



Notes to the consolidated financial statements (continued)

for the year ended 31 March 2019

	2019 ZAR'm	2018 ZAR'm
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5. Revenue (continued)

The group enters into arrangements with network operators whereby application software is licensed to network operators in exchange for a percentage of the subscription revenue they earn from their customers. Where all of the software under the arrangement has been delivered, the revenue is recognised as and when the network operator reports to the group its revenue share, which is generally done on a quarterly basis. Under arrangements where the group has committed to deliver unspecified future applications, the revenue earned on the delivered applications is recognised on a subscription basis over the term of the arrangement. Standard payment terms for network operators are 30 days.

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

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

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

Aggregate amount of the transaction price allocated to long-term technology contracts that are partially or fully unsatisfied	350	*
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* As permitted under the transitional provision in IFRS 15, the transaction price allocated to unsatisfied performance obligations as of 31 March 2018 is not disclosed.

Management expects that 35% of the transaction price allocated to the unsatisfied contracts as of 31 March 2019 will be recognised as revenue during the next reporting period (ZAR123m) and 31% (ZAR109m) will be recognised as revenue in the FY2021 reporting period. The remaining 34% (ZAR118m) will be recognised as revenue in FY2022 and thereafter. The amount disclosed above does not include variable consideration which is constrained.

All other technology contracts are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed and is also not material.

6. Expenses by nature

Operating profit includes the following items:

(a) Cost of providing services and sale of goods

Content*	17 715	16 793
Set-top box purchases	6 056	5 435
Depreciation	1 957	1 978
Other**	3 475	3 382
	29 203	27 588

* Included in content is amortisation of programme and film rights of ZAR16.1bn in 2019 (2018: ZAR15.2bn).

** Includes various cost items such as agency fees, licence fees, communication and network costs.

(b) Selling, general and administration expenses

Employee costs	5 541	5 454
Sales and marketing	2 467	1 944
Depreciation	443	429
Operating leases	203	206
Auditors remuneration	59	40
Other*	4 783	4 985
	13 496	13 058

* Includes various cost items such as administration, maintenance and general overhead costs.



Notes to the consolidated financial statements (continued)

for the year ended 31 March 2019

2019 ZAR'm	2018 ZAR'm
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6. Expenses by nature (continued)

(c) Employee-related expenditure

Employee remuneration is charged to the income statement and recognised as an expense in the period in which the employees render the related service.

Short-term employee benefits

Short-term employee benefits include salaries and wages, medical-aid contributions, paid vacation leave, sick leave and incentive bonuses.

Long-term employee benefits

Long-term employee benefits are those benefits that are expected to be wholly settled more than 12 months after the end of the annual reporting period in which the services have been rendered and are discounted to their present value.

Retirement benefits

The group provides retirement benefits to its full-time employees, by means of monthly contributions to a defined contribution pension fund. The assets of this fund are held in separate trustee administered funds. The group's contribution to the retirement fund is recognised as an expense in the period in which the employees render the related service.

Termination benefits

The group recognises termination benefits when it is demonstrably committed to either terminate the employment of employees before the normal retirement date or provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Where termination benefits fall due more than 12 months after the reporting period, they are discounted. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Termination benefits are immediately recognised as an expense in the income statement.

Equity-settled share-based compensation benefits

MultiChoice Group Limited (MCG) operates a number of equity-settled compensation plans which allow certain employees the right to receive ordinary shares in MCG after a prescribed period. In terms of these plans, employees are offered awards in the form of either share options or restricted stock units (RSUs). As MCG grants these awards and has the obligation to settle the awards, the schemes have been recognised as equity-settled.

All awards are granted subject to the completion of a requisite service period by employees, ranging from one to five years. The awards granted vest in tranches which results in a comparatively higher charge in earlier years.

Equity-settled share-based payments are measured at fair value at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is charged as employee costs, with a corresponding increase in equity, on a straight-line basis over the period that the employees become unconditionally entitled to the shares, adjusted to reflect management's estimate of the awards that will vest. These equity-settled share-based payments are not subsequently revalued. In respect of RSU's, awards are automatically settled in MCG equity instruments on the vesting date.

