# MultiChoice South Africa Holdings Proprietary Limited

Consolidated interim financial statements
for the period ended 30 September 2023

# Executive review of our performance

**MultiChoice South Africa – Resilient operational performance and positive premium growth in tough market**

The challenging consumer themes flagged in South Africa in FY23 persisted into the first half of FY24. Loadshedding remained the most immediate challenge in terms of subscriber activity, with the number of active days per subscriber declining by 5% due to a significant increase in both frequency (i.e. number of days) and intensity (level 4 and above) of loadshedding, especially in the first quarter of the reporting period. Although the Premium and Compact bases showed improved stability compared to the latter part of FY23, mass-market subscribers are proving less resilient and more reluctant to pay when uncertainty around the ability to consume pay-TV exists.

Reported subscriber growth was adversely impacted by the decision to end the short-term campaigns run in the prior year to support customers during loadshedding, which resulted in 311k non-revenue generating customers removed from the 90-day active subscriber base. While the group has supported its subscribers with similar campaigns during challenging periods like the COVID-19 lockdowns, we can only do so for limited periods of time. Consequently, the group reported a 5% decline (3% of which can be attributed to this decision) in 90-day active customers to 8.6m, while active customers came in at 7.8m (following a 170k downward adjustment for similar reasons). More stable trends in the mid- and upper segments of the customer base along with inflation-linked average price increases of around 4%, helped limit the decline in monthly average revenue per user (ARPU) to 2%.

A focus of the new leadership team, brought in at the start of the financial year, was to bring stability to the business by implementing initiatives to protect the economics of the segment during the current economic downturn. Key among these were the reduction in decoder subsidies through increased device pricing, and the relaunch of DStv Stream which has more than tripled its subscribers since March 2023, albeit off a low base. Encouragingly, over 90% of DStv Stream subscribers added in the period are new subscribers to DStv, who find the connected product without hardware installation more appealing. The team also recalibrated the pricing and value proposition of the DStv Business Play packages which led to a 37% increase in month-on-month revenues in September 2023. These initiatives will help to offset macro and consumer challenges weighing on the performance of the business into the second half, which is affected by the seasonally higher cost of football content rights and festive season promotional activity.

**FINANCIAL REVIEW**

Revenues declined by 2% to ZAR20.3bn, impacted by subscription revenues which were 5% lower and a reduction in decoder revenues due to the shift in strategy, offset by 31% growth in insurance premiums and a doubling of DStv Internet revenues.

The group delivered a trading margin of 25% (29% in 1H FY2023). In absolute terms, the lower revenues and negative operating leverage resulted in trading profit trending 16% lower to ZAR5.1bn, impacted by the ongoing investment in local content and sport, partially offset by cost saving initiatives and reduced decoder subsidies.

Free cash flow of ZAR3.1bn was down 55% YoY as non-recurring intercompany inflows from the group cash pool (which normalised in the second half of FY23) distorted the comparatives. Excluding this intercompany effect, free cash flow increased by 3% YoY as a result of a lower investment in working capital, which included the release of prepayments related to content renewals.

Core headline earnings, the group's measure of sustainable business performance, increased 6% to ZAR4.5bn. This increase was supported by gains on realised foreign exchange contracts in a weaker ZAR environment.

As one of the largest taxpayers in Africa, the group paid direct cash taxes of ZAR1.4bn, a marginal increase due to final prior year payments as a result of the higher assessed tax.

A dividend of ZAR5.5bn, declared in FY23, was paid to shareholders in September 2023, with ZAR1.375bn being distributed to Phuthuma Nathi (PN).

**OPERATIONAL REVIEW**

**General entertainment content (M-Net)**

MultiChoice continued to deliver compelling local content and enabled its audiences to access internationally renowned entertainment shows. The undoubted highlight of the interim period for M-Net was the premiere of *Shaka iLembe.* The show, which tells the dramatic story of the making of the iconic Zulu warrior king, delivered record multi-million viewers (the bulk of which was through live viewing), once-again demonstrating the importance of local content for the group's viewers. Given the group's commitment to supporting the local production industry and the traction of the show as DStv's biggest ever TV series in South Africa, M-Net has already renewed production for a second season.

