PHUTHUMA NATHI INVESTMENTS 2 (RF) LIMITED

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2017

MULTICHOICE
PHUTHUMA NATHI
SHARE THE FUTURE

ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2017

PROMINENT NOTICE

These annual financial statements have been audited by our external auditors PricewaterhouseCoopers Inc. in compliance with the applicable requirements of the Companies Act, 2008. Uvashni Raman CA(SA) supervised the preparation of the annual financial statements.

COMPANY INFORMATION

Country of incorporation and domicile:	South Africa
Registration number:	2006/036320/06
Registered address:	144 Bram Fischer Drive Randburg 2194
Postal address:	P O Box 1502 Randburg 2125
Auditors:	PricewaterhouseCoopers Inc.

CONTENTS

	Page
Certificate by the company secretary	1
Directors' statement of responsibility	2
Report of the audit committee	3 - 4
Directors' report	5 - 6
Report of the independent auditors	7 - 9
Statement of financial position	10
Statement of profit or loss	11
Statement of comprehensive income	12
Statement of changes in equity	13
Statement of cash flows	14
Notes to the annual financial statements	15 - 26

CERTIFICATE BY THE COMPANY SECRETARY
for the year ended 31 March 2017

In terms of section 88(2)(e) of the Companies Act No 71 of 2008, I, Lurica Jineanne Klink, in my capacity as company secretary of Phuthuma Nathi Investments 2 (RF) Limited, confirm that the company has, for the year ended 31 March 2017, lodged all returns and notices required of a public company with the Companies and Intellectual Property Commission, and that all such returns and notices are, to the best of my knowledge and belief, true, correct and up to date.

L J Klink
Company secretary
9 June 2017

DIRECTORS' STATEMENT OF RESPONSIBILITY
for the year ended 31 March 2017

The directors are responsible for the preparation, integrity and fair presentation of the annual financial statements of Phuthuma Nathi Investments 2 (RF) Limited. The annual financial statements presented on pages 10 to 26 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of South Africa, and include amounts based on judgements and estimates made by management.

The directors consider that in preparing the annual financial statements, they have used the most appropriate accounting policies, consistently applied and supported by reasonable prudent judgements and estimates, and that all IFRS that they consider to be applicable have been followed. The annual financial statements fairly present the results of operations for the year and the financial position of the company at year end in accordance with IFRS.

The directors have responsibility for ensuring that accounting records are kept. The accounting records should disclose, with reasonable accuracy, the financial position and results of the company to enable the directors to ensure that the annual financial statements comply with the relevant legislation.

The company operates in an established control environment, which is documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being controlled. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The going concern basis has been adopted in preparing the annual financial statements. The directors have no reason to believe that the company will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These annual financial statements support the viability of the company.

The annual financial statements have been audited by the independent auditors, PricewaterhouseCoopers Inc., who were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The audit report of PricewaterhouseCoopers Inc. is presented on pages 7 - 9.

The annual financial statements were approved by the board of directors on and are signed on its behalf by:

DIRECTOR | **DIRECTOR**

REPORT OF THE AUDIT COMMITTEE
for the year ended 31 March 2017

As the company's only major asset is an investment 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 South African Companies Act No 71 of 2008 ("the Act").

FUNCTIONS OF THE AUDIT COMMITTEE

The audit committee has discharged the following functions:

- Reviewed the year-end financial statements, culminating in a recommendation to the board to adopt them. In the course of its review the committee:
  - took appropriate steps to ensure that the financial statements are 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 relating to 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 financial statements.
- Reviewed external audit reports on the annual financial statements;
- Verified the independence of the external auditors and nominated PricewaterhouseCoopers Inc. as the auditors for 2017 and noted the appointment of Ms SN Madikane as the designated auditor;
- Approved audit fees and engagement terms of the external auditors;
- Approved the non-audit services provided by the external auditors.

MEMBERS OF THE AUDIT COMMITTEE

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

Name of committee member	Qualifications
PO Goldhawk	Chartered Accountant (SA)
M Langa	Diploma in Offset Litho Printing (London College of Printing) and Certificate in Periodical Journalism (University of London)
CP Mack	LLB - University of Cape Town

ATTENDANCE

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

CONFIDENTIAL MEETINGS

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

INDEPENDENCE OF EXTERNAL AUDITORS

During the year under review, the audit committee reviewed a representation by the external auditors and, after conducting its own review, confirmed the independence of the auditors.