Cash-settled share-based compensation benefits

The group has granted share appreciation rights (SARs) which allow certain employees to earn a long-term incentive amount calculated with reference to the increase in the underlying entity's share price between the offer date of the SARs to the date the employee exercises their right. In respect of the share options and SARs on exercise date, following completion of the vesting period, awards are settled with employees in the equity instruments of MCG or its subsidiaries for equity-settled plans and in cash or other assets for cash-settled plans.

The SARs are granted subject to the completion of a requisite service period by employees. The SARs granted are subject to tranche vesting which results in a comparatively higher charge in earlier years. The SARs expire ten years from the date of offer.



Notes to the consolidated financial statements (continued)

for the year ended 31 March 2019

2019
ZAR'm

2018
ZAR'm

6. Expenses by nature (continued)

The fair value of the cash-settled liability is calculated at grant and recognised at each reporting date as an employee cost with an increase/decrease in liabilities. The employee cost is recognised on a straight-line basis over the period that the employees become unconditionally entitled to the SARs, adjusted to reflect management's estimate of the awards that will vest.

Staff costs

The group had 7 053 permanent employees in 2019 (2018: 6 963).

The total cost of employment of all employees, including subsidiary executive directors, was as follows:

Salaries, wages and bonuses		5 537	5 212
Share-based compensation		189	230
Cash-settled: SARs	6.1	-	143
Equity-settled: RSUs and share options	6.2/6.3	189	87
Retirement benefit costs		318	298
Medical aid fund contributions		244	221
Severance		63	191
Other costs*		138	114
Total staff costs		6 489	6 266
Included in cost of providing services and sale of goods**		948	812
Included in selling, general and administration expenses		5 541	5 454
		6 489	6 266

* Other costs primarily include training and recruitment costs.

** Included in content costs as relates to local production staff.

6.1. SARs

The group operates three cash-settled SAR plans which are disclosed in the table below.

One third of SAR's in the MultiChoice 2008 SAR Scheme vests after years three, four and five from grant date.

One fifth of the SAR's in the Irdeto Holdings B.V. 2012 Scheme and the Showmax SAR Scheme vests after years one, two, three, four and five.

The MultiChoice 2008 SAR and Irdeto 2012 schemes were retained by the MultiChoice group after the unbundling from Naspers and the awards in terms of these schemes remained unchanged and continue to vest in accordance with the original vesting schedule. An annual valuation will be performed, and all other provisions of the scheme rules will continue to apply. In the prior financial year and prior to the date of the unbundling, these schemes were accounted for as cash-settled liabilities as they were settled in Naspers shares. As these awards will now be settled in MultiChoice shares the related cash-settled liability was remeasured at the modification date and the remeasured fair value of this liability was then reclassified to an equity-settled share based payment reserve.

	Liability balance per statement of financial position	Liability balance per statement of financial position	Total intrinsic value of rights vested, but not yet exercised	Total intrinsic value of rights vested, but not yet exercised
31 March	2019 ZAR'm	2018 ZAR'm	2019 ZAR'm	2018 ZAR'm
MultiChoice 2008 (MCA 2008)*	-	192	-	572
Irdeto Holdings B.V. 2012 (Irdeto 2012)*	-	213	-	6
Showmax*	-	-	-	2



Notes to the consolidated financial statements (continued)

for the year ended 31 March 2019

2019
ZAR'm

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ZAR'm

6. Expenses by nature (continued)

* Intrinsic values for MCA 2008 are disclosed in ZAR'm, while Irdeto 2012 and Showmax are disclosed in US\$m.