With the M-Net team already at its target of spending 50% of general entertainment costs on local content, the focus has now shifted to the number of hours of local content produced, the optimal allocation of those hours between the group's linear and streaming offerings and the monetisation of each hour of content produced. Playing a vital role in supporting and developing the continent's wider video entertainment industry, the group increased its spending on local content by 16% year-on-year, taking its local content library to almost 80 000 hours.

The group launched several new titles to maintain strong momentum in leading local language programming. Aside from *Shaka iLembe's* phenomenal debut, *Gqeberha: The Empire*, replaced *The Queen* in its time slot on Mzansi Magic. This lends support to our strongest performing telenovela on the channel, *Umkhoka: The Curse*, which continued to grow in viewership and social media engagement during the period. M-Net also launched the higher-end series *1802: Love Defies Time*, a period drama, on 1Magic to support the channel as *Lingashoni* came to an end and *The River* entered its sixth and final season.

Elsewhere in the portfolio, kykNET introduced a new medical procedural drama, *Hartklop*, and a new cooking reality show, *Kokkedoor: Vuur & Vlam*, both of which commanded strong audience share. *Big Brother Naija* entered its eighth season, with the popular reality series delivering record advertising revenues in local currency.

**Sport content (SuperSport)**

Following on from the success of the FIFA World Cup in FY23, 1H FY24 saw SuperSport successfully broadcast three World Cup events, yet again reflecting its ability to source content from a wide variety of sports. The FIFA Women's World Cup in July and August generated increased global interest, with record stadium attendance and television audiences. At the same time, the Netball World Cup in Cape Town was hosted on African soil for the first time. As part of SuperSport's broader "Here for Her" campaign, a world-first all-female broadcasting crew produced the event, which was shortlisted at the Sports Business Awards for "Best Sporting Event of 2023".

Straddling the group's reporting periods with a start in September and conclusion in October, the Rugby World Cup culminated with the Springboks emerging victorious as back-to-back World Cup champions. The overall excitement around the competition, some incredible matches and a strong showing from the Springboks supported activity in MultiChoice's Premium customer base, notably on DStv Stream. The event rounded out a strong period of rugby for the group, which included the Stormers competing in the United Rugby Championship final at home in May and an exciting, albeit shortened Rugby Championship in July.

The Cricket World Cup only aired post period-end in October and November, but generated a lot of excitement and saw an underrated but resurgent Proteas team surprise the cricketing world by posting great results and qualifying for the semi-finals.

Outside of an incredible line-up of World Cups, the group's well-received broadcast of the Comrades Marathon in June 2023 was the biggest production in SuperSport's history. The group also continued telling the best of local sport stories and is proud of its latest documentary, *Pulse of a Nation*, a four-part series documenting the history of football in South Africa. MultiChoice also remains committed to making school sport accessible to all levels of society through its SuperSport Schools platform, which grew its user base by 69% over the last six months, providing a valuable stage for identifying the next generation of South Africa's sporting stars.

Finally, SuperSport continues to renew its rights portfolio to provide viewers with a wide variety of choice.

**OUTLOOK**

The focus of the group's management team for the remainder of the year is to successfully navigate current market conditions to improve the economics of the business and to capitalise on new growth opportunities. The group remains committed to bringing customers the best of video entertainment, to keep supporting the creative industry in South Africa through the production of great local content, to uplift the communities which it serves on an ongoing basis and ultimately deliver attractive shareholder returns.

**DIRECTORATE**

Following the approval by shareholders at the annual general meeting on 23 August 2023, Deborah Klein and Andrea Zappia joined the board as non-executive directors with effect from 1 September 2023.

The group also announced that its current non-executive chair, Imtiaz Patel, will be stepping down from his role at the end of FY24 as the group and its board is now sufficiently established to support the appointment of an independent chairman. To ensure that the group continues to benefit from Imtiaz's invaluable expertise and experience, he will continue to provide support and advice to the board and the group executive team through a consulting agreement. Elias Masilela will assume the role of board chairman effective 1 April 2024.

**PREPARATION OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The preparation of the consolidated interim financial statements was supervised by the group's chief financial officer, Mr TN Jacobs, CA(SA).

