the company-wide remuneration policy.

Remuneration and employment policies

Recruitment policy

On the appointment of a new executive director, his/her package will typically be in line with the principles as outlined on pages 78 and 79. To facilitate recruitment, it may be necessary to 'buy out' remuneration forfeited on joining the company. This will be considered on a case-by-case basis and may comprise cash or share options/share appreciation rights.

Termination policy

Payments in lieu of notice may be made to executive directors for the unexpired portion of the notice period. Such payments may be phased. On cessation, there is no automatic entitlement to an annual performance-related incentive (bonus), however, the committee retains the discretion to award a bonus to a leaver during the financial year taking into account the circumstances of his/her departure.

Service contracts

Executive directors' service contracts comply with terms and conditions of employment in South Africa. Details of the date of appointment and relevant notice period are set out in the table below:

Element	Nolo Letele	Uvashni Raman
Date of appointment	1 January 1990	1 May 2016
Notice period	Three months	Three months

Ensuring a fair and responsible approach to pay

To ensure a fair and reasonable approach to the remuneration of executive directors, in practice the committee takes the same approach as is taken for the wider employee group.

A number of factors are taken into account, including:

- individual performance
- company affordability and trading environment
- the relative contribution of the job to the overall business success
- market pay benchmarking is considered as an additional reference point – individual performance is the primary determining factor in whether to grant a pay increase, and pay increases are not granted in the absence of a satisfactory level of performance, and
- similarly the operational performance of the business and its ability to pay are naturally considered when the quantum of any increase is considered.

Our remuneration structure

We have outlined the three elements of pay for our executive directors below. The same principles are applied to employees across the company, where appropriate.

Total cost to company

- Comprising base salary and benefits. Reflects the performance and contribution of the individual and market value of the role.
- Salary is paid monthly in cash.
- Benefits provided include a mix of cash and non-cash benefits, including pension, medical and other optional benefits.
- We also provide a range of lifestyle and wellness benefits that do not form part of

Remuneration report (continued)

for the year ended 31 March 2018

TCTC. These benefits seek to support the overall physical and mental wellness of our employees.

- Fixed pay is reviewed annually, and any increases are typically effective from 1 April each year.
- A number of factors are taken into account during the review process, including personal performance, the scope and nature of the role, relevant companies in the national media and technology sectors, and local economic indicators such as inflation and the relevant labour market, to ensure they are fair, sensible and market competitive.

Variable pay

- Short-term incentives:
  - Participants are eligible to receive awards under the discretionary annual performance-related incentive scheme to incentivise and recognise the achievement of company financial and operational objectives and personal performance.
  - The purpose of the annual incentive plan is to ensure executive alignment with and focus on the annual board-approved business plan. The achievement of these annual plans will cumulatively drive long-term shareholder value.
  - The performance measures for each executive director are tailored to their roles and responsibilities.
  - The annual bonus opportunity for each executive is agreed annually in advance of the financial year, and any payout is based on targets that are verifiable and aligned to the business plan, risk management policy and strategy.
  - Any payouts are made in cash.
  - The committee may apply judgement and shall have discretion to make appropriate adjustments to an individual's annual bonus to ensure it reflects the underlying financial performance of the company.
  - When determining the targets used for our annual performance incentive plan, we take into account a number of reference points including the board-approved business plan and historic performance.

- Long-term incentives:
  - Longer-term incentive awards comprise a meaningful portion of total compensation and are designed to incentivise the delivery of sustainable long-term growth and provide alignment with our shareholders.
  - Awards are normally granted annually to the executive directors under two types of longer-term incentive scheme:
    - share appreciation rights (SARs), and
    - share options (SOs).
  - Detailed scheme rule documents provide for the operation and governance of each scheme.
  - SARs:
    - awards to executive directors are made in the MultiChoice SARs scheme, which takes into account the performance of the MultiChoice business
    - SARs deliver value based on the growth in the valuation of the business over a specified time period with vesting over a three- to five-year time period, with a term of 10 years, and
    - any value delivered is based on the change in total value of the business.

Remuneration report (continued)

for the year ended 31 March 2018

- SOs:
  - awards are made based on the share price on the date of the grant
  - Naspers SOs deliver value based on the growth in the share price over a specified time period with vesting typically over a one- to four-year period, with a term of 10 years
  - value is only delivered if there has been an increase in the share price following the date of grant, and
  - once an award vests, participants can then buy company shares at the predetermined strike price and will gain value from any increase in the price.

Pay for performance

(a) Pay for performance is one of the pillars of our reward philosophy. Personal performance (including the financial results of the business) is the determining factor whether an individual receives a TCTC increase, an annual performance-related incentive payout and/or a long-term incentive in the form of SOs or SARs.

(b) Our executives are eligible to participate in a performance-related short-term incentive programme. This is an annual programme and having achieved certain preapproved business and personal goals, participants may receive an annual performance-related incentive payment.

(c) Performance goals are directly aligned with the approved business plans.

(d) Personal goals are arrived at as an outcome of the annual business planning process. As budgets and operating plans are designed prior to the end of the financial year, so too are the personal performance goals at an individual level. These goals, if achieved, drive the accomplishment of the financial and operating plan of the business and how it is delivered.

(e) We encourage managers to engage in continuous conversations with their people throughout the year to ensure that their plans are on track. At the end of the financial year both the overall performance of the business, and the individual's achievement of their personal goals are considered and this may translate into the payment of an annual performance-related incentive. While we do not force-rank performance scores, we do expect that any performance-related incentive payments reflect the overall performance of the business where appropriate. Individuals who have performed well against their performance-related incentive goals, are eligible to be considered for a long-term incentive grant and a pay increase.

Remuneration report (continued)

for the year ended 31 March 2018

The performance objectives of our executive directors for the 2017/18 financial year and the proposed objectives for the 2018/19 financial year are outlined below:

Name	2017/18 objective and weighting	2018/19 objective and weighting
Nolo Letele	➤ Trading profit – 10% ➤ Free cash flow target – 10% ➤ Subscriber growth (RSA) – 20% ➤ Strategic and operational goals – 60%	➤ Financials (MCSA group) – 10% ➤ Subscriber growth (RSA) – 10% ➤ Subscriber gross growth (RSA) – 10% ➤ Subscriber growth (Connected Video (CV)) – 10% ➤ Strategic and operational goals – 60%
Uvashni Raman	➤ Core headline earnings – 10% ➤ Cash target – 15% ➤ Subscriber growth (RSA) – 10% ➤ Subscriber growth (MultiChoice Africa Limited – MAL) – 10% ➤ Strategic and operational goals – 55%	➤ Financial targets – 20% ➤ Equated subscriber growth (RSA and MAL) – 10% ➤ Subscriber gross growth (RSA and MAL) – 5% ➤ Subscriber growth (CV) – 5% ➤ Strategic and operational goals – 60%

Non-executive directors' remuneration policy

The fee structure for non-executive directors has been designed to ensure we attract, retain and appropriately compensate a diverse and experienced board of non-executive directors.

Non-executive directors receive an annual fee as opposed to a fee per meeting, which recognises their ongoing responsibility for efficient control of the company. Remuneration is reviewed annually, and is not linked to the company's share price or performance. Non-executive directors do not qualify for share allocations under the group's incentive schemes.

Non-executive directors' terms of appointment

The board has clear procedures for appointing and orientating directors. The nomination committee periodically assesses the skills represented on the board and determines whether these meet the company's needs. Annual self-evaluations are done by the board and its committees. Directors are invited to give their input in identifying potential candidates. Members of the nomination committee propose suitable candidates for consideration by the board. A fit and proper evaluation is performed for each candidate.

Retirement and re-election of directors

All non-executive directors are subject to retirement and re-election by shareholders every three years. Additionally, non-executive directors are subject to election by shareholders at the first suitable opportunity for interim appointments. The names of non-executive directors submitted for election or re-election are accompanied by brief biographical details to enable shareholders to make an informed decision on their election. The reappointment of non-executive directors is not automatic.

Remuneration report (continued)

for the year ended 31 March 2018

IMPLEMENTATION OF THE REMUNERATION POLICY

In this section, we outline how our remuneration policy for executive directors has been implemented during this financial year and how we intend to apply it for the next financial year. All decisions in relation to executive remuneration have been made in line with our remuneration policy for this financial year.

Executive directors' remuneration for the financial years 2016/17 and 2017/18 and planned for the financial year 2018/19

Element	Nolo Letele 2016/17	Nolo Letele 2017/18	Nolo Letele 2018/19	Uvashni Raman 2016/17	Uvashni Raman 2017/18	Uvashni Raman 2018/19
Remuneration excluding pension, directors' fees and incentives	R4 061 600	R4 325 052	R4 556 652	R4 062 617[1]	R4 584 881	R4 928 747
Pension				R324 893	R530 433	R950 435[5]
Directors' fees	R3 412 400[2]	R3 495 814[2]	–	–	–	–
Short-term incentive (performance bonus)	R1 400 000	R3 457 891	R3 395 392	R5 000 000	R4 136 328	R4 801 680
Short-term incentive (acting bonus)	–	R1 500 000[3]	–	–	–	–
Short-term incentive (sign-on bonus)	–	–	–	R2 000 000	R2 000 000	–
Short-term incentive (project bonus)	–	–	–	–	R1 300 000[4]	–
Long-term incentive (fair value awarded)	–	–	–	R11 101 252	R4 351 229	R7 000 000[6]

Notes

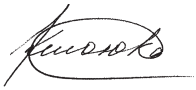
[1] Based on 11 months of employment as Uvashni started on 1 May 2016.
[2] Directors' fees paid by Naspers in relation to directorship held in Naspers Limited.
[3] Bonus for acting as group CEO until June 2017.
[4] Project bonus relating to the successful completion of a group project.
[5] Increase in pension due to a change in the pension plan.
[6] Value at grant.

Non-executive directors' fees

No non-executive director fees are paid to directors of MultiChoice South Africa Holdings Proprietary Limited.

Discharge of responsibilities

For the review period, the committee determined that it had discharged its responsibilities as outlined in its charter, details of which are on page 70. The board concurred with this assessment.



K D Moroko
Chair: Remuneration and equity committee

8 June 2018

Report of the audit committee

for the year ended 31 March 2018

The audit committee submits this report, as required by section 94 of the South African Companies Act No 71 of 2008 (the Act).

Members of the audit committee and attendance at meetings

The audit committee consists of the non-executive directors listed below and meets at least three times per year in accordance with its charter. All members act independently as described in section 94 of the Act. The internal and external auditors, in their capacity as auditors to the group, attended and reported at ordinary quarterly meetings of the audit committee. The group risk management function was also represented. The chair of the boards is not a member or chair of the audit committee and attends audit committee meetings by invitation. The chair of the audit committee is an independent non-executive director, categorised as such under King IV™.