EXPERTISE AND EXPERIENCE OF FINANCE FUNCTION

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

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 the Act. The board concurred with this assessment.

PO Goldhawk
On behalf of the audit committee of the board
9 June 2017

Nature of operations

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

a) 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 the holding of MultiChoice South Africa Holdings Proprietary Limited ordinary shares, and

b) receive and distribute dividends and other distributions in terms of its holding in MultiChoice South Africa Holdings Proprietary Limited.

Operating and financial review

The financial results of the company are set out on pages 10 to 26.

Share capital

Refer to note 3 for details of the authorised and issued share capital.

Dividends

The board recommends that dividends of 1,925.93 cents per ordinary share be declared.

Directors, secretary and auditors

The directors of the company are listed below. The registered address and postal address for the secretary is the same as those of the company as detailed on page 1.

Name	Date last appointed	Category
CP Mack	3 September 2014	Independent, non-executive
PO Goldhawk	2 September 2015	Independent, non-executive
M Langa	31 August 2016	Independent, non-executive

PricewaterhouseCoopers Inc. will continue in office as auditors in accordance with section 94 of the South African Companies Act.

Lurica Klink stepped down as the MultiChoice and Phuthuma Nathi company secretary, with effect from close of business on 9 June 2017, in order to pursue her career in Media24 Holdings Proprietary Limited. Carmen Koopman was appointed as the company secretary for both MultiChoice and Phuthuma Nathi with effect from close of business on 9 June 2017. The board has reviewed the qualifications, experience and arm's length relationship of the company secretary and is satisfied therewith.

Trading platform

The Registrar of Securities Services' (the Registrar) has indicated that all traditional over-the-counter trading platforms like Phuthuma Nathi Investments 2 (RF) Limited (Phuthuma Nathi) should regularise their affairs in terms of the Financial Markets Act, 2012 (the FM Act). Phuthuma Nathi has been engaging with the Financial Services Board (the FSB) to bring its affairs in line with the requirements of the FM Act. As part of this process MultiChoice and Media24 have established the company Yizani Phuthuma Nathi (YPN) which has applied for an exchange licence to facilitate the trading of broad-based black economic empowerment shares issued by companies within the Naspers group. During said process trading of Phuthuma Nathi shares on the current trading platform continues unchanged. Phuthuma Nathi continues to build on the positive engagement it has had with the Registrar and remains committed to complying with any directives and/or conditions issued by the Registrar. It is exempted from complying with the FM Act for a period for 6 months after the Registrar's decision on whether or not to grant an exchange licence to YPN.

Subsequent events

MWEB Connect (Pty) Ltd, a subsidiary of MultiChoice South Africa (Pty) Ltd, and Dimension Data (Pty) Ltd have entered into an agreement whereby Internet Solutions (a division of Dimension Data (Pty) Ltd) acquires the MWEB business as a going concern. The transaction has now been approved by the competition authorities and will take effect from 31 May 2017.

Post balance sheet date, DSTV Media Sales (Pty) Ltd entered into a consent agreement with the Competition Commission. The Commission has referred the consent order to the Competition Tribunal for approval. It was agreed that an administrative penalty of R22 million be paid (provided for in the prior financial year), a contribution of R8 million ,payable over 3 years, to a fund to be administered through an industry trust to assist small black owned media agencies as well as to provide 25% in bonus airtime for every Rand of airtime bought by Qualifying Small Agencies. The bonus airtime will be utilised at times scheduled at the discretion of DMS and this discretion shall be reasonably exercised.

Signed on behalf of the board:

M Langa
Chairman
9 June 2017

pwc

Independent auditor's report

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

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Phuthuma Nathi Investments 2 (RF) Limited (the Company) as at 31 March 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Phuthuma Nathi Investments 2 (RF) Limited financial statements set out on pages 10 to 26 comprise:

- the statements of financial position as at 31 March 2017;
- the statements of comprehensive income for the year then ended;
- the statements of changes in equity for the year then ended;
- the statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of Phuthuma Nathi Investments 2 (RF) Limited in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, Directors' statement of responsibility, Report of the audit committee and the Certificate by the company secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Phuthuma Nathi Investments 2 (RF) Limited for 11 years.