The fair value of the awards were calculated using the Bermudan binomial tree model, taking into account the following significant assumptions:

Weighted average	MCA 2008		Irdeto 2012		Showmax	
	Number of options	Average exercise price per option (ZAR)	Number of options	Average exercise price per option (USD)	Number of options	Average exercise price per option (USD)
Outstanding at 31 March 2017	23 250 365	115	1 258 482	21	424 990	18
Employee transfers*	-	-	-	-	19 865	18
Granted during the year	7 961 661	94	191 209	43	183 292	18
Exercised during the year**	(80 948)	88	(296 820)	20	-	-
Forfeited during the year	(3 392 808)	113	(57 387)	24	(206 206)	18
Outstanding at 31 March 2018	27 738 270	109	1 095 484	25	421 941	18
Employee transfers*	(471 169)	109	(30 311)	25	39 151	18
Granted during the year	10 468 929	77	226 925	55	81 619	18
Exercised during the year**	(2 406)	69	(483 205)	22	-	-
Forfeited during the year	(6 459 271)	107	(32 700)	46	(128 690)	18
Outstanding at 31 March 2019	31 274 353	99	776 193	35	414 021	18

* Employee transfers to/(from) other entities within the group.

** The weighted average share price at the date of exercise of the options exercised during the year ended 31 March 2019 was ZAR132 (2018: ZAR138).

The fair value of the liabilities were calculated using the Bermudan binomial tree model, taking into account the following significant assumptions:

Weighted average	2019			2018		
	MultiChoice 2008 (ZAR)	Irdeto Holdings B.V. 2012 (USD)	Showmax (USD)	MultiChoice 2008 (ZAR)	Irdeto Holdings B.V. 2012 (USD)	Showmax (USD)
Fair value of SAR at measurement date	33	24	7	23	13	7
Exercise price	77	55	18	94	43	18
Risk-free interest rate* (%)	8.4	2.9	2.9	7.8	2.8	2.8
Annual suboptimal rate (%)	100.0	122.5	100.0	100.0	122.5	100.0
Expected volatility** (%)	21.6	45.4	38.1	21.6	29.2	39.2
Vesting period (years)	4	3	3	4	3	3
Option life (years)	10	10	10	10	10	10

* Based on the zero rate bond yield.

** Determined using the historical annual company valuation.

6.2. RSUs

Employees of MultiChoice Group Limited participated in the Naspers Restricted Stock Plan Trust. RSUs were granted to employees by Naspers Limited and Naspers Limited has the obligation to settle the awards. As such, the RSU awards are classified as equity-settled by MultiChoice Group Limited.

The RSUs vest in equal annual tranches over a four-year period and are automatically settled with participants on the vesting date. RSUs do not have an exercise price.



Notes to the consolidated financial statements (continued)
for the year ended 31 March 2019

	2019 ZAR'm	2018 ZAR'm
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6. Expenses by nature (continued)

The fair value of the RSUs at grant date (weighted average: ZAR3 140, 2018: ZAR2 600) was estimated by taking the market value of the Naspers Limited shares on that date less the present value of future dividends that will not be received by the employees during the vesting period.

On 4 March 2019 the MultiChoice Group (MCG) was unbundled from the Naspers group. As part of the unbundling, participants in the Naspers Restricted Stock Plan (RSU) had their RSUs vest on a pro rata basis. This means that the portion of the RSU award participants received was calculated based on the number of days participants were employed by the group in the vesting year up to date of unbundling. The pro rata portion of RSUs was exercised automatically on the date of listing in accordance with the scheme rules. All remaining unvested RSUs lapsed on the same date.

In November 2018 the participants were given the choice of either:

Option A. Receiving MCG shares in addition to Naspers shares at a 1 for 1 ratio.

Option B. Cash. When the participant's pro rata portion of RSUs was settled the participant received Naspers shares plus a cash payment. The cash payment was equal to the number of RSUs settled multiplied by ZAR106.01 (the closing price of MCG shares on the listing date).

Movement in number of RSUs

	Naspers RSU (ZAR)	MCG - Naspers RSU (ZAR)
Outstanding at 1 April 2017	33 512	-
Granted during the year	14 748	-
Vested during the year	(8 769)	-
Forfeited during the year	(3 327)	-
Outstanding at 31 March 2018	36 164	-
Employee transfers*	(518)	572
Granted during the year	9 333	942
Vested during the year	(17 169)	(1 514)
Forfeited during the year	(27 810)	-
Outstanding at 31 March 2019	-	-
Average vesting period (years)	2.5	2.5

* Employee transfers to/(from) other entities within the group.