The names of the members who were in office during the financial year:

Name of committee member	Date of first appointment to committee
Don Eriksson (chair)	8 March 2007
Salukazi Dakile-Hlongwane	11 August 2010
Elias Masilela	1 April 2015

Member qualifications and meeting attendance can be found on pages 74 to 76.

The board unanimously recommend to shareholders at the annual general meeting that the current committee members be re-elected. All audit committee members served on the committee for the full financial year.

Functions of the audit committee

The audit committee has adopted formal terms of reference, delegated by the board of directors, as set out in its audit committee charter.

The audit committee has discharged the functions in terms of its charter and ascribed to it in terms of the Act:

- Reviewed the interim, annual financial statements and integrated annual report, culminating in a recommendation to the board to adopt them. In the course of its review the committee:
  - took appropriate steps to ensure the annual financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Act
  - considered and, when appropriate, made recommendations on internal financial controls
  - dealt with concerns or complaints on accounting policies, internal audit, the auditing or content of annual financial statements, and internal financial controls, and
  - reviewed legal matters that could have a significant impact on the organisation's annual financial statements.
- Reviewed external audit reports on the consolidated and separate annual financial statements.
- Reviewed the internal audit charter.
- Reviewed and approved the internal and external audit plans.
- Reviewed internal audit, risk management and fraud reports and, where relevant, made recommendations to the board.
- Evaluated the effectiveness of risk management, controls and governance processes.
- Verified the independence of the external auditor, nominated PwC as auditor for 2018 and noted the appointment of Ms Alinah Motaung as the designated auditor for the 2019 financial year.

Report of the audit committee (continued)

for the year ended 31 March 2018

- Approved audit fees and engagement terms of the external auditor.
- Determined the nature and extent of allowable non-audit services and approved contract terms for non-audit services by the external auditor.
- Reviewed the organisation's application and extent of application of the principles set out in the King IV™ Report on Corporate Governance.

Key areas of focus during the reporting period

The committee's key focus areas during the year included:

- discharging its functions in terms of its charter
- mandatory audit firm rotation
- special review of the ANN7 contract
- impact of changes to accounting standards
- FutureFit finance structure reorganisation, and
- King IV™ recommendations.

Financial statement reporting issues

The audit committee's main responsibility in relation to the group's financial reporting is to review, with both management and the external auditor, the appropriateness of the group's annual financial statements with its primary focus being on:

- the quality and acceptability of accounting policies and practices
- material areas where significant judgements have been made, along with any significant assumptions or estimates, or where significant issues have been discussed with or challenged by the external auditor, and
- an assessment whether the annual financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

The significant judgements and issues and conclusions reached/actions taken by the audit committee in relation to the 2018 annual financial statements are outlined below. The significant judgements and issues are broadly comparable in nature to prior years. Each of these matters was discussed with the external auditor and, where appropriate, addressed.

Matters for noting	Financial impact on annual financial statements	Conclusions reached
Sale of MWEB operations and assets	Profit on sale of business – R117m Cash proceeds – R141m	Key accounting and disclosure impacts of the disposal were outlined to the audit committee Having reviewed management and the external auditor's reporting as well as disclosure of the disposal in the annual financial statements, the audit committee concluded that it was satisfied with the accounting and disclosures made
DStv Media Sales penalties	Competition Commission penalties R22m. Media Development and Diversity Agency (MDDA) contribution expense R8m over three years	The audit committee reviewed the update from management and the external auditor's reporting on this matter. The audit committee was satisfied with disclosures in the annual financial statements

Report of the audit committee (continued)

for the year ended 31 March 2018

Matters for noting	Financial impact on annual financial statements	Conclusions reached
FutureFit restructuring	Staff restructure expense – R164m	The audit committee acknowledges the remuneration committee reviews and approves the basis of the calculation for voluntary severance packages Having reviewed the external auditor's reporting as well as disclosure in the annual financial statements, the audit committee concluded that the accounting of the staff restructure expense in the annual financial statements is appropriate
Provisions	DStv Media Sales (DMS) tax settlement of R5,9m with Federal Inland Revenue Service (FIRS) during the year, the excess tax penalties and interest amounting to R27m have been reversed M-Net has disclosed a contingent liability of R342m in relation to potential liabilities	The audit committee reviewed management's update on the group's assessment on these matters and disclosure adopted in relation to contingent liabilities Having reviewed management and the external auditor's reporting on these matters, and disclosure in the annual financial statements, the audit committee was satisfied with the approach adopted in the annual financial statements

Special review on the ANN7 matter

The audit committee together with the risk committee formed a special joint audit and risk committee for purposes of conducting the special review of the ANN7 matter. For the purposes of this review, members' attendance at the special joint audit and risk committees can be found on page 76.

Internal audit

The audit committee has oversight of the group's annual financial statements and reporting process, including the system of internal financial control. It is responsible for ensuring that the group's internal audit function, as outsourced to the Naspers internal audit team, is independent and has the necessary resources, standing and authority in the organisation to discharge its duties. The committee oversees cooperation between internal and external auditors, and serves as a link between the board of directors and these functions. The head of internal audit reports to the chair of the audit committee, with administrative reporting to the Naspers chief audit executive. An assessment of the effectiveness of the internal audit function, as well as the head of internal audit, is performed annually by the committee. Based on the assessment, the committee is of the opinion that the internal audit function, as well as the head of internal audit, is effective.

Effectiveness of the company's internal financial controls

The committee reports to the board that it is of the opinion that, based on enquiries made and the reports from the internal and external auditors, the risk management processes and systems of internal control of the company were effective for the year under review. No material

Report of the audit committee (continued)

for the year ended 31 March 2018

weaknesses in financial control of the company and its subsidiaries were reported for the year under review. With regard to the special review into the ANN7 matter, internal audit identified some weaknesses around business processes, and formalisation of MultiChoice's lobbying process has been proposed.

Independence and effectiveness of the external auditor

PwC was reappointed as auditor of the company until the next annual general meeting. PwC has been the auditor of MultiChoice South Africa for 12 years. During PwC's tenure as auditors, there have been changes in the executive management team and a reorganisation of the finance function which has helped mitigate risk of familiarity between their company and management. The committee believes that the auditor has observed the highest level of business and professional ethics. The committee is satisfied that the auditor has at all times acted with unimpaired independence.

Audit fees paid to the external auditors resulted to R13,9m in the past financial year. All non-audit services provided by the auditor were approved by the committee during the current financial year in accordance with the board-approved policy on non-audit services performed by the external auditor. The audit committee approved the provision of non-audit services that it believes are routing and recurring services that would not impair the independence of the auditor and are consistent with the principles of the Code of Professional Conduct set by the Independent Regulatory Board for Auditors. Approved services included general consulting advice and limited tax consulting advice such as tax compliance and tax planning. Services approved for the financial year 2018 amounted to R2,2m (2017: R4,8m) .

During the year the audit committee reviewed a representation by the external auditor and, after conducting its own review, confirmed the independence of the auditor. The quality of the external audit was reviewed, focusing on a range of factors considered relevant to audit quality and feedback from PwC on their performance against their own objectives, the committee concluded the external audit to be satisfactory. It was confirmed that no unresolved issues of concern exist between the group and the external auditor.

The partner responsible for the audit is required to rotate every five years. Ms Nana Madikane has been appointed as the audit partner for five years and will accordingly step down as audit partner at the close of the 2018 financial year-end audit. Alinah Motaung is proposed as the audit partner for the 2019 financial year.

Confidential meetings

Audit committee agendas provide for confidential meetings between committee members and the internal and external auditors, separately and independently from senior management.

Expertise and experience of the group's chief financial officer and the finance function

As required by the King IV™ principle 8 practice 59f, the audit committee has satisfied itself that the MultiChoice South Africa Holdings group chief financial officer has appropriate expertise and experience. In addition, the committee is satisfied that the composition, experience and skillset of the finance function met the group's requirements. Based on an assessment performed annually, the committee is of the opinion that the finance function, as well as the chief financial officer, is effective.

Report of the audit committee (continued)

for the year ended 31 March 2018

Integrated combined assurance

The board does not only rely on the adequacy of the internal control embedment process, but considers reports on the effectiveness of risk management activities from the risk committee. The committee ensures that the assurance functions of management as well as internal and external audit are sufficiently integrated and is satisfied with the effectiveness with the arrangements for combined assurance. The various assurance providers to the board comprise the following:

- Senior management and the risk committee considers the company's risk strategy and policy, along with the effectiveness and efficiency thereof. The risk committee also considers the adequacy of risk management strategies, systems of internal control, risk profiles and legal compliance. The audit committee receives assurance from the risk committee that risk management activities are sufficiently addressed and effective.
- The committee considers the systems of internal control, internal and external audit reports and also reviews the independence of the auditor, the extent and nature of audit engagements, scope of work and findings. This committee also reviews the level of disclosure in the annual financial statements and the appropriateness of accounting policies adopted by management and jointly with the risk committee considers material issues of fraud and reporting on fraud. The board reviews the performance of the committee against its charter.

The chair of the committee reports to the board at the board meeting following each committee meeting on matters addressed by the committee at its last meeting.

Dividend

In determining the dividend to be recommended to the board for recommendation to shareholders, the committee considered the group's internal and external operating environment and all reasonable foreseeable financial circumstances of the company. Taking the aforesaid into account and applying the solvency and liquidity test as set out in the Companies Act, the committee determined that a dividend of R6,6bn should be recommended as this would ensure that the company meets its obligations as they fall due and is in a position to implement its growth and investment plans.

Discharge of responsibilities

The committee determined that, during the financial year under review, it had discharged its legal and other responsibilities as outlined in terms of its remit. The board concurred with this assessment.

Don Eriksson
Chair: Audit committee

8 June 2018

Financial review

Trading profit
R10,4bn

Core headline earnings
R7bn

MultiChoice South Africa Holdings Proprietary Limited

This review summarises our financial performance for the past year.

Preparation of results and accounting policies

The financial results for the year ended 31 March 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa No 71 of 2008, as amended. Except as noted in the summarised annual financial statements and the full annual financial statements, accounting policies are consistent with those applied in the previous period and IFRS.

Summarised and full annual financial statements

The summarised annual financial statements appear on pages 95 to 98 of this integrated annual report. These are not the statutory accounts of the group and do not contain all the disclosures required by IFRS. They are also not a substitute for, and should be read with, the full annual consolidated financial statements for a complete understanding of the group's results.