PricewaterhouseCoopers Inc.
PricewaterhouseCoopers Inc.
Director: SN Madikane
Registered Auditor
Sunninghill
09 June 2017

STATEMENT OF FINANCIAL POSITION
as at 31 March 2017

	Notes	2017 R'000	2016 R'000
ASSETS			
Non-current assets		1 494 754	1 507 076
Investment in associate	2	1 494 754	1 507 076
Current assets		14 995	14 092
Other receivables	6	-	969
Current tax asset		1 217	963
Cash and cash equivalents	12	13 778	12 160
Total assets		1 509 749	1 521 168
EQUITY AND LIABILITIES			
Capital and reserves		1 495 772	1 508 185
Share capital and premium	3	225 000	225 000
Other reserves		124 138	166 940
Accumulated profit		1 146 634	1 116 245
Non-current liabilities		68	68
Long-term liabilities	4	68	68
Current liabilities		13 909	12 915
Other payables	5	13 909	12 915
Total equity and liabilities		1 509 749	1 521 168

The notes on pages 15 - 26 are an integral part of these annual financial statements.

STATEMENT OF PROFIT OR LOSS
for the year ended 31 March 2017

	Note	2017 R'000	2016 R'000
Operating expenses	7	(91)	(86)
Operating loss		(91)	(86)
Share of equity accounted results of associate	2	463 814	400 023
Profit before taxation		463 723	399 937
Taxation	8	-	-
Net profit for the year		463 723	399 937
Earnings per share based on 22 500 000 issued shares		R 20.61	R 17.78

There was no dilution in earnings per share in 2017 (2016: no dilution).

The notes on pages 15 - 26 are an integral part of these annual financial statements.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2017

	Note	2017 R'000	2016 R'000
Net profit for the year		463 723	399 937
Items that may be reclassified subsequently to profit or loss			
Share of changes in associate's other equity items	2	(42 802)	9 049
Total comprehensive income for the year		420 921	408 986

The notes on pages 15 - 26 are an integral part of these annual financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2017

	Share capital and premium R'000	Other reserves * R'000	Accumulated profit R'000	Total R'000
Balance at 1 April 2015	225 000	157 891	1 129 642	1 512 533
Net profit for the year	-	-	399 937	399 937
Other comprehensive income for the year	-	9 049	-	9 049
Dividend paid	-	-	(413 334)	(413 334)
Balance at 31 March 2016	225 000	166 940	1 116 245	1 508 185
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)
Dividend paid	-	-	(433 334)	(433 334)
Balance at 31 March 2017	225 000	124 138	1 146 634	1 495 772

The notes on pages 15 - 26 are an integral part of these annual financial statements.

* Other reserves consist of the company's share of its associate's existing control business combination reserve, fair value reserve, foreign currency translation reserve, hedging reserve and share-based payment reserve.

STATEMENT OF CASH FLOWS
for the year ended 31 March 2017

	Note	2017 R'000	2016 R'000
Cash flow from operating activities		433 033	413 696
Cash (utilised in) / generated from operations	9	(301)	362
Dividends received	2	433 334	413 334
Cash utilised in financing activities		(431 415)	(410 715)
Dividends paid to ordinary shareholders	13	(431 415)	(410 715)
Movement in cash for the year		1 618	2 981
Cash and cash equivalents at the beginning of the year		12 160	9 179
Cash and cash equivalents at the end of the year	12	13 778	12 160

The notes on pages 15 - 26 are an integral part of these annual financial statements.

1 Summary of significant accounting policies

The annual financial statements are presented in accordance with, and comply with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements. The financial statements are prepared according to the historical cost convention.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the entity's accounting policies. These estimates and assumptions affect the reported amounts of assets, liabilities and contingent liabilities at the reporting date as well as the reported profit or loss for the year. Although estimates are based on management's best knowledge and judgement of current facts as at the reporting date, the actual outcome may differ from these estimates, possibly significantly.

There are no critical accounting estimates, assumptions or judgements which could materially affect the financial statements.

1.1 Investments in associates

An associate is an entity over which the company has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Associates are all entities over which the company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The company's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The company's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the company's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the company does not recognise any further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as a reduction in the carrying amount of the investment.

The company determines at each reporting date whether there is any objective evidence that the investment in the associate has been impaired. If this is the case, the company calculates the amount of the impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "Share of equity accounted results of associates" in the income statement.

Profits or losses resulting from upstream and downstream transactions between the company and its associate are recognised in the company's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated, unless the loss provides evidence of impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency of the policies adopted by the company.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

1.2 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at amortised cost. Cash and cash equivalents comprise cash on hand and deposits held at call with banks.

1.3 Share capital

Ordinary shares are classified as equity.