These results represent the financials of the MultiChoice South Africa Holdings (Pty) Ltd legal structure and therefore do not align to the MultiChoice Group Limited South African segment results.

The group's external auditor has not reviewed or reported on forecasts included in these consolidated interim financial statements. The review report of the group's external auditor is included on pages 15 - 16. The auditor's report does not necessarily report on all the information contained in these consolidated interim financial statements. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the company's registered office.

**EVENTS AFTER THE REPORTING PERIOD**

There have been no events that occurred after the reporting date that could have a material impact on the consolidated interim financial statements.

**On behalf of the board**

| | |
|---|---|
| **Imtiaz Patel** | **Calvo Mawela** |
| ***Chair*** | ***Group CEO*** |

## Condensed consolidated income statement

*for the period ended 30 September 2023*

| | Note | Reviewed Half-year 30 September 2023 ZAR'm | Reviewed Half-year 30 September 2022 ZAR'm | % change |
|---|---|---|---|---|
| **Revenue** | 3 | **20 331** | 20 719 | (2) |
| Cost of providing services and sale of goods | | **(10 611)** | (10 143) | (5) |
| Selling, general and administration expenses | | **(4 451)** | (4 363) | (2) |
| Net impairment loss on trade receivables | | **(94)** | (51) | |
| Other operating gains - net | 6 | **14** | 2 | |
| **Operating profit** | | **5 189** | **6 164** | **(16)** |
| Interest income | 5 | **793** | 321 | |
| Interest expense | 5 | **(677)** | (384) | |
| Net foreign exchange translation losses | 5 | **(272)** | (1 646) | |
| Share of equity-accounted results | | **37** | (10) | |
| Reversal of impairment of equity accounted investment | 4 | **73** | - | |
| Profit on sale of equity accounted investment | 4 | **12** | - | |
| **Profit before taxation** | 6 | **5 155** | **4 445** | **16** |
| Taxation | | **(1 376)** | (1 413) | |
| **Profit for the period** | | **3 779** | **3 032** | **25** |
| **Attributable to:** | | | | |
| Equity holders of the group | | **3 779** | 3 032 | |

## Condensed consolidated statement of comprehensive income

*for the period ended 30 September 2023*

| | Reviewed Half-year 30 September 2023 ZAR'm | Reviewed Half-year 30 September 2022 ZAR'm |
|---|---|---|
| **Profit for the period** | **3 779** | **3 032** |
| **Total other comprehensive income for the period:** | | |
| Hedging reserve[1] | **232** | 2 018 |
| - Net fair value gains[2] | **512** | 2 585 |
| - Hedging reserve recycled to the income statement[2] | **(213)** | 30 |
| - Net tax effect of movements in hedging reserve[3] | **(67)** | (597) |
| **Total comprehensive income for the period** | **4 011** | **5 050** |
| **Attributable to:** | | |
| Equity holders of the group | **4 011** | 5 050 |

*1 This component of other comprehensive income may subsequently be reclassified to the consolidated income statement during future reporting periods.*
*2 The movement relates primarily to the ZAR depreciation against the USD from a closing rate of ZAR17.79 in FY23 to ZAR18.93 in 1H FY24.*
*3 The movement relates to tax on net fair value gains, which are taxed at 27% (1H FY23: 27%).*