The summarised and full annual financial statements have been prepared under the supervision of the group chief financial officer, Uvashni Raman CA(SA), and have been audited by the company's independent external auditor, PricewaterhouseCoopers Inc., whose unqualified report is available for inspection at the registered office of the company.

The full annual financial statements for the year to 31 March 2018 are published on our website www.multichoice.co.za. Printed copies are available from the company's secretariat.

Independent auditor's report on the summary consolidated financial statements

To the shareholders of MultiChoice South Africa Holdings Proprietary Limited

Opinion

The summary consolidated financial statements of MultiChoice South Africa Holdings Proprietary Limited, set out on pages 95 to 98, which comprise the summarised consolidated statements of financial position as at 31 March 2018, the summarised consolidated statements of profit or loss, summarised consolidated statements of comprehensive income and changes in equity and summarised consolidated statements of cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of MultiChoice South Africa Holdings Proprietary Limited for the year ended 31 March 2018.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary consolidated financial statements

The summary 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 summary 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 8 June 2018.

Independent auditor's report on the summary consolidated financial statements (continued)

Directors' responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the IFRS and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary 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: S N Madikane
Registered auditor
Johannesburg

8 June 2018

PricewaterhouseCoopers Inc., 4 Lisbon Lane, Waterfall City, Jukskei View, 2090
Private Bag X36, Sunninghill, 2157, South Africa
T: +27 (0) 11 797 4000, F: +27 (0) 11 209 5800, www.pwc.co.za

Chief Executive Officer: T D Shango
Management Committee: S N Madikane, J S Masondo, P J Mothibe, C Richardson, F Tonelli, C Volschenk

The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg. no. 4950174682

Summarised consolidated statements of financial position

as at 31 March

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Assets				
Non-current assets	**17 046 702**	17 964 406	**16 875 000**	16 875 000
Current assets	**10 053 679**	9 867 516	**–**	–
Assets classified as held for sale	**–**	377 907	**–**	–
Total assets	**27 100 381**	28 209 829	**16 875 000**	16 875 000
Equity and liabilities				
Total equity	**8 868 309**	8 097 607	**16 875 000**	16 875 000
Attributable to equity holders of the group	**8 868 309**	8 097 607	**16 875 000**	16 875 000
Total liabilities	**18 232 072**	20 112 222	**–**	–
Non-current liabilities	**8 877 387**	10 127 541	**–**	–
Current liabilities	**9 354 685**	9 767 757	**–**	–
Liabilities classified as held for sale	**–**	216 924	**–**	–
Total equity and liabilities	**27 100 381**	28 209 829	**16 875 000**	16 875 000

Summarised consolidated statements of profit or loss

for the year ended 31 March

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Revenue	**40 165 003**	40 543 644	**–**	–
Cost of providing services and sale of goods	**(21 544 531)**	(22 799 870)	**–**	–
Selling, general and administration expenses	**(7 959 148)**	(7 602 656)	**–**	–
Other gains	**18 489**	19 648	**–**	–
Operating profit	**10 679 813**	10 160 766	**–**	–
Finance income	**320 841**	212 384	**–**	–
Finance costs	**(644 929)**	(673 717)	**–**	–
Foreign exchange gains/(losses)	**659 995**	(250 524)	**–**	–
Dividends received	**–**	–	**6 500 000**	6 500 000
Share of equity-accounted results	**(96 767)**	(66 843)	**–**	–
Impairment of equity-accounted investment	**(201)**	(10 311)	**–**	–
Profit on disposal of investment/ business	**117 756**	87 456	**–**	–
Profit before taxation	**11 036 508**	9 459 211	**6 500 000**	6 500 000
Taxation	**(3 247 202)**	(2 631 432)	**–**	–
Net profit	**7 789 306**	6 827 779	**6 500 000**	6 500 000
Net profit attributable to equity holders of the group	**7 789 306**	6 827 779	**6 500 000**	6 500 000

Summarised consolidated statements of comprehensive income and changes in equity

for the year ended 31 March

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Balance at the beginning of the year	**8 097 607**	8 282 439	**16 875 000**	16 875 000
Profit for the year	**7 789 306**	6 827 779	**6 500 000**	6 500 000
Total other comprehensive income, net of tax, for the year	**(485 219)**	(551 754)	**–**	–
Translation of foreign operations	**–**	(138)	**–**	–
Cash flow hedges	**(608 623)**	(697 463)	**–**	–
Revaluation of investments	**(46 800)**	(18 000)	**–**	–
Tax on other comprehensive income	**170 204**	163 847	**–**	–
Share-based comprehensive movement	**(33 385)**	39 143	**–**	–
Dividends paid to shareholders	**(6 500 000)**	(6 500 000)	**(6 500 000)**	(6 500 000)
Balance at the end of the year	**8 868 309**	8 097 607	**16 875 000**	16 875 000
Comprising:				
Share capital and premium	**17 216 270**	17 216 270	**16 875 000**	16 875 000
Retained earnings	**7 423 991**	6 116 745	**–**	–
Share-based compensation reserve	**20 505**	71 830	**–**	–
Existing control business combination reserve*	**(15 050 974)**	(15 050 974)	**–**	–
Hedging reserve	**(852 244)**	(413 825)	**–**	–
Fair-value reserve	**110 581**	157 381	**–**	–
Foreign currency translation reserve	**180**	180	**–**	–
Total	**8 868 309**	8 097 607	**16 875 000**	16 875 000

** May be reclassified.*

Summarised consolidated statements of cash flows

for the year ended 31 March

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Cash flow from operating activities	**7 460 827**	9 054 026	**–**	–
Cash flow utilised in investing activities	**(390 481)**	(715 352)	**–**	–
Cash flow utilised in financing activities	**(7 325 201)**	(7 695 209)	**–**	–
Changes in cash and cash equivalents for the year	**(254 855)**	643 465	**–**	–
Cash and cash equivalents at the beginning of the period	**2 600 694**	2 285 960	**–**	–
Foreign exchange translation adjustments	**(73 966)**	(245 072)	**–**	–
Reclassification of cash to held for sale	**747**	(83 659)	**–**	–
Cash and cash equivalents at the end of the year	**2 272 620**	2 600 694	**–**	–

The principle non-cash transactions are the acquisition of equipment using finance leases, equity-settled share-based payment transactions and impairment of assets.

Basis of preparation

These summarised consolidated financial statements for the year ended 31 March 2018 have been extracted from the full set of audited consolidated annual financial statements for the year ended 31 March 2018, which have been prepared in accordance with International Financial Reporting Standards (IFRS) 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* and in the manner required by the Companies Act of South Africa. The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived, are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

The group has adopted all new and amended accounting pronouncements as issued by the International Accounting Standards Board (IASB), which were effective for financial years commencing on 1 April 2017.

Phuthuma Nathi Investments 2 (RF) Limited (PN2)

For shareholders who invested in 2006/2007 during the public offer. Their investment has grown more than 15 times since inception taking into account dividend payments.

PN companies have received some

R9,1bn

in dividends since inception

60,46%

of the economic interest in MultiChoice is held by black South Africans

Board of directors

Mandla Langa

Mandla was chair of MultiChoice South Africa from 2007 to 2010 and chair of Icasa from 1999 to 2005. In 1991 he was awarded the Arts Council of Great Britain bursary for creative writing. A number of his works have been published. In 2007 he received South Africa's national order of Ikhamanga (silver) for literary, journalistic and cultural achievements and, in 2009 a Living Legends Award from eThekwini municipality. Mandla received a Lifetime Achievement Award at the South African Literature Awards in 2010. His directorships include Business and Arts South Africa, Foundation for Global Dialogue, the Institute for the Advancement of Journalism, Rhodes University School for Economic Journalism, Koketso Holdings Proprietary Limited and South African Screenwriters' Laboratory (Scrawl).

Clarissa Mack

Clarissa has an LLB from the University of Cape Town, a master's degree in law from Georgetown University in Washington, DC and a postgraduate diploma in economics for competition law from King's College, London. After completing her legal articles at Cheadle, Thompson & Haysom Attorneys, she joined M-Net, then moved to MultiChoice before taking up a position as the group executive for regulatory and policy Affairs for the video-entertainment group, a position she held till March 2017. She was intimately involved in the launch of the current Phuthuma Nathi schemes.

Peter Goldhawk

Peter is a chartered accountant and retired partner of PricewaterhouseCoopers Inc. He is the director of Goldhawk Corporate Advisory. He was responsible for the development and management of the Phuthuma and Phuthuma Futhi BEE schemes implemented in M-Net and SuperSport in the late 1990s and has been integrally involved in launching the current MultiChoice and Media24 BEE schemes through Phuthuma Nathi and Welkom Yizani respectively. He is a non-executive director of Right to Care NPC and a trustee of The Sports Trust. He is a member of the South African Institute of Chartered Accountants and the Issuer Regulatory Advisory Committee of the JSE Limited.

Report of the audit committee

for the year ended 31 March 2018

As the company's only assets are the investments in MultiChoice South Africa Holdings Proprietary Limited, the board deems it appropriate that all its members be appointed to the audit committee. The audit committee has pleasure in submitting this report, as required by section 94 of the Companies Act of South Africa No 71 of 2008, as amended (the Act).

Functions of the audit committee

The committee has discharged the following functions:

- Reviewed the year-end financial statements, culminating in a recommendation to the board to adopt these. In the course of its review, the committee:
  - took appropriate steps to ensure the annual financial statements are prepared in line with International Financial Reporting Standards (IFRS) and as required by the Act
  - considered and, when appropriate, made recommendations on internal financial controls
  - dealt with concerns or complaints on accounting policies, the auditing or content of annual financial statements, and internal financial controls, and
  - reviewed legal matters that could have a significant impact on the organisation's annual financial statements.
- Reviewed external audit reports on the annual financial statements.
- Verified the independence of the external auditor and nominated PricewaterhouseCoopers Inc. (PwC) as the auditor for the 2018 financial year and noted the appointment of Ms Alinah Motaung as the designated auditor for the 2019 financial year.
- Approved audit fees and engagement terms of the external auditor.

No non-audit services were provided by the external auditor.

Members of the audit committee

The committee comprises the non-executive directors of the company. All members act independently as described in section 94 of the Act, and served for the full financial year.

Report of the audit committee (continued)

for the year ended 31 March 2018

Member	Qualifications	Date of first appointment
P O Goldhawk	Chartered accountant (SA)	2 July 2008
M Langa	Diploma in offset litho printing (London College of Printing), certificate in periodical journalism (University of London)	2 July 2008
C P Mack	LLB (University of Cape Town)	2 July 2008

Attendance

The external auditor, in her capacity as auditor to the company, attended and reported at the meeting of the board and audit committee. Relevant senior managers attended meetings by invitation.