The fair value of the equity-settled options are calculated at grant date using the Bermudan binomial tree model, taking into account the following significant assumptions:

Weighted average

	Naspers RSU	MCG - Naspers RSU
2018		
Expected dividend yield (%)	0.3	-
Expiry date (years)	2.5	-
2019		
Expected dividend yield (%)	-	-
Expiry date (years)	2.5	2.5



Notes to the consolidated financial statements (continued)

for the year ended 31 March 2019

2019
ZAR'm

2018
ZAR'm

6. Expenses by nature (continued)

6.3. Share options

Employees of MultiChoice Group Limited participated in share options granted under two separate schemes. The share options are granted by either MIH Holdings Limited or MIH Services FZ LLC who have the obligation to settle the options with the employees. As such, the share options are classified as equity-settled by MultiChoice Group Limited.

All share options are granted with an exercise price of not less than 100% of the market value of the Naspers Limited share price on the date of grant.

The share options vest in tranches over a period of four or five years as follows:

- Options granted before 25 August 2017: one third vests after years three, four and five.
- Options granted after 25 August 2017: one quarter vests after years one, two, three and four.

The share options expire ten years after the offer date.

All unvested awards were accelerated on listing date and participants were able to exercise all their profitable awards for 60 days starting on the date of listing (27 Feb 2019) until 27 April 2019.

In November 2018 the participants were given the choice of either:

Option A. Receiving MultiChoice Group shares in addition to Naspers shares at a 1 for 1 ratio. The MultiChoice Group shares had the same offer and vesting dates as the Naspers options and were linked to the Naspers options, so they had to be traded simultaneously.

Option B. Adjusting the strike price of the options by the closing price of MultiChoice Group shares on the listing date. When participants subsequently exercised their options, they would pay less for the options and receive Naspers shares instead of receiving MultiChoice Group shares.

The fair value of the awards were calculated using the Bermudan binomial tree model, taking into account the following significant assumptions:

	MIH Holdings Limited		MIH Services FZ LLC		MCG - MIH Services FZ LLC (Naspers shares - 2017)	
Weighted average	Number of options	Average exercise price per option (ZAR)	Number of options	Average exercise price per option (ZAR)	Number of options	Average exercise price per option (ZAR)
Outstanding at 31 March 2017	287 384	1 115	131 948	1 078	-	-
Employee transfers*	31 516	1 665	450	3 113	-	-
Granted during the year	44 147	3 013	29 295	2 946	-	-
Exercised during the year**	(102 963)	700	(45 950)	373	-	-
Forfeited during the year	(12 790)	2 070	(10 217)	1 908	-	-
Outstanding at 31 March 2018	247 294	1 647	105 526	1 832	-	-
Employee transfers*	4 396	1 647	(693)	1 832	7 518	-
Granted during the year	44 514	3 163	38 483	3 100	7 193	-
Exercised during the year**	(140 361)	1 788	(90 310)	2 002	(5 649)	-
Forfeited during the year	(23 565)	2 304	(5 639)	2 585	-	-
Expired during the year	(27)	175	-	-	-	-
Outstanding at 31 March 2019	132 251	1 846	47 367	2 346	9 062	-



Notes to the consolidated financial statements (continued)
for the year ended 31 March 2019

2019
ZAR'm

2018
ZAR'm

6. Expenses by nature (continued)

	MCG - MIH Holdings Share Trust (Naspers shares - 2017)		MCG - MIH Holdings Share Trust (Naspers Shares)		MCG - MIH Services FZ LLC - N - ZAR (Naspers shares)	
	Number of options	Average exercise price per option (ZAR)	Number of options	Average exercise price per option (ZAR)	Number of options	Average exercise price per option (ZAR)
Weighted average						
Employee transfers*	13 487	-	53 841	-	24 498	-
Granted during the year	21 501	-	-	-	-	-
Exercised during the year**	(8 510)	-	(17 946)	-	(13 299)	-
Outstanding at 31 March 2019	26 478	-	35 895	-	11 199	-

* Employee transfers to/(from) other entities within the group.

** The weighted average share price at the date of exercise of the options exercised during the year ended 31 March 2019 was ZAR 1 136 (2018: ZAR 3 168).

