1. Basis of preparation

Background information

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

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

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

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

Presentation of consolidated annual financial statements

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

- The consolidated annual financial statements have been prepared on the basis that the entities have always been consolidated and therefore the comparative information incorporates the results, assets, liabilities and disclosures of all entities that form part of the group.
- The consolidated historical financial information was prepared as a combination of the historic financial information recognised in the Naspers consolidated financial statements related to the group; no new goodwill was recognised (predecessor accounting).
- *Contribution from parent* – As a result of applying predecessor accounting, the contribution from Naspers was recognised at the carrying value of the net assets contributed to the group at the earliest comparative period presented in the consolidated financial statements. On unbundling from Naspers this has subsequently been converted to the retained earnings of the group and has been renamed as such for all periods presented.
- *Intercompany* – Transactions and balances with Naspers Limited and Naspers group companies have been disclosed as related party transactions and balances up until the date of unbundling. Thereafter these have been reflected as third-party transactions and balances.
- *Directors' remuneration* – In the comparative years, the group did not exist and therefore there was no key management personnel for the group. However, the consolidated financial statements have been prepared on the basis that the entities had always been combined. Therefore, in order to present useful information, the directors' emoluments disclosed for the periods prior to unbundling, reflect the directors' emoluments applicable to the video-entertainment segment of Naspers.

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

The consolidated annual financial statements of the group are presented in accordance with, and comply with International Financial Reporting Standards (IFRS) and interpretations of those standards as issued by the International Accounting Standards Board (IASB) and effective at the time of preparing these financial statements, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act No 71 of 2008. The consolidated annual financial statements are prepared using the historic cost convention apart from certain financial instruments (including derivative instruments).

The consolidated annual financial statements are presented on the going concern basis.

A closing US dollar exchange rate at 31 March 2019 of 14.50:1 (2018: 11.84:1) has been utilised for the consolidation of our Rest of Africa and Technology segments who have a US dollar presentation currency.

1. Basis of preparation (continued)

The consolidated annual financial statements are presented in South African Rands (ZAR), which is the group's functional and presentation currency, rounded to the nearest million.

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

2. Principal accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out in the relevant notes to the consolidated financial statements. The accounting policies represent those policies that were effective for the group at the time of the unbundling from Naspers Limited.

The accounting policies have been consistently applied to all years presented.

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

Subsequent measurement	
Accounting pronouncement	**Adoption impact**
IFRS 9 Financial Instruments (IFRS 9) IFRS 9 replaces the previous financial instrument recognition and measurement guidance applied by the group as contained in IAS 39 Financial Instruments: Recognition and Measurement.	The group has applied IFRS 9 from 1 April 2018 and elected not to restate comparatives on transition. The impact of adoption has been recognised as an adjustment to the opening balance of retained earnings as at 1 April 2018. The only significant impact of adoption was an increase in impairment allowances on trade receivables due to the IFRS 9 requirement to consider forward-looking information when determining expected credit losses. The cumulative net impact of adopting IFRS 9 was an increase of ZAR170m in expected credit losses on trade receivables and a corresponding decrease of ZAR157m in retained earnings and ZAR13m in non-controlling interests. Principles of IFRS 9 hedge accounting have been applied by the group.
IFRS 15 Revenue from Contracts with Customers (IFRS 15) IFRS 15 replaces the previous revenue recognition guidance applied by the group as contained in IAS 18 Revenue.	The group has applied IFRS 15 on a retrospective basis hence the impact is included in the comparative information contained in the summarised consolidated financial results. The application of IFRS 15 did not have a significant impact on the group's results or financial position. The only impact from the adoption of IFRS 15 was the reclassification from set-top box revenue to installation revenue of ZAR308m in the prior year.
IFRIC 22 Foreign Currency Transactions and Advance Consideration (IFRIC 22) IFRIC 22 clarifies that non-monetary assets and liabilities arising from the payment/receipt of advance consideration (e.g. prepaid expenses and deferred revenue) are not retranslated to the entity's functional currency after initial recognition.	The group has applied IFRIC 22 on a prospective basis, with the impact of adoption recognised as an adjustment to the opening balance of retained earnings as at 1 April 2018. The impact of adoption was an increase in prepaid expenses of ZAR205m, and a corresponding increase of ZAR174m in retained earnings and ZAR31m in non-controlling interests.