Confidential meetings

Audit committee agendas provide for confidential meetings between members and the external auditor.

Independence of external auditor

In the current financial year the audit committee reviewed a representation by the external auditor and, after conducting its own review, confirmed the independence of the auditor.

Expertise and experience of finance function

The committee satisfied itself that the composition, experience and skills set of the chief financial officer and the finance function met the company's requirements.

Discharge of responsibilities

For the review period, the committee determined it had discharged its legal and other responsibilities as outlined by the Act. The board concurred with this assessment.

Signed on behalf of the audit committee of the board

P O Goldhawk
Director

8 June 2018

Directors' report

for the year ended 31 March 2018

Nature of operations

Phuthuma Nathi Investments 2 (RF) Limited (PN2) was incorporated on 21 November 2006 under the laws of the Republic of South Africa. Its principal activities are to:

- carry on the main business of holding only MultiChoice South Africa Holdings Proprietary Limited ordinary shares, cash and such assets as are received and acquired solely by virtue of or in relation to holding these shares, and
- receive and distribute dividends and other distributions in terms of its holding in MultiChoice South Africa Holdings Proprietary Limited.

Shareholder data

	PN2	
As at 31 March	**2018**	2017
Number of shareholders	**3 440**	3 364
Closing share price	**R88,00**	R127,00

For the financial year to 31 March 2018 the total value of share trades was R62m for PN2, with 511 000 PN2 shares traded in 1 140 transactions.

Share trading data

	PN2	
As at 31 March	**2018**	2017
Total transaction value	**R58m**	R154m
Number of shares traded	**484 300**	1 067 904
Number of transactions	**1 019**	1 091

Directors' report (continued)

for the year ended 31 March 2018

Almost 53% (2017: 54%) of PN2 shareholders have retained their holdings since the inception of the scheme. In PN2 the number of participants with holdings increased from 3 364 to 3 440.

A total of 750 (2017: 146) PN2 participants sold their entire holdings during the year, while 218 (2017: 125) PN2 participants sold part of their holdings. A total of 109 (2017: 112) PN2 participants bought additional shares during the year, while 99 (2017: 275) PN2 participants bought shares for the first time. A total of 1 809 (2017: 2 852) PN2 participants chose to retain their holdings with no purchase or sale activity.

The income tax reference number for PN2 is 9379963151.

Operating and financial review

The financial results of the company are set out on pages 108 to 114.

Dividends

The board recommends an ordinary dividend of 1 955,56 (2017: 1 925,93) cents per share. Dividend tax of 20% per share is 391,11 (2018: 385,19) cents. Shareholders will therefore receive a total net dividend of 1 564,45 (2018: 1 540,74) cents per share.

There are a large amount of dividends that have not been paid to shareholders for whom we have no contact details. The board appeals to all shareholders who have not received dividends to contact the company's transfer secretaries, Singular Systems (see inside back cover (IBC) for contact details).

Directors, secretary and auditor

The directors of the company are listed on next page. The registered address and postal address for the secretary are the same as those of the company as detailed on the IBC.

Carmen Koopman stepped down as company secretary for MultiChoice on 19 March 2018 to take up a role in the MultiChoice Africa business. Rochelle Gabriels, the MultiChoice South Africa Proprietary Limited chief financial officer, has been appointed in an acting position until the MultiChoice board has appointed a permanent company secretary.

The board has reviewed the qualifications, experience and arm's length relationship of the company secretary and is satisfied therewith.

Directors' report (continued)

for the year ended 31 March 2018

Director	Date first appointed to the board	Category
C P Mack	5 July 2007	Independent non-executive
M Langa	12 January 2007	Independent non-executive
P O Goldhawk	5 July 2007	Independent non-executive

PwC will continue in office as auditor in accordance with section 90(6) of the Companies Act of South Africa.

The partner responsible for the audit is required to rotate every five years. Nana Madikane has been appointed as the audit partner for five years and will accordingly step down as audit partner at the close of the 2018 financial year-end audit. Alinah Motaung is proposed as the audit partner for 2019 financial year.

Signed on behalf of the board

M Langa
Chair

8 June 2018

Phuthuma Nathi Investments 2 (RF) Limited

Preparation of results and accounting policies

The financial results for the year ended 31 March 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa No 71 of 2008 (the Act), as amended. Except as noted in the summarised annual financial statements and the full annual financial statements, accounting policies are consistent with those applied in the previous period and IFRS.

Summarised and full annual financial statements

The summarised annual financial statements appear on pages 108 to 114 of this report. The summarised annual financial statements are not the statutory accounts of Phuthuma Nathi Investments 2 (RF) Limited (PN2) and do not contain all the disclosures required by IFRS. The summarised financial statements are also not a substitute for and should be read together with the full annual financial statements to obtain a complete understanding of the results.

The summarised and full annual financial statements have been prepared under the supervision of the MultiChoice South Africa Holdings group chief financial officer, Uvashni Raman CA(SA), and have been audited by the independent external auditor, PwC, whose unqualified report is available for inspection at the registered office of the company (see IBC for contact details).

The full annual financial statements for the year ended 31 March 2018 are on our website (www.phuthumanathi.co.za). Printed copies are available from the company's secretariat (see IBC for contact details).

Independent auditor's report on the summary financial statements

To the shareholders of Phuthuma Nathi Investments 2 (RF) Limited

Opinion

The summary financial statements of Phuthuma Nathi Investments 2 (RF) Limited, set out on pages 108 to 114, which comprise the summary statement of financial position as at 31 March 2018, the summary statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and related notes, are derived from the audited financial statements of Phuthuma Nathi Investments 2 (RF) Limited for the year ended 31 March 2018.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with International Financial Reporting Standards (IFRS), and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary financial statements

The summary 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 summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 8 June 2018.

Directors' responsibility for the summary financial statements

The directors are responsible for the preparation of the summary financial statements in accordance with the IFRS and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited 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: S N Madikane
Registered auditor

Johannesburg
8 June 2018

Summarised statements of financial position

as at 31 March

	2018 R'000	2017 R'000
Assets		
Non-current assets	**1 546 134**	1 494 754
Investment in associate	**1 546 134**	1 494 754
Current assets	**21 842**	14 995
Current tax asset	**1 290**	1 217
Cash and cash equivalents	**20 552**	13 778
Total assets	**1 567 976**	1 509 749
Equity and liabilities		
Capital and reserves	**1 547 056**	1 495 772
Share capital and premium	**225 000**	225 000
Other reserves	**88 368**	124 138
Accumulated profit	**1 233 688**	1 146 634
Non-current liabilities	**68**	68
Long-term liabilities	**68**	68
Current liabilities	**20 852**	13 909
Other payables	**20 852**	13 909
Total equity and liabilities	**1 567 976**	1 509 749

The accompanying notes form an integral part of these financial statements.

Summarised statements of profit or loss

for the year ended 31 March

	2018 R'000	2017 R'000
Operating expenses	**(96)**	(91)
Operating loss	**(96)**	(91)
Share of equity-accounted results of associate	**520 484**	463 814
Profit before taxation	**520 388**	463 723
Taxation	**–**	–
Net profit for the year	**520 388**	463 723
Earnings per share based on 22 500 000 issued shares	**R23,13**	R20,61

The accompanying notes form an integral part of these financial statements.

Summarised statements of comprehensive income

for the year ended 31 March

	2018 R'000	2017 R'000
Net profit for the year	**520 388**	463 723
Items that may be reclassified subsequently to profit or loss		
Share of changes in associate's other comprehensive income items	**(35 770)**	(42 802)
Total comprehensive income	**484 618**	420 921

The accompanying notes form an integral part of these financial statements.

Summarised statements of changes in equity

for the year ended 31 March

	Share capital and premium R'000	Other reserves* R'000	Accumulated profit R'000	Total R'000
Balance at 1 April 2016	225 000	166 940	1 116 245	1 508 185
Net profit for the year	–	–	463 723	463 723
Other comprehensive income for the year	–	(42 802)	–	(42 802)
Dividends	–	–	(433 334)	(433 334)
Balance at 31 March 2017	225 000	124 138	1 146 634	1 495 772
Balance at 1 April 2017	225 000	124 138	1 146 634	1 495 772
Net profit for the year	–	–	520 388	520 388
Other comprehensive income for the year	–	(35 770)	–	(35 770)
Dividends	–	–	(433 334)	(433 334)
Balance at 31 March 2018	**225 000**	**88 368**	**1 233 688**	**1 547 056**

** Other reserves consist of fair-value reserve from gains or losses on available-for-sale investments, foreign currency translation reserve, hedging reserve and share-based payment reserve.*

The accompanying notes form an integral part of these financial statements.

Summarised statements of cash flows

for the year ended 31 March

	2018 R'000	2017 R'000
Cash flow from trading activities	**434 393**	433 162
Cash generated from/(utilised in) operations	**1 059**	(172)
Dividends received from associate	**433 334**	433 334
Cash utilised in financing activities	**(427 619)**	(431 544)
Dividends paid to ordinary shareholders	**(426 276)**	(431 415)
Decrease in amounts owing to investors*	**(1 343)**	(129)
Movement in cash for the year	**6 774**	1 618
Cash and cash equivalents at the beginning of the year	**13 778**	12 160
Cash and cash equivalents at the end of the year	**20 552**	13 778

** An amount of R129 000 relating to amounts owing to investors was previously disclosed as cash generated from operations in the previous year, has been reclassified to cash utilised in financing activities.*

The accompanying notes form an integral part of these financial statements.

Notes to the summarised annual financial statements

for the year ended 31 March

Basis of preparation

These summarised financial statements for the year ended 31 March 2018 have been extracted from the full set of audited annual financial statements for the year ended 31 March 2018, which have been prepared in accordance with the International Financial Reporting Standards (IFRS) and 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* and in the manner required by the Companies Act of South Africa. The accounting policies applied in the preparation of the financial statements from which the summary financial statements were derived, are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous annual financial statements.

The company has adopted all new and amended accounting pronouncements as issued by the International Accounting Standards Board (IASB), which were effective for financial years commencing on 1 April 2017.

Investment in associate

The company has a 6,67% interest in MultiChoice South Africa Holdings Proprietary Limited (MCSAH), a company incorporated and with its principal place of business in South Africa. The principal activities of MCSAH is the operation of video-entertainment and internet subscriber platforms. This is an unlisted investment that is accounted for, using the equity method of accounting.