Share options outstanding at 31 March 2019 and 31 March 2018 have the following expiry date and exercise prices:

	2019			2018		
	Weighted average exercise price (ZAR)	Number of options	Weighted average remaining contractual life (Years)	Weighted average exercise price (ZAR)	Number of options	Weighted average remaining contractual life (Years)
MIH Holdings Limited						
Exercisable	1 774	131 451	5.9	560	72 726	3.7
Not-exercisable	1 702	800	6.4	2 099	174 568	7.9
MIH Services FZ LLC						
Exercisable	2 346	47 367	7.4	510	24 306	3.7
Not-exercisable	-	-	-	2 228	81 220	8.2
MCG - MIH Services FZ LLC (Naspers shares - 2017)						
Exercisable	-	8 272	8.9	-	-	-
MCG - MIH Holdings Share Trust (Naspers shares - 2017)						
Exercisable	-	26 478	8.9	-	-	-
MCG - MIH Holdings Share Trust (Naspers Shares)						
Exercisable	-	35 895	5.4	-	-	-
MCG - MIH Services FZ LLC - N - ZAR (Naspers shares)						
Exercisable	-	11 199	4.7	-	-	-



Notes to the consolidated financial statements (continued)

for the year ended 31 March 2019

2019
ZAR'm

2018
ZAR'm

6. Expenses by nature (continued)

The fair value of the equity-settled options are calculated at grant date using the Bermudan binomial tree model, taking into account the following significant assumptions:

Weighted average	2019				2018	
	MIH Holdings Limited	MIH Services FZ LLC	MCG - MIH Services FZ LLC (Naspers shares - 2017)****	MCG - MIH Holdings Share Trust (Naspers shares - 2017)****	MIH Holdings Limited	MIH Services FZ LLC
Share price at grant date (ZAR)	3 078	3 113	121	121	3 013	2 946
Exercise price (ZAR)	3 078	3 113	-	-	3 013	2 946
Risk-free interest rate* (%)	8.0	8.0	8.0	8.0	8.0	7.9
Annual suboptimal rate** (%)	340.0	340.0	1.0	1.0	318.0	318.0
Expected volatility*** (%)	36.0	34.0	1.0	1.0	26.5	26.4
Expected dividend yield (%)	-	-	-	-	0.2	0.2
Expiry date (years)	3	3	3	3	10	10

* Based on the zero rate bond yield at perfect fit.

** The rate at which participants are expected to exercise their options.

*** Determined using historical daily share prices.

**** There were no grants made in for the MCG - MIH Holdings Share Trust (Naspers Shares) and MCG - MIH Services FZ LLC - N - ZAR (Naspers shares) in the prior year.

7. Other (losses)/gains - net

Other operating losses - net

	Notes		
Dividends received		19	18
(Loss)/profit on sale of property, plant and equipment		(20)	5
Profit on sale of Intangible assets		3	4
Impairment of assets		(35)	(452)
Impairment of property, plant and equipment*	18	(5)	(111)
Impairment of other intangibles	23	(51)	-
Reversal of impairment of other assets		15	-
Other		6	(341)
		(33)	(425)

Other (losses)/gains - net

Profit on sale of investments		-	113
Loss on acquisition of assets and liabilities**		(112)	-

* Relates primarily to the write-off of digital terrestrial transmission equipment.

** The group took over the management of our cash collections in Angola from an agent. This amount relates to the costs of assuming this management function.

8. Empowerment transaction

On 4 March 2019, the date of the group unbundling from Naspers Limited, the group allocated, for no consideration, an additional 5% stake in MultiChoice South Africa Holdings Proprietary Limited (MCSA) to Phuthuma Nathi Investments (RF) Limited and Phuthuma Nathi Investments 2 (RF) Limited (collectively Phuthuma Nathi). In terms of IFRS 2 - Share-based payments, this transaction is treated as an equity-settled share-based payment. The value of the 5% allocated to Phuthuma Nathi shareholders has been calculated at ZAR2.6bn which has been included in the consolidated income statement and in retained earnings in the consolidated statement of changes in equity.

After the allocation to the non-controlling interest, the transaction had an adverse impact on earnings and headline earnings of ZAR1.9bn or 438 ZAR cents per share.