1.4 Financial assets

Financial assets are recognised when the company becomes a party to the contractual provisions of the respective instrument. Such assets consist of cash, equity instruments, a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms. Financial assets are derecognised when the right to receive cash flows from the asset has expired or has been transferred and the company has transferred substantially all risks and rewards of ownership.

The company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. At 31 March 2017 and 2016, the company had no financial assets carried at fair value through profit or loss, held to maturity financial assets or available for sale financial assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. The company's loans and receivables comprise cash and cash equivalents and other receivables.

Regular purchases and sales of financial assets are recognised on the trade-date the date on which the company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

The company assesses at each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset that has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the income statement.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

1.5 Financial liabilities

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities are derecognised when they are extinguished, that is discharged, cancelled or expired.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Cumulative redeemable preference shares

The cumulative redeemable preference shares are classified as debt. The liability is initially recorded at fair value, net of transaction costs incurred. These liabilities are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Other payables

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.6 Tax

Current tax assets and liabilities

The tax expense for the year comprises current tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations where the applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

The normal South African company tax rate used at the reporting date is 28%.

Deferred tax assets and liabilities

Deferred tax is provided in full using the liability method, in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements, except where the temporary difference arises from goodwill or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither accounting nor taxable profit or loss.

Deferred tax liabilities are recognised where the carrying value of an asset is greater than its tax base, or where the carrying value of a liability is less than its tax base. Deferred tax is recognised in full on temporary differences arising from the company's investment in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it is probable that future taxable profit will be available against which the temporary differences (including carried forward tax losses) can be utilised.

Deferred tax is measured at the tax rates expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income taxes relate to income taxes levied by the same taxation authority on either the taxable entity, or different taxable entities where there is an intention to settle the balances on a net basis.

There are no deferred tax assets or liabilities at 31 March 2017 and 2016.

1.7 Revenue recognition

Dividend income from associates is recognised when the right to receive payment is established.

Revenue from rendering of services relates to administrative fees charged for facilitation of share transactions. Revenue is recognised when it is probable that the economic benefits associated with a transaction will flow to the company and the amount of revenue and associated costs incurred or to be incurred, can be measured reliably. The amount of revenue is not considered to be reliably measurable until all contingencies have been resolved.

1.8 Dividend distributions

Dividend distributions to the company's shareholders are recognised as a liability in the entity financial statements in the period in which the dividends are approved by the company's shareholders.

1.9 New standards and interpretations

Standards, amendments and interpretations effective and adopted in 2017

- Amendments to IAS 1,'Presentation of financial statements' disclosure initiative (effective date 1 January 2016) In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- Amendments to IAS 27, 'Separate financial statements' on equity accounting(effective date 1 January 2016) In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

Interpretations early adopted by the company

The company has not adopted any standards or interpretations early in the current year.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company

- IFRS 9, '*Financial Instruments*' (effective 1 January 2018)
  This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

  The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss.

- Amendment to IAS 7 – Cash flow statements (effective 1 January 2017)
  In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.

None of these standards or interpretations are expected to have a significant financial impact on the company.

2 Investment in associate

The company has a 6.67% interest in MultiChoice South Africa Holdings Proprietary Limited (MCSAH), a company incorporated and with its principle 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.

	2017 R'000	2016 R'000
Movement in carrying amount		
At the beginning of the year	1 507 076	1 511 338
Share of net profit	463 814	400 023
Share of changes in other reserves	(42 802)	9 049
Dividends received	(433 334)	(413 334)
At the end of the year	1 494 754	1 507 076
Analysis of carrying amount		
Cost	1 125 000	1 125 000
Share of post-acquisition reserves	369 754	382 076
	1 494 754	1 507 076

The cost of the investment in associate includes goodwill of R1.0 billion.

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

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

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

	2017 R'000	2016 R'000
Non-current assets	17 964 406	12 787 990
Current assets	9 867 516	10 674 900
Assets of disposal group classified as held for sale	377 907	139 624
Total assets	**28 209 829**	**23 602 514**
Non-current liabilities	10 127 541	5 616 303
Current liabilities	9 767 757	9 689 145
Liabilities of disposal group classified as held for sale	216 924	14 627
Total liabilities	**20 112 222**	**15 320 075**
Revenue	40 543 644	35 703 691
Cost of providing services and sale of goods	(22 799 870)	(19 187 216)
Gross profit	**17 743 774**	**16 516 475**
Other gains	19 648	173
Selling, general and administration costs	(7 602 656)	(7 179 154)
Operating profit	10 160 766	9 337 494
Finance income	212 384	153 054
Foreign exchange differences	(250 524)	(544 132)
Reversals/(impairment of equity-accounted investments)	(10 311)	(36 835)
Share of equity-accounted investment results	(66 843)	(43 579)
Acquisitions and disposals	87 456	-
Finance costs	(673 717)	(546 556)
Profit before taxation	**9 459 211**	**8 319 446**
Taxation	(2 631 432)	(2 314 569)
Net profit	**6 827 779**	**6 004 877**
Other comprehensive income	(551 674)	115 712
Total comprehensive income	**6 276 105**	**6 120 589**