Notes to the summarised annual financial statements (continued)

for the year ended 31 March

	2018 R'000	2017 R'000
Movement in carrying amount		
At the beginning of the year	**1 494 754**	1 507 076
Share of net profit	**520 484**	463 814
Share of changes in other reserves	**(35 770)**	(42 802)
Dividends received	**(433 334)**	(433 334)
At the end of the year	**1 546 134**	1 494 754
Analysis of carrying amount		
Cost	**1 125 000**	1 125 000
Share of post-acquisition reserves	**421 134**	369 754
	1 546 134	1 494 754
Reconciliation of carrying amount		
Share of net assets of associate	**591**	540
Goodwill	**955**	955
Carrying amount	**1 546**	1 495

Although the company holds less than 20% of the equity shares in MCSAH, it exercises significant influence by virtue of its contractual right to appoint directors to the board of directors of that company. It also has the power to participate in the financial and operating policy decisions of MCSAH.

There has been no objective evidence of impairment of the associate in the current or prior years.

Notes to the summarised annual financial statements (continued)

for the year ended 31 March

Summarised financial information of unlisted associate as per its annual financial statements

	2018 R'000	2017 R'000
Total assets	**27 100 381**	28 209 829
Total liabilities	**18 232 072**	20 112 222
Revenue	**40 165 003**	40 543 644
Cost of providing services and sale of goods	**(21 544 531)**	(22 799 870)
Gross profit	**18 620 472**	17 743 774
Other gains	**18 489**	19 648
Selling, general and administration costs	**(7 959 148)**	(7 602 656)
Operating profit	**10 679 813**	10 160 766
Finance income	**320 841**	212 384
Foreign exchange differences	**659 995**	(250 524)
Impairment of equity-accounted investments	**(201)**	(10 311)
Share of equity-accounted investment results	**(96 767)**	(66 843)
Profit on sale of business	**117 756**	87 456
Finance costs	**(644 929)**	(673 717)
Profit before taxation	**11 036 508**	9 459 211
Taxation	**(3 247 202)**	(2 631 432)
Net profit	**7 789 306**	6 827 779
Other comprehensive losses	**(485 220)**	(551 674)
Total comprehensive income	**7 304 086**	6 276 105

As at 31 March 2018 the company's associate had a contingent liability of R342,7m (2017: R340m) as an estimate of potential liabilities.

Notes to the summarised annual financial statements (continued)

for the year ended 31 March

Long-term liabilities

	2018 R'000	2017 R'000
Variable rate, cumulative redeemable preference shares with issue price of R10 each	**68**	68
Balance at 31 March	**68**	68
At 31 March 2018, 6 751 (2017: 6 751) preference shares were in issue.		
Preference share liability reconciliation		
Opening balance at 1 April	**68**	68
Closing balance at 31 March	**68**	68

In accordance with the preference share subscription agreement, these preference shares bore interest at 75% of the prime rate, compounded monthly, until such a time that the preference shares remaining are less than or equal to the preference threshold, which was reached at 3 September 2014. Once the threshold has been met, the preference shares do not bear interest. Further to this, the term of the remaining preference shares was extended at the discretion of the preference shareholders. These preference shares are held by MIH Holdings Proprietary Limited. The carrying amount at amortised cost approximates the fair value of these instruments.

Shareholder information for MultiChoice South Africa Holdings Proprietary Limited and Phuthuma Nathi Investments 2 (RF) Limited

AGM date:
Thursday 30 August 2018 at 11:00

AGM venue:
MultiChoice City, Randburg

Notice of annual general meeting

Notice is hereby given in terms of the Companies Act of South Africa No 71 of 2008, as amended (the Act), that the twelfth annual general meeting (AGM) of **MultiChoice South Africa Holdings Proprietary Limited** (the company or MCSA) will be held at MultiChoice City, 144 Bram Fischer Drive, Randburg at 11:00 on Thursday 30 August 2018.

Please note that the registration counter for purposes of registering to vote at this meeting will close at 10:45 on Thursday 30 August 2018.

Record date, attendance and voting

The record date for the meeting is Thursday 16 August 2018, being the date on which a person must be registered as a shareholder of the company to be entitled to attend and vote at the AGM.

Subject to the proxies given by Phuthuma Nathi Investments (RF) Limited (Phuthuma Nathi) and Phuthuma Nathi Investments 2 (RF) Limited (Phuthuma Nathi 2) to their respective members to vote at the AGM of the company in their stead, the ordinary shareholders of the company are entitled to attend, speak and vote at the AGM (with each ordinary share in the company entitling its holder to one vote).

Votes at the AGM will be taken by way of a poll and not on a show of hands. Each ordinary shareholder present or represented by proxy will be entitled to that number of votes equal to the number of ordinary shares held by that shareholder.

A shareholder may appoint a proxy at any time. For practical purposes, forms of proxy must reach the transfer secretaries of the company, Singular Services, a division of Singular Systems Proprietary Limited, 71 Corlett Drive, Birnam 2196 or PO Box 1266, Bramley 2018, not less than forty-eight (48) hours before the AGM (not including Saturdays, Sundays and public holidays) to allow for processing of such proxies. All other proxies must be handed in at the registration desks at MultiChoice City on 30 August 2018 prior to the commencement of the meeting. A form of proxy is enclosed with this notice. The form of proxy may also be obtained from the registered office of the company.

In line with the provisions of the company's memorandum of incorporation, each shareholder of Phuthuma Nathi has been irrevocably appointed as a proxy for Phuthuma Nathi and is entitled, at the AGM of the company, to exercise one vote for each share that shareholder holds in Phuthuma Nathi.

In line with the provisions of the company's memorandum of incorporation, each shareholder of Phuthuma Nathi 2 has been irrevocably appointed as a proxy for Phuthuma Nathi 2 and is entitled, at the AGM of the company, to exercise one vote for each share that shareholder holds in Phuthuma Nathi 2.

Identification of meeting participants

Before any person may attend or participate in a shareholders' meeting, that person must present reasonably satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of that person to participate and vote, either as a shareholder or as a proxy for a shareholder,

Notice of annual general meeting (continued)

has been reasonably verified. Forms of identification include valid identity documents, driver's licences and passports.

Purpose of meeting

The purpose of the meeting is: (i) to present the directors' report and audited annual financial statements of the company for the 2018 financial year and an audit committee report; (ii) to consider and, if approved, to adopt with or without amendment, the resolutions set out on the following pages; and (iii) to consider any matters raised by the shareholders of the company, with or without advance notice to the company.

Electronic participation

Shareholders entitled to attend and vote at the meeting or their proxies will be entitled to participate in the meeting (but not vote) by electronic communication. Should a shareholder wish to participate in the meeting electronically, the shareholder should advise the company by no later than 09:00 on Friday 17 August 2018 by submitting via registered mail addressed to the company (for the attention of Ms C van der Struys, assistant to the company secretary) relevant contact details, as well as full details of the shareholder's title to securities issued by the company and proof of identity, in the form of certified copies of identity documents and written confirmation from the transfer secretary confirming the shareholder's title to the shares. On receipt of the required information, the shareholder will be given a secure code and instructions to access electronic communication during the AGM. Shareholders must note that access to the electronic communication will be for their expense.

Ordinary resolutions

Each of the following ordinary resolutions requires the support of a majority (more than 50%) of the votes exercised by shareholders present or represented by proxy at this meeting to be adopted:

1. To consider and accept the annual financial statements of the company and the group for the twelve (12) months ended 31 March 2018 and the reports of the directors, the auditor and the audit committee.

   The summarised form of the annual financial statements is included in this integrated annual report.

   A copy of the complete annual financial statements of the company for the preceding financial year can be obtained at www.multichoice.co.za or at the company's registered office (details are included in this integrated annual report).

2. After the board applied the solvency and liquidity tests contemplated in the Act, in terms of which it has concluded that MCSA will satisfy such tests immediately after completing the proposed dividend distribution, the board has authorised and now proposes that the following dividends be approved:
   - a dividend of 1 955,56 cents per ordinary share.

3. To reappoint, on the recommendation of the company's audit committee, the firm PricewaterhouseCoopers Inc. as independent registered auditor of the company (noting that Ms A Motaung is

Notice of annual general meeting (continued)

the individual registered auditor of that firm who will undertake the audit) for the period until the next AGM of the company.

4. To elect Adv K D Moroka, Mr S J Z Pacak and Mrs S Dakile-Hlongwane, who retire by rotation and being eligible offer themselves for re-election as directors of the company. Their brief biographical details are included in this integrated annual report.

   The board unanimously recommends that the re-election of directors in terms of resolution number 4 be approved by shareholders of the company. The re-election is to be conducted as a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, and in each vote to fill a vacancy, each voting right entitled to be exercised, may be exercised once.

5. To approve the appointment of Mr F L N Letele, Ms U Raman and Mr M I Patel as directors of the company, who were appointed in terms of article 5.1.9 of the memorandum of incorporation of the company and who are subject to retirement at this AGM, and being eligible offer themselves for re-election, as directors of the company. Brief biographies of these directors are included in this integrated annual report.

   The board unanimously recommends that the appointment and re-election of directors in terms of resolution number 5 be approved by shareholders of the company. The appointment and re-election is to be conducted as a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, and in each vote to fill a vacancy, each voting right entitled to be exercised may, be exercised once.

6. To appoint audit committee members as required in terms of the Act and recommended by the King IV™ Code on Corporate Governance for South Africa 2016 (King IV™) (principle 8).

   The board and the remuneration and equity committee are satisfied that the company's audit committee members are suitably skilled and experienced independent non-executive directors. Collectively, they have sufficient qualifications and experience to fulfil their duties, as contemplated in regulation 42 of the Companies Regulations 2011. They have a comprehensive understanding of financial reporting, internal financial controls, risk management and governance processes in the company, as well as International Financial Reporting Standards (IFRS) and other regulations and guidelines applicable to the company. They keep up to date with developments affecting their required skills set.

   The board and the remuneration and equity committee therefore unanimously recommend Messrs D Eriksson and E Masilela, and Ms S Dakile-Hlongwane for appointment to the audit committee. Their brief biographical details are included in this integrated annual report.

   The appointment of members of the audit committee will be conducted by way of a separate vote for each individual.

Notice of annual general meeting (continued)

7. To endorse the company's remuneration policy, as set out in the remuneration report in the integrated annual report, by way of a non-binding advisory vote.

8. To endorse the remuneration implementation report as set out in the remuneration report in the integrated annual report, by way of a non-binding advisory vote.