## Condensed consolidated statement of financial position

*as at 30 September 2023*

| | Note | Reviewed Half-year 30 September 2023 ZAR'm | Audited Full-year 31 March 2023 ZAR'm |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | **13 739** | **13 737** |
| Property, plant and equipment | | **7 080** | 7 294 |
| Goodwill and other intangible assets | | **4 948** | 4 816 |
| Investments and loans | 9 | **156** | 51 |
| Derivative financial instruments | | **21** | 3 |
| Deferred taxation | | **1 534** | 1 573 |
| **Current assets** | | **31 132** | **29 075** |
| Inventory[1] | | **859** | 257 |
| Programme and film rights[2] | | **6 265** | 3 280 |
| Trade and other receivables[3] | | **5 116** | 5 358 |
| Amounts due from related parties | 11 | **16 536** | 17 635 |
| Derivative financial instruments | | **1 299** | 1 369 |
| Cash and cash equivalents | | **1 057** | 1 176 |
| Assets held for sale | 10 | **-** | 70 |
| **Total assets** | | **44 871** | **42 882** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity reserves attributable to the group's equity holders** | | **11 444** | **13 064** |
| Share capital | | **17 216** | 17 216 |
| Other reserves | | **(12 547)** | (12 515) |
| Retained earnings | | **6 775** | 8 363 |
| **Non-current liabilities** | | **15 671** | **16 006** |
| Lease liabilities | | **7 267** | 7 447 |
| Long-term loans | | **7** | 3 |
| Amounts due to related parties | 11 | **8 000** | 8 000 |
| Deferred taxation | | **397** | 556 |
| **Current liabilities** | | **17 756** | **13 698** |
| Lease liabilities | | **1 295** | 1 195 |
| Programme and film rights[2] | | **8 608** | 5 021 |
| Provisions | | **164** | 145 |
| Accrued expenses and other current liabilities | | **4 320** | 4 029 |
| Amounts due to related parties | 11 | **2 758** | 2 611 |
| Taxation liabilities | | **611** | 697 |
| Liabilities directly associated with assets held for sale | 10 | **-** | 114 |
| **Total equity and liabilities** | | **44 871** | **42 882** |

*1 Increase is due to higher purchases leading up to the Rugby and Cricket World Cup's, the festive season and increased decoder selling prices.*
*2 Programme and film rights assets and liabilities are higher than FY23 mainly as a result of football properties coming into licence in August each year.*
*3 Decrease in trade and other receivables is as a result of a decrease in content and other operational prepayments of ZAR 242m.*

## Condensed consolidated statement of changes in equity

*for the period ended 30 September 2023*

| | Share capital[1] ZAR'm | Other reserves[2] ZAR'm | Retained earnings ZAR'm | Total equity ZAR'm |
|---|---|---|---|---|
| **Balance at 1 April 2022** | **17 216** | **(13 867)** | **9 348** | **12 697** |
| Profit for the period | - | - | 3 032 | 3 032 |
| Other comprehensive income | - | 2 018 | - | 2 018 |
| **Total comprehensive income for the period** | **-** | **2 018** | **3 032** | **5 050** |
| Hedging reserve basis adjustment[3] | - | 6 | - | 6 |
| Share-based compensation movement[4] | - | (291) | 129 | (162) |
| Dividends declared[5] | - | - | (5 979) | (5 979) |
| **Balance at 30 September 2022** | **17 216** | **(12 134)** | **6 530** | **11 612** |
| **Balance at 1 April 2023** | **17 216** | **(12 515)** | **8 363** | **13 064** |
| Profit for the period | **-** | **-** | **3 779** | **3 779** |
| Other comprehensive income | **-** | **232** | **-** | **232** |
| **Total comprehensive income for the period** | **-** | **232** | **3 779** | **4 011** |
| Hedging reserve basis adjustment[3] | **-** | **(583)** | **-** | **(583)** |
| Share-based compensation movement[4] | **-** | **(250)** | **113** | **(137)** |
| Gain on sale of business (refer to note 10) | | **569** | **-** | **569** |
| Dividends declared[5] | **-** | **-** | **(5 480)** | **(5 480)** |
| **Balance at 30 September 2023** | **17 216** | **(12 547)** | **6 775** | **11 444** |

*1 Share capital includes share premium.*
*2 Other reserves include the hedging reserve, fair value reserve, share-based payment reserve, existing control business combination reserve and foreign currency translation reserve.*
*3 Relates to the basis adjustment net of tax of ZAR583m (1H FY23: net of tax of ZAR6m) on programme and film right assets as content comes into licence.*
*4 Primarily relates to the settlement of share-based compensation benefits.*
*5 Relates to dividends declared to MultiChoice Group Limited amounting to ZAR4.125bn (1H FY23: ZAR4.5bn) and Phuthuma Nathi Investments (RF) Limited amounting to ZAR1.375bn (1H FY23: ZAR1.5bn). These dividends exclude amounts paid to Enterprise Development and Sports Development Trusts which are eliminated on consolidation.*