As at 31 March 2017 the company's associate had a contingent liability of R340 million (2016: R340 million) as an estimate of potential liabilities.

3 Share capital and premium

Authorised		
90 000 000 ordinary shares of R0.0000001 each	*	*
Issued (and fully paid up)		
22 500 000 ordinary shares of R0.0000001 each	*	*
Share premium	225 000	225 000
	225 000	225 000

* Amount less than R1 000.

Capital management

The company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide adequate returns for shareholders and benefits for other stakeholders.

	2017 R'000	2016 R'000

4 Long-term liabilities

Variable rate, cumulative redeemable preference shares with issue price of R10 each	68	68
	68	68

At 31 March 2017, 6,751 (2016: 6,751) preference shares were in issue.

Preference share liability reconciliation

Opening balance at 01 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.

5 Other payables

STT and VAT	9	38
Ordinary shareholders for dividends (refer to note 11)	6 990	5 071
Amounts owing to investors (refer to note 11)	3 201	3 330
Related party payables (refer note 10)	3 608	3 548
Other payables	101	928
	13 909	12 915

6 Other receivables

Debtors control	-	945
Sundry debtors	-	24
	-	969

Debtors control consist of mainly unpaid trading income.

7 Operating expenses

The following items have been charged in arriving at operating profit:

Audit fees	91	86
	91	86

	2017 R'000	2016 R'000

8 Taxation

South African normal taxation- current year	-	-
Tax rate reconciliation		
Statutory tax rate	28.0%	28.0%
Non-taxable income	-28.0%	-28.0%
Effective tax rate	0.0%	0.0%

9 Cash generated from operations

Profit before taxation	463 723	399 937
Adjusted for:		
Share of net profit of associate	(463 814)	(400 023)
	(91)	(86)
Changes in working capital:		
Trade and other receivables	715	(798)
Payables	(925)	1 246
	(301)	362

10 Related parties

Amounts due to related parties: Associate

Associate - MultiChoice South Africa Holdings Proprietary Limited - refer to note 2
Subsidiary of associate - MultiChoice South Africa Proprietary Limited

MultiChoice South Africa Proprietary Limited (Refer to Note 5)	3 608	3 548
	3 608	3 548

Amounts due to related parties: Non-executive

Consulting fees paid in 2017 by other related parties to Goldhawk Corporate Advisory amounted to R254 220 (2016: R365 370). R137 940 of the amount paid in 2017 relates to services rendered in the 2016 financial year. As at 31 March 2017, R84 645 is owing by other related parties to Goldhawk Corporate Advisory for services rendered in 2017. Goldhawk Corporate Advisory is a company owned by PO Goldhawk.

The directors of Phuthuma Nathi Investments 2 (RF) Limited had the following interests in Phuthuma Nathi Investments 2 (RF) Limited ordinary shares as at 31 March:

Name	2017 Number of shares held	2016 Number of shares held
CP Mack *	134 276	134 276
M Langa *	118	118
	134 394	134 394

** Shares were purchased by directors at the fair market value per share.*

11 Financial risk management

The company's activities expose it to a variety of financial risks, specifically credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the company's financial performance. Risk management is carried out under policies approved by the board of directors.

Credit Risk

The company is exposed to certain concentrations of credit risk relating to it's cash. It places its cash mainly with major banking companies and high-quality institutions that have high credit ratings. The counterparties that are used by the company are evaluated on a continuous basis. As at 31 March 2017, the company held the majority of its cash and deposits with local and international banks with a 'Baa2' credit rating or higher (Moody's International's long-term deposit rating). At 31 March 2017, the maximum amount of credit risk that the company is exposed to is as follows:

	2017 R'000	2016 R'000
Cash and cash equivalents	13 778	12 160

The company is exposed to certain concentrations of credit risk relating to other receivables. Other receivables consist primarily of invoiced amounts from normal trading activities. Current debtors are monitored to ensure they do not exceed their credit limits. At 31 March 2017, the maximum amount of credit risk that the company is exposed to is as follows:

Other receivables	-	969

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. In terms of the articles of association of the company, no limitation is placed on its borrowing capacity. The following table details the company's remaining contractual maturity for its financial liabilities. The table is based on undiscounted cash flows of financial liabilities based on the earliest date on which the company can be required to pay. The table includes both interest and principal cash flows.