Special resolutions

Each of the special resolutions below requires the support of at least 75% of the votes exercised by shareholders present or represented by proxy at this meeting to be adopted.

1. That the company or any of its subsidiaries be and are hereby authorised to acquire ordinary shares issued by the company from any person (including any director or prescribed officer of the company or any person related to any director or prescribed officer of the company), in terms of and subject to the Act.

   The reason for and effect of special resolution number 1 is to grant the company or a subsidiary of the company the authority in terms of the Act to acquire its own ordinary shares.

2. That the memorandum of incorporation of the company be amended in accordance with section 16(5)(b)(iv) of the Act, by replacing articles 5.1.6 to 5.1.8 with the following:

"5.1.6 At least one third of the non-executive directors must retire annually, or if their number is not three or a multiple thereof, then the number nearest to three, but not less than one-third of the non-executive directors are to retire from office annually. Each executive director shall serve for an indefinite term, as contemplated in section 68(1).

5.1.7 The non-executive directors to retire in terms of article 5.1.6 shall be those who have held their office of director for the longest time since their last election, provided that:

5.1.7.1 if more than one of the non-executive directors was elected on the same day, those to retire shall be elected by lot, unless otherwise agreed between themselves;

5.1.7.2 if, at the time of determining which non-executive directors are to retire, any non-executive director shall have held office for more than three years, he/she shall also retire.

5.1.8 A retiring non-executive director shall be eligible for re-election, and, if re-elected, shall be deemed not to have vacated his/her office."

Notice of annual general meeting (continued)

The reason for and effect of special resolution number 2 is to provide that only non-executive directors shall be subject to rotation.

3. That the company, as authorised by the board, may generally provide, in terms of and subject to the requirements of section 44 of the Act, any financial assistance by way of a loan, guarantee, the provision of security or otherwise to a related or inter-related company or corporation, or to a member of a related or inter-related corporation for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company, pursuant to the authority hereby conferred on the board for these purposes.

   The reason for and effect of special resolution number 3 is to approve the provision of financial assistance to the potential recipients as set out in the resolution.

4. That the company, as authorised by the board, may generally provide, in terms of and subject to the requirements of section 45 of the Act, any direct or indirect financial assistance to a related or inter-related company or corporation, or to a member of a related or inter-related corporation, pursuant to the authority hereby conferred on the board for these purposes.

   The reason for and effect of special resolution number 4 is to approve generally the provision of financial assistance to the potential recipients as set out in the resolution.

Ordinary resolution

9. Each of the directors of the company is hereby authorised to do all things, perform all acts and sign all documentation necessary to effect the implementation of the ordinary and special resolutions adopted at this AGM.

Other business

To transact such other business as may be transacted at an AGM.

By order of the board

R J Gabriels
Acting company secretary

27 July 2018

Form of proxy

MultiChoice South Africa Holdings Proprietary Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2006/015293/07)
(the company)

For use by shareholders at the annual general meeting (AGM) to be held on Thursday 30 August 2018 at MultiChoice City, 144 Bram Fischer Drive, Randburg.

I/We

(Name in block letters)

Identity number/registration number

of

(Address)

being the holder(s) of ordinary shares

in the company, hereby appoint (see note 1)

1. or failing him/her

2. or failing him/her

3. the chair of the company, or failing him/her, the chair of the AGM

as my/our proxy to vote for me/us on my/our behalf at the AGM of the company to be held on Thursday 30 August 2018 at MultiChoice City, 144 Bram Fischer Drive, Randburg, or at any adjournment, and generally to act as my/our proxy at this meeting.

I/We desire to vote as follows (see note 8):

		For	Against	Abstain
Ordinary resolution number 1	Acceptance of annual financial statements			
Ordinary resolution number 2	Confirmation and approval of payment of ordinary dividend			
Ordinary resolution number 3	Reappointment of PricewaterhouseCoopers Inc. as auditor			
Ordinary resolution number 4	Approve the re-election of directors retiring by rotation:			
	S Dakile-Hlongwane			
	K D Moroka			
	S J Z Pacak			
Ordinary resolution number 5	Approve the appointment and re-election of directors:			
	F L N Letele			
	U Raman			
	M I Patel			
Ordinary resolution number 6	Approve the appointment of the following audit committee members:			
	D G Eriksson			
	E Masilela			
	S Dakile-Hlongwane			
Ordinary resolution number 7	Endorse the company's remuneration policy			
Ordinary resolution number 8	Remuneration policy implementation resolution			
Special resolution number 1	General authority for the company or any of its subsidiaries to acquire its own shares			
Special resolution number 2	Approve the amendment of the company's memorandum of incorporation			
Special resolution number 3	Approve the provision of financial assistance in terms of section 44 of the Companies Act of South Africa, 2008			
Special resolution number 4	Approve the provision of financial assistance in terms of section 45 of the Companies Act of South Africa, 2008			
Ordinary resolution number 9	Authorisation to implement all resolutions adopted at the AGM			

Signed at on this day of 2018

Signature Assisted (where applicable)

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder(s) of the company).

Please see notes on page 122.

Notes to the form of proxy

The following provisions shall apply in relation to proxies:

1. A shareholder of the company may appoint any individual (including one who is not a shareholder of the company) as a proxy to participate in, speak and vote at the annual general meeting (AGM) of the company. A shareholder may therefore insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the chair of the company, or failing him/her, the chair of the AGM". The person whose name is first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.

2. A shareholder may appoint two or more persons concurrently as proxies and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder.

3. A proxy instrument must be in writing, dated and signed by the shareholder.

4. A proxy may not delegate his/her authority to act on behalf of the shareholder to another person.

5. A copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the shareholder at the AGM.

6. Irrespective of the form of instrument used to appoint the proxy: (i) the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in exercising any rights as a shareholder; (ii) the appointment is revocable unless the proxy appointment expressly states otherwise; and (iii) if the appointment is revocable, a shareholder may revoke the proxy appointment by cancelling it in writing or making a later inconsistent appointment of a proxy and delivering a copy of the revocation instrument to the proxy and the company.

7. The proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder determined by the instrument appointing the proxy.

8. A shareholder's instructions to the proxy must be indicated by inserting an X in the appropriate box.

9. Every shareholder present in person or by proxy and entitled to vote, will on a show of hands have only one vote and, on a poll, every shareholder will have one vote for every ordinary share held.

10. Documentary evidence establishing the authority of the person signing this form of proxy in a representative capacity must be attached to this form unless previously recorded by the company or waived by the chair of the AGM.

11. Forms of proxy must be lodged with the transfer secretaries, Singular Services, a division of Singular Systems Proprietary Limited, 71 Corlett Drive, Birnam 2196 or PO Box 1266, Bramley 2018, to reach them not less than forty-eight (48) hours (not including Saturdays, Sundays and public holidays) before the AGM to allow for processing of such proxies. All other proxies must be handed in at the registration desks at MultiChoice City on 30 August 2018 prior to the commencement of the meeting.

Notice of annual general meeting

Notice is hereby given in terms of the Companies Act of South Africa No 71 of 2008, as amended (the Act), that the twelfth annual general meeting (AGM) of PN2 (the company or PN2) will be held at MultiChoice City, 144 Bram Fischer Drive, Randburg on Thursday 30 August 2018 immediately after the Phuthuma Nathi Investments (RF) Limited AGM, which is scheduled to be held at 11:00 on this day.

Please note that the registration counter for purposes of registering to vote at this meeting will close at 10:45 on Thursday 30 August 2018.

Record date, attendance and voting

The record date for the meeting is Thursday 16 August 2018, being the date on which a person must be registered as a shareholder of the company to be entitled to attend and vote at the AGM.

A shareholder entitled to attend and vote at the AGM is entitled to appoint one or more person(s) as proxy or proxies to attend, speak and vote at the AGM in their stead.

Votes at the AGM will be taken by way of a poll and not on a show of hands. Each ordinary shareholder present or represented by proxy will be entitled to that number of votes equal to the number of ordinary shares held by that shareholder.

A shareholder may appoint a proxy at any time. For practical purposes, forms of proxy must reach the transfer secretaries of the company, Singular Services, a division of Singular Systems Proprietary Limited, 71 Corlett Drive, Birnam 2196 or PO Box 1266, Bramley 2018 not less than forty-eight (48) hours before the AGM (not including Saturdays, Sundays and public holidays) to allow for processing of such proxies. All other proxies must be handed in at the registration desks at MultiChoice City on Thursday 30 August 2018 prior to the commencement of the meeting. A form of proxy is enclosed with this notice. The form of proxy may also be obtained from the registered office of the company.

Identification of meeting participants

Before any person may attend or participate in a shareholders' meeting, that person must present reasonably satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of that person to participate and vote, either as a shareholder or as a proxy for a shareholder, has been reasonably verified. Forms of identification include valid identity documents, driver's licences and passports.

Notice of annual general meeting (continued)

Purpose of meeting

The purpose of the meeting is: (i) to present the directors' report and audited annual financial statements of the company for the 2018 financial year and an audit committee report; (ii) to consider and, if approved, to adopt with or without amendment, the resolutions set out below; and (iii) to consider any matters raised by shareholders of the company, with or without advance notice to the company.

Electronic participation

Shareholders entitled to attend and vote at the meeting or their proxies will be entitled to participate in the meeting (but not vote) by electronic communication. Should a shareholder wish to participate in the meeting electronically, the shareholder should advise the company by no later than 09:00 on Friday 17 August 2018 by submitting via registered mail addressed to the company (for the attention of Ms C van der Struys, assistant to the company secretary) relevant contact details, as well as full details of the shareholder's title to securities issued by the company and proof of identity, in the form of certified copies of identity documents and written confirmation from the transfer secretary confirming the shareholder's title to the shares. On receipt of the required information, the shareholder will be given a secure code and instructions to access electronic communication during the AGM. Shareholders must note that access to the electronic communication will be for their own expense.

Ordinary resolutions

Each of the following ordinary resolutions requires the support of a majority (more than 50%) of the votes exercised by shareholders present or represented by proxy at this meeting to be adopted.

1. The consideration and acceptance of the annual financial statements of the company for the twelve (12) months ended 31 March 2018 as well as the reports of the directors, the auditor and the audit committee.

   The summarised form of the annual financial statements is included in this integrated annual report.

   A copy of the complete annual financial statements of the company for the preceding financial year can be obtained at www.phuthumanathi.co.za or at the company's registered office (details are included on the IBC of this report).

2. After the board applied the solvency and liquidity tests contemplated in the Act, in terms of which it has concluded that PN2 will satisfy such tests immediately after completing the proposed distribution, the board has authorised and proposes that the following dividends be declared:
   - an ordinary dividend of 1 955,56 cents per ordinary share.