## Condensed consolidated statement of cash flows

*for the period ended 30 September 2023*

| | Note | Reviewed Half-year 30 September 2023 ZAR'm | Reviewed Half-year 30 September 2022 ZAR'm |
|---|---|---|---|
| **Cash generated from operating activities** | | **5 581** | 9 099 |
| Interest income received | 5 | **793** | 321 |
| Interest costs paid | 5 | **(570)** | (211) |
| Taxation paid[1] | | **(1 371)** | (1 263) |
| **Net cash generated from operating activities** | | **4 433** | **7 946** |
| **Cash flows from investing activities** | | | |
| Property, plant and equipment acquired | | **(168)** | (150) |
| Intangible assets acquired | | **(197)** | (176) |
| Proceeds from sale of intangible assets | | **15** | 15 |
| Loans to Enterprise Development Trust beneficiaries [2] | | **(3)** | (30) |
| Repayment of Enterprise Development Trust loans[2] | | **5** | 8 |
| Other movements in investments and loans[2] | | **17** | 6 |
| **Net cash utilised in investing activities** | | **(331)** | **(327)** |
| **Cash flows from financing activities** | | | |
| Proceeds from related party funding[3] | | **2 595** | 3 441 |
| Repayments of related party funding[4] | | **(478)** | (4 703) |
| Repayments of lease liabilities | | **(607)** | (507) |
| Purchases of shares for group share schemes[5] | | **(244)** | (238) |
| Dividends paid | | **(5 480)** | (5 979) |
| **Net cash utilised in financing activities** | | **(4 214)** | **(7 986)** |
| Net decrease in cash and cash equivalents for the year | | **(112)** | (367) |
| Foreign exchange translation adjustments on cash and cash equivalents | | **(7)** | 137 |
| Cash and cash equivalents at the beginning of the year | | **1 176** | 1 376 |
| **Cash and cash equivalents at the end of the year** | | **1 057** | **1 146** |

*1 Increase due to increase due to final prior year payments as a result of the higher assessed tax.*
*2 FY22 numbers have been restated to disclose this line separately to improve disclosure.*
*3 Decrease due to lower funding received from MultiChoice Group Treasury Services Proprietary Limited.*
*4 Decrease is due to repayment of treasury term loan in the second half of the 2023 financial year.*
*5 Relates to the purchase of group shares which were used to settle the group's share-based compensation awards.*

**1. Basis of presentation and accounting policies**

The consolidated interim financial statements for the six month period ended 30 September 2023 are prepared in accordance with the requirements of the South African Companies Act No 71 of 2008, as amended (Companies Act) applicable to interim financial statements. The consolidated interim financial statements were prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee (APC), and the Financial Pronouncements as issued by the Financial Reporting Standard Council (FRSC), and as a minimum, the information required by IAS 34 *Interim Financial Reporting*.

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

The consolidated interim financial statements are presented in South African rand (ZAR), which is the group's presentation currency, rounded to the nearest million (unless otherwise stated).

The accounting policies applied in the preparation of the consolidated interim financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements for the year ended 31 March 2023.

The consolidated interim financial statements do not include all the notes normally included in a set of consolidated annual financial statements. Accordingly, this report is to be read in conjunction with the full consolidated annual financial statements for the year ended 31 March 2023.

The group has adopted all new and amended accounting pronouncements issued by the International Accounting Standards Board that are effective for financial years commencing 1 April 2023. None of the amendments had a material effect on the group's consolidated interim financial statements.

**2. Review by the independent auditor**

These consolidated interim financial statements for the period ended 30 September 2023 have been reviewed by Ernst & Young Inc., who expressed an unmodified conclusion thereon.

| | Reviewed Half-year 30 September 2023 ZAR'm | Reviewed Half-year 30 September 2022 ZAR'm |
|---|---|---|

### 3. Revenue

| | | |
|---|---|---|
| Subscription fees[1] | **13 354** | 14 119 |
| Advertising | **1 551** | 1 523 |
| Decoders | **412** | 522 |
| Installation fees | **44** | 132 |
| Programming and sub-licensing[2] | **2 939** | 2 592 |
| Management fee income | **1 039** | 948 |
| Insurance premiums | **442** | 338 |
| Other revenue[3] | **550** | 545 |
| | **20 331** | **20 719** |