	Carrying amount R'000	Contractual cash flows R'000	0-12 months R'000	1-5 years R'000	5+ years R'000
2017					
Cumulative redeemable preference shares	68	68	-	-	68
Other payables	101	101	101	-	-
Related party payables	3 608	3 608	3 608	-	-
Ordinary shareholders for dividends	6 990	6 990	6 990	-	-
Amounts owing to investors	3 201	3 201	3 201	-	-
	13 968	13 968	13 900	-	68
2016					
Cumulative redeemable preference shares	68	68	-	-	68
Other payables	928	928	928	-	-
Related party payables	3 548	3 548	3 548		-
Ordinary shareholders for dividends	5 071	5 071	5 071	-	-
Amounts owing to investors	3 330	3 330	3 330	-	-
	12 945	12 945	12 877	-	68

11 Financial risk management (continued)

Fair value of financial instruments	Carrying amount R'000	Fair value R'000	Interest income / (expense) R'000
2017			
Assets			
Financial assets			
Loans and receivables			
Other receivables	-	-	-
Cash and cash equivalents	13 778	13 778	-
	13 778	13 778	-
Non-financial assets	1 495 971		
Total assets	1 509 749		
Liabilities			
Financial liabilities at amortized cost			
Cumulative redeemable preference shares	68	68	-
Other payables	101	101	-
Related party payables	3 608	3 608	-
Ordinary shareholders for dividends	6 990	6 990	-
Amounts owing to investors	3 201	3 201	-
	13 968	13 968	-
Non-financial liabilities	9		
Total liabilities	13 977		

Fair value of financial instruments	Carrying amount R'000	Fair value R'000	Interest income / (expense) R'000
2016			
Assets			
Loans and receivables			
Other receivables	969	969	-
Cash and cash equivalents	12 160	12 160	-
	13 129	13 129	-
Non-financial assets	1 508 039		
Total assets	1 521 168		
Liabilities			
Financial liabilities at amortized cost			
Cumulative redeemable preference shares	68	68	-
Other payables	928	928	-
Related party payables	3 548	3 548	
Ordinary shareholders for dividends	5 071	5 071	-
Amounts owing to investors	3 330	3 330	-
	12 945	12 945	-
Non-financial liabilities	38		
Total liabilities	12 983		

The carrying amount of all financial instruments approximate their fair values.

	2017 R'000	2016 R'000
12 Cash and cash equivalents		
Cash and cash equivalents	13 778	12 160

Cash and cash equivalents includes cash of R3.2 million (2016: R3.3 million) which relates to cash held on behalf of investors.

Cash and cash equivalents includes cash of R6.9 million (2016: R5.1 million) which relates to unclaimed dividends due to ordinary shareholders.

13 Dividends per share

During the year a dividend of 1 925.93 cents (2016: 1 837.04 cents) per ordinary share, totalling R431.4 million (2016: R410.7 million) was declared and paid. Of this amount R2.9 million (2016: R2.6 million) was unclaimed and not paid over to shareholders at balance sheet date, and is included in the ordinary shareholders for dividends amount disclosed in note 5.

14 Subsequent events

MWEB Connect (Pty) Ltd, a subsidiary of MultiChoice South Africa (Pty) Ltd, and Dimension Data (Pty) Ltd have entered into an agreement whereby Internet Solutions (a division of Dimension Data (Pty) Ltd) acquires the MWEB business as a going concern. The transaction has now been approved by the competition authorities and will take effect from 31 May 2017.

Post balance sheet date, DSTV Media Sales (Pty) Ltd entered into a consent agreement with the Competition Commission. The Commission has referred the consent order to the Competition Tribunal for approval. It was agreed that an administrative penalty of R22 million be paid (provided for in the prior financial year), a contribution of R8 million ,payable over 3 years, to a fund to be administered through an industry trust to assist small black owned media agencies as well as to provide 25% in bonus airtime for every Rand of airtime bought by Qualifying Small Agencies. The bonus airtime will be utilised at times scheduled at the discretion of DMS and this discretion shall be reasonably exercised.