Notice of annual general meeting (continued)

3. To reappoint, on the recommendation of the company's audit committee, PricewaterhouseCoopers Inc. as independent registered auditor of the company (noting that Ms A Motaung is the individual registered auditor of that firm who will undertake the audit) for the period until the next AGM of the company.

4. To elect Mr P O Goldhawk, who retires by rotation and, being eligible, offers himself for re-election as a director of the company. His brief biographical details are included in this integrated annual report.

   The board unanimously recommends that the re-election of the director in terms of resolution number 4 be approved by the shareholders of the company.

5. To appoint the audit committee members as required in terms of the Act and recommended by the King IV™ Code on Corporate Governance for South Africa 2016 (King IV™) (principle 8).

   The board is satisfied that the company's audit committee members are suitably skilled and experienced independent non-executive directors. Collectively, they have sufficient qualifications and experience to fulfil their duties. They have a comprehensive understanding of financial reporting, internal financial controls, risk management and governance processes in the company, as well as International Financial Reporting Standards (IFRS) and other regulations and guidelines applicable to the company. They keep up to date with developments affecting their required skills set.

   The board therefore unanimously recommends Messrs M Langa and P O Goldhawk, and Ms C P Mack for appointment to the audit committee. Their brief biographical details are included in this integrated annual report.

Special resolutions

Each of the special resolutions below requires the support of at least 75% of the votes exercised by shareholders present or represented by proxy at this meeting to be adopted.

1. That the company's memorandum of incorporation (MOI) be amended in accordance with section 16(5)(b)(iii) of the Act, by inserting the following article into the MOI as a new article 1.4.17A immediately following the existing article 1.4.17, without any renumbering of the succeeding articles:

Notice of annual general meeting (continued)

"1.4.17A **"Bulk dematerialisation"** the process by which all of the certificated Ordinary Shares held by Ordinary Shareholders are converted, on the date of any listing of the Company's Ordinary Shares on a stock exchange as contemplated in article 6.8, to uncertificated Ordinary Shares and such uncertificated Ordinary Shares are transferred into the name of a central securities depositary (or its nominee) (**"Nominee"**) appointed by the Company for such purposes, so as to be held by such Nominee as registered shareholder for and on behalf of the Ordinary Shareholders."

The reason for and effect of special resolution number 1 is to provide for the bulk dematerialisation of the company's shares and matters incidental thereto.

2. That the memorandum of incorporation of the company be amended in accordance with section 16(5)(b)(iii) of the Act, by replacing article 1.4.19 in the memorandum of incorporation with the following:

   "1.4.19 "**Central Securities Depository**" a person who is licensed as a central securities depository under the Financial Markets Act 19 of 2012, as amended or substituted from time to time."

3. That the memorandum of incorporation of the company be amended in accordance with section 16(5)(b)(iii) of the Act, by replacing article 1.4.24 in the memorandum of incorporation with the following:

   "1.4.24 **"CSDP"** a person authorised by a Central Securities Depository to perform custody and administration services or settlement services or both, in terms of the depository rules, and includes an external participant, where appropriate."

4. That the memorandum of incorporation of the company be amended in accordance with section 16(5)(b)(iii) of the Act, by deleting article 1.4.50 in the memorandum of incorporation in its entirety and replacing it with the following:

   "1.4.50 **[text deleted]**".

The reason for and effect of special resolution numbers 2 – 4 is to take account of changes in South African legislation and provide for matters incidental thereto.

5. That the memorandum of incorporation of the company be amended in accordance with section 16(5)(b)(iv) of the Act, by deleting articles 2.2.1 – 2.2.8 in their entirety and replacing them with the following:

Notice of annual general meeting (continued)

"2.2.1 The securities issued by the Company may be issued in certificated or uncertificated form.

2.2.2 The Company shall establish (or cause to be established) and maintain (or cause to be maintained) a securities register in accordance with the provisions of the Act and any other regulations made under the Act and, to the extent that the form and the manner of maintaining the securities register is not prescribed, the Board may determine the form and manner thereof.

2.2.3 To the extent that securities of the Company are issued in certificated form, as contemplated in section 49(2)(a), the provisions of articles 2.2.4 – 2.2.9 shall apply.

2.2.4 Every person to whom securities are issued and whose name is entered in the securities register shall be entitled to one certificate for all the securities in any class registered in his/her name, or to several certificates, each for a part of such securities. The certificates evidencing any certificated securities of the Company must comply with the requirements set out in section 51(1) and must otherwise be in such form as may be determined by the Board.

2.2.5 If a certificate is defaced, lost or destroyed, it may be replaced with a duplicate certificate endorsed "Duplicate Certificate" on payment of such reasonable fee, if any, and on such terms, if any, as to evidence an indemnity as the Board may deem appropriate.

2.2.6 A certificate registered in the names of two or more persons shall be delivered to the person first-named in the securities register as a holder thereof, and delivery of a certificate to that person shall be a sufficient delivery to all joint holders of that security.

2.2.7 Unless otherwise agreed between MIHH and the Company, all certificated Ordinary Shares shall be deposited with and retained by the Company, or its agent.

2.2.8 Notwithstanding any other provision of this MOI, all share certificates issued to Ordinary Shareholders in respect of Ordinary Shares shall –

2.2.8.1 during the Company Empowerment Compliance Period, be endorsed as follows:

This certificate and the shares represented hereby are transferable

Notice of annual general meeting (continued)

only in compliance with the provisions of the memorandum of incorporation of Phuthuma Nathi Investments (RF) Limited, a copy of which is on file with the company secretary of Phuthuma Nathi Investments (RF) Limited. Restrictions also apply to the transfer of all and any rights in and to the shares and to the granting of any encumbrances over the shares; and

2.2.8.2 during the Company Empowerment Compliance Period, be retained and held by the Company, or its agent. Such share certificates shall only be released, if necessary, for the purposes of implementing any transfer permitted in terms of this MOI on the basis that once such transfer is implemented, all share certificates resulting from such transfer are retained and held by the Company, or its agent.

2.2.9 The Company shall enter into its securities register the transfer of any certificated securities which is effected in accordance with the provisions of article 2.3 and shall include in such entry the information required by section 51(5).

2.2.10 To the extent that securities of the Company are issued in uncertificated form, as contemplated in section 49(2)(b), the following provisions of articles 2.2.11 – 2.2.14 shall apply.

2.2.11 If, at any time, the Company has any uncertificated securities in issue, it shall cause a Central Securities Depository or a CSDP to administer and maintain, on behalf of the Company, an uncertificated securities register in accordance with the provisions of the Act and any other regulations made under the Act.

2.2.12 The Company shall procure that a Central Securities Depository or a CSDP effects, in accordance with section 53(2) of the Act, in the uncertificated securities register, the transfer of any uncertificated securities, which is effected in accordance with the provisions of article 2.2.15.

2.2.13 If and to the extent that, for whatever reason, any Ordinary Share is at any time held in uncertificated form and MIHH and the Company have not agreed that Ordinary Shares shall be held in uncertificated form, then such Ordinary Share shall be converted into certificated form by the relevant Ordinary Shareholder within 14 days of receipt of a written notice from MIHH to do so and shall be deposited with the Company, or its agent.

Notice of annual general meeting (continued)

2.2.14 If any Ordinary Share is held in uncertificated form, it shall only be deposited by the relevant Ordinary Shareholder with a CSDP approved of by MIHH in its sole and absolute discretion, provided that such Ordinary Shareholder's mandate agreement with such CSDP must recognise the restrictions imposed upon the transfer of such Ordinary Share as contained in the Shareholders' Agreement and this MOI, and such Ordinary Shareholder shall not give any instructions to such CSDP which would constitute or result in a contravention of this MOI and the Shareholders' Agreement.

2.2.15 Subject to the provisions of articles 2.2.13 – 2.2.14, the transfer of any uncertificated securities in the uncertificated securities register of the Company may only be effected by –

2.2.15.1 a Central Securities Depository or a CSDP;

2.2.15.2 on receipt of –

2.2.15.2.1 an instruction to transfer sent and properly authenticated in terms of the rules of the relevant Central Securities Depository; or

2.2.15.2.2 an appropriate order of court; and

2.2.15.3 in accordance with section 53(1) and the rules of the relevant Central Securities Depository,
on the basis that sections 53(4) and 55 will apply to any such transfer of uncertificated securities."

The reason for and effect of special resolution number 5 is to provide for the dematerialisation of the company's shares and matters incidental thereto.

6. That the memorandum of incorporation of the company be amended in accordance with section 16(5)(b)(iv) of the Act, by deleting article 3.8.1.2 in its entirety and replacing it with the following:

"3.8.1.2 are, or any resolutions are proposed or taken for it to be, wound-up, liquidated, placed under business rescue, sequestrated or deregistered and/or having its name removed from the companies register maintained by the Commission (including in the manner and for the reasons contemplated in sections 82(3) and 82(5)), as the case may be, whether provisionally or finally; or".

Notice of annual general meeting (continued)

The reason for and effect of special resolution number 6 is to include deregistration and/or the removal of the company's name from the companies register maintained by the Commission as default events for purposes of the call option provisions in article 2.8 of the memorandum of incorporation of the company.

7. That in accordance with section 16(5)(b)(iv) of the Act, article 6.8 of the Company's MOI be deleted in its entirety and be substituted with the following new article 6.8:

"6.8 Listing

6.8.1 The Company may not list any of the Ordinary Shares on any stock exchange, including, but not limited to, the JSE at any time during the Company Empowerment Compliance Period unless MIHH consents thereto in writing (in its sole and absolute discretion). Any such listing effected without the consent of MIHH shall constitute a Company Default Event as contemplated under article 2.8.