*1 The decrease was mainly due to a weaker than normal Q1 as a result of an extremely challenging consumer climate and loadshedding.*
*2 The increase is due to higher content costs in the current year. which were recovered primarily from other MultiChoice Group companies.*
*3 Other revenue includes reconnection fees, sponsorship fees and production revenue.*

### 4. Headline earnings

| | | |
|---|---|---|
| **Profit attributable to equity holders of the group** | **3 779** | **3 032** |
| - Loss on sale of property, plant and equipment | **-** | 13 |
| - Profit on sale of intangible assets | **(14)** | (15) |
| - Gain on sale of associate | **(12)** | - |
| - Reversal of impairment of associate | **(73)** | - |
| | **3 680** | 3 030 |
| - Total tax effects of adjustments | **4** | * |
| | **3 684** | **3 030** |

** Less than ZAR1m.*

### 5. Interest (expense)/income

| | | |
|---|---|---|
| **Interest expense** | | |
| Loans and overdrafts[1] | **(402)** | (27) |
| Leases[2] | **(169)** | (171) |
| Other[3] | **(106)** | (186) |
| | **(677)** | **(384)** |

*1 Increase mainly due to interest paid on the new term loan facility which was finalised in February 2023. The facility bears interest at JIBAR +1.44 percentage points payable quarterly in arrears. The interest is payable to MultiChoice Group Treasury Services Proprietary Limited.*
*2 Relates primarily to transponder leases of ZAR166m (1H FY23: ZAR168m).*
*3 Relates primarily to discounting of liabilities in relation to programme and film rights of ZAR79m (1H FY23: ZAR126m).*

| | | |
|---|---|---|
| **Interest income** | | |
| Loans and bank accounts[1] | **784** | 311 |
| Other | **9** | 10 |
| | **793** | **321** |

*1 Increase due to higher interest earned on the cashpool balances.*

| | Reviewed Half-year 30 September 2023 ZAR'm | Reviewed Half-year 30 September 2022 ZAR'm |
|---|---|---|

### 5. Interest (expense)/income (continued)

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

| | 2023 ZAR'm | 2022 ZAR'm |
|---|---|---|
| **Net (losses)/gains from foreign exchange translation and fair value adjustments on derivative financial instruments** | | |
| On translation of liabilities[1] | **(278)** | (834) |
| On translation of transponder leases[1] | **(528)** | (1 841) |
| Gains on translation of forward exchange contracts[2] | **1 061** | 1 278 |
| Losses on translation of forward exchange contracts[2] | **(527)** | (249) |
| **Net foreign exchange translation losses** | **(272)** | **(1 646)** |

*1 Movement primarily relates to ZAR depreciation against the USD from a closing rate of ZAR17.79 in FY23 to ZAR18.93 in 1H FY24.*
*2 The movement relates primarily to the ZAR depreciation against the USD from a closing rate of ZAR17.79 in FY23 to ZAR18.93 in 1H FY24, a lower overall notional value of hedging contracts and a lower achieved average hedge rate on cash flow hedges from ZAR16.36 in FY23 to ZAR17.21 in FY24.*

### 6. Profit before taxation

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

| | 2023 ZAR'm | 2022 ZAR'm |
|---|---|---|
| **Depreciation of property, plant and equipment** | **(584)** | (565) |
| **Amortisation** | **(98)** | (75) |
| – software | **(92)** | (63) |
| – other intangible assets | **(6)** | (12) |
| Net realisable value adjustments on inventory, net of reversals[1] | **(180)** | (1) |
| | | |
| **Other operating gains/(losses) - net** | | |
| Loss on sale of property, plant and equipment | **-** | (13) |
| Profit on sale of Intangible assets | **14** | 15 |
| | **14** | **2** |

*1 Net realisable value adjustments relate primarily to decoder subsidies. Increase is due to higher inventory balance.*

## 7. Fair value of financial instruments

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

Fair values are determined using observable and unobservable inputs, which reflect the market conditions in their expectations of future cash flows related to the asset or liability at 30 September 2023. There were no transfers into or out of Level 3 fair value measurements during the six months ended 30 September 2023.

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

| **Financial instrument** | **Fair value Reviewed Half-year 30 September 2023 ZAR'm** | **Fair value Audited Full-year 31 March 2023 ZAR'm** | **Valuation method** | **Level in fair value hierarchy** |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Investments held at fair value through profit or loss | **22** | 22 | Unit trusts comprising of quoted prices in a public market | Level 2 |
| Forward exchange contracts | **972** | 1 350 | Fair value using forward exchange rates that are publicly available | Level 2 |
| Currency depreciation features | **39** | 22 | Discounted cash flow techniques | Level 3 |

Currency depreciation features relate to clauses in content acquisition agreements that provide the group with protection in the event of significant depreciation of the group's functional currency relative to the currency of the content acquisition agreement. Key inputs used in measuring fair value include the terms and benchmark rates contained in content acquisition agreements and average spot exchange rates prevailing at the relevant measurement dates.

The carrying values of all other financial instruments are considered to be a reasonable approximation of their fair values.

| **Reconciliation of Level 3 fair value measurements** | **Currency depreciation futures ZAR'm** |
|---|---|
| Balance at 1 April 2022 | 12 |
| Total losses in income statement | (6) |
| Foreign exchange movement on devaluation clauses | 16 |
| **Balance at 31 March 2023** | **22** |
| Balance at 1 April 2023 | **22** |
| Total losses in income statement | **(4)** |
| Foreign exchange movement on devaluation clauses | **21** |
| **Balance at 30 September 2023** | **39** |

| | Reviewed Half-year 30 September 2023 ZAR'm | Audited Full-year 31 March 2023 ZAR'm |
|---|---|---|

### 8. Commitments and contingencies

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

| | | |
|---|---|---|
| **Commitments** | | |
| Capital expenditure | **93** | 166 |
| Programme and film rights[1] | **37 697** | 41 966 |
| Decoders[2] | **398** | 754 |
| Other[3] | **2 368** | 2 673 |
| | **40 556** | **45 559** |

*1 Decrease primarily due to major sport rights coming into licence in the current period.*
*2 Decrease due to the fulfillment of prior year commitments. Most purchases were done in the first half of the financial year.*
*3 At 30 September 2023 the group had entered into contracts for the receipt of various services. These service contracts are for transmission services, computer and decoder support services, access to networks and contractual relationships with customers, suppliers and employees.*

### 9. Investments and loans

| | Notes | | |
|---|---|---|---|
| Investment in joint ventures | | **13** | 11 |
| Investments held at fair value through other comprehensive income | | **22** | 22 |
| Other investments and loans[1] | | **77** | 85 |
| Investments in associates | (a) | **44** | (67) |
| | | **156** | **51** |

*1 Loans to the MultiChoice Enterprise Development Trust beneficiaries. These loans are non-interest bearing loans and are repayable over a fixed repayment term.*

**(a) Investments in associates**

| | Notes | | |
|---|---|---|---|
| Natal Sharks Proprietary Limited (Natal Sharks) | | **-** | (90) |
| Africa Cricket Development Proprietary Limited | (b) | **44** | 23 |
| | | **44** | **(67)** |

**(b) Movement in carrying value of Natal Sharks investment:**

| | | |
|---|---|---|
| Opening balance | **(90)** | (73) |
| Share of net profit/ (loss) of associate | **5** | (17) |
| Proceeds on disposal of associate | ***** | - |
| Reversal of impairment of associate | **73** | - |
| Profit on sale of associate | **12** | - |
| **Closing balance** | **-** | **(90)** |

** Amounts less than ZAR1m.*

The investment in Natal Sharks was previously fully impaired. In the current year, the Group disposed all its interest in the loss making associate for a consideration of ZAR230.

| | Reviewed Half-year 30 September 2023 ZAR'm | Audited Full-year 31 March 2023 ZAR'm |
|---|---|---|

**10. Assets held for sale**

MultiChoice Group Limited (MultiChoice) and Comcast Corporation, through its subsidiary NBCUniversal Media LLC., entered into an agreement to form a new partnership (transaction) that will bring content and technology to MultiChoice's Subscription Video on Demand (SVoD) customers across their footprint in Sub-Saharan Africa. The agreement will be structured through a newly formed entity, Showmax SA Proprietary Limited (Showmax SA), which is 100% owned by Showmax Africa Holdings Limited. The agreement consists of several steps which are considered to be one transaction due to all steps being designed to achieve a single commercial objective. The transaction was finalised on 4 April 2023.