6.8.2 Should the Company at any time determine that its Ordinary Shares shall be listed on a stock exchange as contemplated in article 6.8.1, then, for purposes of facilitating such listing and to enable the Ordinary Shares to be traded on such stock exchange:

6.8.2.1 the Company shall, notwithstanding article 2.2.7 but subject to article 6.4, be entitled to implement the Bulk Dematerialisation (at its cost) in accordance with this article 6.8;

6.8.2.2 The certificated Ordinary Shares held by the Ordinary Shareholders shall be converted into uncertificated Ordinary Shares prior to the listing, and shall be transferred into the name of a Nominee appointed by the Company to act as the registered holder holding such uncertificated Ordinary Shares for and on behalf of each Ordinary Shareholder who will continue to be the beneficial owner thereof. Each Ordinary Shareholder shall be bound by the Strate Rules and Directives in respect of his/her/its Ordinary Shares;

6.8.2.3 any Ordinary Shareholder who does not want his/her/its certificated Ordinary Shares to be dematerialised pursuant to the Bulk Dematerialisation may at any time but no later than 5 Business Days prior to the date of the listing on the stock exchange advise the Company in writing that he/she/it elects to hold his/her/its Ordinary Shares in certificated form, in which event such Ordinary Shares will not be subject to the Bulk Dematerialisation and will continue to be held in certificated form subject to the remaining provisions of this MOI;

Notice of annual general meeting (continued)

6.8.2.4 notwithstanding the implementation of the Bulk Dematerialisation, an Ordinary Shareholder will, subject to article 6.8.3, be entitled to request the Company to convert his/her/its uncertificated Ordinary Shares into certificated Ordinary Shares at no cost in accordance with section 49(6) read with section 54 of the Companies Act, whereupon such Ordinary Shares will be held in certificated form subject to the principles recorded in this MOI;

6.8.2.5 in the absence of any notification by an Ordinary Shareholder as contemplated in article 6.8.2.3, this article 6.8 constitutes an irrevocable instruction by each of the Ordinary Shareholders to the Company to convert its certificated Ordinary Shares into dematerialised form pursuant to the Bulk Dematerialisation;

6.8.2.6 each of the Ordinary Shareholders hereby irrevocably and unconditionally authorises:

6.8.2.6.1 the Company to release the certificates in respect of its certificated Ordinary Shares to give effect to the Bulk Dematerialisation; and

6.8.2.6.2 the Company (or its nominee, delegate or agent) as his/her/its duly authorised agent to sign any documents as may be necessary to give effect to the Bulk Dematerialisation;

6.8.3 Subject to article 6.8.2, for as long as the Ordinary Shares remain listed on a stock exchange pursuant to the provisions of article 6.8.1, the Ordinary Shares may be held as certificated or uncertificated Ordinary Shares; provided that:

6.8.3.1 if an Ordinary Share is held as a certificated Ordinary Share, the share certificate in respect thereof shall be deposited with and retained by the Company for as long as it is held in such form; and

6.8.3.2 if an Ordinary Share is held as an uncertificated Ordinary Share, the provisions of articles 2.2.11 – 2.2.15 shall apply in respect thereof (including in respect of any broker, nominee or other market participant in relation to such Ordinary Shares).

6.8.4 Should the listing of the Company's Ordinary Shares be terminated for whatsoever reason at any time during the Company Empowerment Compliance Period, the provisions of articles 6.8.2 and 6.8.3 shall cease to apply, and the remaining principles as regards certificated Ordinary Shares in this MOI shall continue to apply."

The reason for and effect of special resolution number 7 is to provide for matters incidental to securities in certificated and uncertificated form.

Notice of annual general meeting (continued)

8. That the MOI of the company be amended in accordance with section 16(5)(b)(iv) of the Act by deleting article 2.8.1.2 in its entirety and replacing it with the following:
   "2.8.1.2 are, or any resolutions are proposed or taken for it to be, wound-up, liquidated, placed under business rescue, sequestrated or deregistered and/or having its name removed from the companies register maintained by the Commission (including in the manner and for the reasons contemplated in sections 82(3) and 82(5)), as the case may be, whether provisionally or finally; or".

   The reason for and effect of special resolution number 8 is to include deregistration and/or the removal of a company's name from the companies register maintained by the Commission as default events for purposes of the call option provisions in article 2.8 of the MOI of the company.

Ordinary resolution

6. Each of the directors of the company is hereby authorised to do all things, perform all acts and sign all documentation necessary to effect the implementation of the ordinary and special resolutions adopted at this AGM.

Other business

To transact such other business as may be transacted at an annual general meeting.

By order of the board

R J Gabriels
Acting company secretary

27 July 2018

Form of proxy

Phuthuma Nathi Investments 2 (RF) Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2006/036320/06)
(the company)

For use by shareholders at the annual general meeting (AGM) to be held on Thursday 30 August 2018 immediately after the conclusion of the Phuthuma Nathi Investments (RF) Limited AGM. The latter is scheduled to be held immediately after the conclusion of the MultiChoice South Africa Holdings Proprietary Limited AGM, which is scheduled to be held at 11:00 on this day, at MultiChoice City, 144 Bram Fischer Drive, Randburg.

I/We _____

(Name in block letters)

Identity number/registration number _____

of _____

(Address)

being the holder(s) of _____ ordinary shares

in the company, hereby appoint (see note 1)

1. _____ or failing him/her

2. _____ or failing him/her

3. the chair of the company, or failing him/her, the chair of the AGM

as my/our proxy to vote for me/us on my/our behalf at the AGM of the company to be held on Thursday 30 August 2018 at MultiChoice City, 144 Bram Fischer Drive, Randburg, immediately after the Phuthuma Nathi Investments (RF) Limited AGM. The latter is scheduled to be held immediately after the conclusion of the MultiChoice South Africa Holdings Proprietary Limited AGM, which is scheduled to be held at 11:00 on this day, or at any adjournment, and generally to act as my/our proxy at this AGM.

I/We desire to vote as follows (see note 8):

		For	Against	Abstain
Ordinary resolution number 1	Accept the annual financial statements			
Ordinary resolution number 2	Confirm and approve the payment of ordinary dividend			
Ordinary resolution number 3	Approve the reappointment of PricewaterhouseCoopers Inc. as auditor			
Ordinary resolution number 4	Election of P O Goldhawk as a director			
Ordinary resolution number 5	Appointment of the following audit committee members:			
	M Langa			
	P O Goldhawk			
	C P Mack			
Special resolution number 1	Approve the amendment of the company's memorandum of incorporation			
Special resolution number 2	Approve the amendment of the company's memorandum of incorporation			
Special resolution number 3	Approve the amendment of the company's memorandum of incorporation			
Special resolution number 4	Approve the amendment of the company's memorandum of incorporation			
Special resolution number 5	Approve the amendment of the company's memorandum of incorporation			
Special resolution number 6	Approve the amendment of the company's memorandum of incorporation			
Special resolution number 7	Approve the amendment of the company's memorandum of incorporation			
Special resolution number 8	Approve the amendment of the company's memorandum of incorporation			
Ordinary resolution number 6	Authorisation to implement all resolutions adopted at the AGM			

Signed at _____ on this _____ day of _____ 2018

Signature _____ Assisted (where applicable) _____

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder(s) of the company).

Please see notes on page 134.

Notes to the form of proxy

The following provisions shall apply in relation to proxies:

1. A shareholder of the company may appoint any individual (including one who is not a shareholder of the company) as a proxy to participate in, speak and vote at the annual general meeting (AGM) of the company. A shareholder may therefore insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the chair of the company, or failing him/her, the chair of the AGM". The person whose name is first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.

2. A shareholder may appoint two or more persons concurrently as proxies and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder.

3. A proxy instrument must be in writing, dated and signed by the shareholder.

4. A proxy may not delegate his/her authority to act on behalf of the shareholder to another person.

5. A copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the shareholder at the AGM.

6. Irrespective of the form of instrument used to appoint the proxy: (i) the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in exercising any rights as a shareholder; (ii) the appointment is revocable unless the proxy appointment expressly states otherwise; and (iii) if the appointment is revocable, a shareholder may revoke the proxy appointment by cancelling it in writing or making a later inconsistent appointment of a proxy and delivering a copy of the revocation instrument to the proxy and the company.

7. The proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder as determined by the instrument appointing the proxy.

8. A shareholder's instructions to the proxy must be indicated by inserting an X in the appropriate box.

9. Every shareholder present in person or by proxy and entitled to vote, will on a show of hands have only one vote and, on a poll, every shareholder will have one vote for every ordinary share held.

10. Documentary evidence establishing the authority of the person signing this form of proxy in a representative capacity must be attached to this form unless previously recorded by the company or waived by the chair of the AGM.

11. A shareholder may appoint a proxy at any time. For practical purposes, forms of proxy must be lodged with the transfer secretaries, Singular Services, a division of Singular Systems Proprietary Limited, 71 Corlett Drive, Birnam 2196 or PO Box 1266, Bramley 2018, to reach them not less than forty-eight (48) hours (not including Saturdays, Sundays and public holidays) before the AGM to allow for processing of such proxies. All other proxies must be handed in at the registration desks at MultiChoice City on Thursday 30 August 2018 prior to the commencement of the meeting.

Administration and corporate information

Registration number
2006/015293/07

Registered office
MultiChoice City
144 Bram Fischer Drive, Randburg 2194
(PO Box 1502, Randburg 2125)

Acting company secretary
Rochelle Gabriels
MultiChoice City
144 Bram Fischer Drive, Randburg 2194
(PO Box 1502, Randburg 2125)

Attorneys and tax advisers
Webber Wentzel
10 Fricker Road, Illovo Boulevard
Johannesburg 2196
(PO Box 61771, Marshalltown 2107)

Independent auditor
PricewaterhouseCoopers Inc.
(Registration number 1998/012055/21)
4 Lisbon Lane, Waterfall City, Jukskei View 2090
(Private Bag X36, Sunninghill 2157)

PHUTHUMA NATHI
SHARE THE FUTURE

Registration number
2006/036320/06

Registered office
MultiChoice City
144 Bram Fischer Drive, Randburg 2194
(PO Box 1502, Randburg 2125)

Acting company secretary
Rochelle Gabriels
MultiChoice City
144 Bram Fischer Drive, Randburg 2194
(PO Box 1502, Randburg 2125)

Trading helpdesk and transfer secretaries
Singular Services, a division of
Singular Systems Proprietary Limited
(Registration number 2002/001492/07)
71 Corlett Drive, Birnam 2196
(PO Box 1266, Bramley 2018)

Independent auditor
PricewaterhouseCoopers Inc.
(Registration number 1998/012055/21)
4 Lisbon Lane, Waterfall City, Jukskei View 2090
(Private Bag X36, Sunninghill 2157)

Call centre helpline: 0860 116 226

www.phuthumanathi.co.za

Chicago Fire: ©NBC
Kung Fu Panda: ©Paramount/Dreamworks
All sports pictures: ©Getty/Gallo
The River: ©M-Net
Tangled: ©Disney
Alpha and Omega: ©Lionsgate Films
Dorothy and the Wizard of Oz: ©Boomerang
Grey's Anatomy: ©ABC Entertainment
Ellen: ©A very good production
Law and Order Special Victims: ©Wolf Films
Masterchef Australia: ©Endemol
This is Us: ©Fox
Suits: ©Universal
Tali's Wedding: ©Sketchbook Studios

Bastion

www.multichoice.co.za