The Company currently operates the SVoD business, i.e. Showmax South Africa (MSS Showmax). As part of the larger transaction noted above, the Company entered into an agreement with Showmax SA to dispose of its SVoD business (including its subscribers) (together the "disposal group") on 31 March 2023, effective 4 April 2023, for a consideration price of ZAR525m that was settled on the effective date. The disposal group excludes the Showmax Pro packages, specifically identifiable Showmax assets and liabilities which includes cash and cash equivalents and related parties balances.

As at 31 March 2023, the disposal group has been classified as held for sale as well as the Company's SVoD business classified as a discontinued operation.

The financial performance presented for the discontinued operation are for the year ended 31 March 2023.

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 31 March 2023.

| | Reviewed Half-year 30 September 2023 ZAR'm | Audited Full-year 31 March 2023 ZAR'm |
|---|---|---|
| **Assets and liabilities** | | |
| Property, plant and equipment | - | 7 |
| Intangible assets | - | * |
| Trade receivables | - | 37 |
| Expected credit losses for trade receivables | - | (1) |
| Other receivables | - | 27 |
| **Assets held for sale** | **-** | **70** |

** Amounts less than ZAR1m.*

| | Reviewed Half-year 30 September 2023 ZAR'm | Audited Full-year 31 March 2023 ZAR'm |
|---|---|---|
| **Liabilities directly associated with assets held for sale** | | |
| Trade payables | - | 61 |
| Deferred income | - | 23 |
| Bonus accrual | - | 25 |
| Accrual for leave | - | 5 |
| **Liabilities directly associated with assets held for sale** | **-** | **114** |
| **Net liabilities directly associated with the disposal group** | **-** | **(44)** |
| Net liabilities directly associated with the disposal group | 44 | - |
| Consideration paid | 525 | - |
| **Gain on disposal of business directly recognised in equity** | **569** | **-** |

**11. Related party transactions and balances**

The intercompany transactions in the current year relate to dividends paid to MultiChoice Group Limited of ZAR4.125bn and Phuthuma Nathi Investments (RF) Limited of ZAR1.375bn. In addition, a portion of the amounts due to/from related parties relate to the intercompany cash pool funding account between MCSAH and the MultiChoice Group Treasury Services Proprietary Limited, which has a total balance of ZAR4.0bn.

**12. Subsequent events**

There have been no events that occurred after the reporting date that could have a material impact on the consolidated interim financial statements.

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## INDEPENDENT AUDITOR'S REVIEW REPORT ON THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*To the Shareholders of Multichoice South Africa Holdings Proprietary Limited*

We have reviewed the consolidated interim financial statements of Multichoice South Africa Holdings Proprietary Limited in the accompanying interim report on pages 3 to 14, which comprise the condensed consolidated statement of financial position as of 30 September 2023 and the related condensed consolidated income statement and condensed consolidated statements of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended and selected explanatory notes.

*Directors' Responsibility for the Interim Financial Statements*

The directors are responsible for the preparation and presentation of these consolidated interim financial statements in accordance with the International Financial Reporting Standard, IAS 34 *Interim Financial Reporting,* the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express a conclusion on these consolidated interim financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the consolidated interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these consolidated interim financial statements.

*Other Matter*

The consolidated interim financial statements of the of Multichoice South Africa Holdings Proprietary Limited for the period ended 30 September 2022, were reviewed by another auditor who expressed an unmodified opinion on those statements on November 10, 2022.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements of Multichoice South Africa Holdings Proprietary Limited for the six months ended 30 September 2023 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

DocuSigned by:
Ernst & Young Inc.
D1F7D59B3606458...

Ernst & Young Inc.
Director: Lerato Hannah Sidubi
Registered Auditor
Chartered Accountant (SA)

15 November 2023

102 Rivonia Road,
Sandton.

# Administration and Corporate Information

*for the period ended 30 September 2023*

**Company secretary**

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**Registration number**

2006/015293/07
Incorporated in South Africa

**Auditor**

FY23 - PricewaterhouseCoopers Inc.
FY24 - Ernst & Young Inc.

**Attorneys**

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