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MultiChoice Pay TV Group’s contribution to Zambian GDP is estimated to have contributed around $98.5 m between 2011/12 and 2014/15. The majority of this contribution is made up of tax payments, followed by wage payments.

Supply Chain Expenditure: MultiChoice Pay TV Group spent an aggregate of $63.7 m in its supply chain between 2011/12 and 2014/15. This expenditure mostly relates to customer acquisition costs, administrative costs and investments in technology and transmission.

Multiplier effects: MultiChoice Pay TV Group’s expenditure supports an additional estimated $39.0 m of economic activity across the period. This contribution is in addition to its direct impact and expenditure in the supply chain and arises as a result of interdependencies with other sectors in the economy. An analysis of Zambia’s economic accounting framework (the ‘Social Accounting Matrix’) suggests that $1m of demand in the communications industry gives rise to a total GDP impact of $1.2m.

MultiChoice Pay TV Group’s spillover impacts in Zambia

The GDP impacts only cover the immediate economic impacts of MultiChoice Pay TV Group’s activities on the Zambian economy. In addition, there are several “spillover impacts”. These are further impacts arising as by-products of MultiChoice Pay TV Group’s activities that are felt by the people, businesses in Zambia and wider sectors of the economy.

Supporting digitalisation and digital switchover
MultiChoice Pay TV Group has contributed to the process of digitalisation through its service innovations and has led a fruitful subscriber increase over the period from 2011/12 to 2014/15. The DTT service is provided using the DTT network which was rolled out in partnership with ZNBC across 10 locations in Zambia with further locations planned for the near future. In order to encourage take-up further, it has provided subsidies to its customers worth $31.2 m over the period from 2011/12 to 2014/15 and imported more than 660,000 DTT set-top boxes into the country.

Informing, educating and reflecting Zambian society
MultiChoice Pay TV Group supports its business partner in Zambia, ZNBC, in its duties as public sector broadcaster. MultiChoice Pay TV Group provides programming such as news, factual programming, lifestyle and culture and children’s programming, equivalent to over 41 channels.

Recognising the educational value of the content provided to subscribers, MultiChoice Zambia has
MULTICHOICE PAY TV GROUP'S ACTIVITIES AND ECONOMIC IMPACT IN ZAMBIA

HIGH-LEVEL SUMMARY

The MultiChoice Pay TV Group has made a contribution to Zambian society by supporting public sector broadcasting, disseminating educational content and news, as well as reflecting Zambian society and culture through its programmes. Zambia has had a fourfold subscriber increase over the period from 2011/12 to 2014/15.

Zambian society

The MultiChoice Pay TV Group has invested almost $60,000 in education from 2011/12 to 2014/15 through its MultiChoice Resource Centre Initiative, providing 327 schools with decoders to record programmes for use in class. MultiChoice Pay TV Group is supporting the Zambian government’s objective of having more locally produced TV content shown by broadcasting locally produced shows on its channels.

Supporting local businesses

MultiChoice Zambia has developed a wide distribution network, consisting of over 950 agencies, retailers and direct sales representatives. These agents earn commission payments for the various services carried out on behalf of MultiChoice Pay TV Group, thereby supporting the growth of local businesses in Zambia.

Promoting Zambian sports

MultiChoice Pay TV Group, through its sports content entity SuperSport, has invested over $5.3m over the last four years on licence fee payments and production expenses. Further, SuperSport has enabled sports to be visible on television, allowing stakeholders to benefit from other forms of revenue and investment such as sponsorship payments, gate collections and government funds in addition to distributions of SuperSport’s licence fee payments. These funds could be utilised to upgrade infrastructure and invest in sports talent as well as growing related professional skills such as club management.

Public sector broadcasting

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MultiChoice Pay TV Group has been a feature of the Zambian broadcasting landscape since it set up its operations in the country in 1994. MultiChoice Pay TV Group has an impact on the Zambian economy through its own operations, through stimulating economic activity in a wide range of industries, and through wider spillover effects on consumers and others in the country.

MultiChoice Zambia Limited (MultiChoice Zambia) was set up as a joint venture with Zambian National Broadcasting Corporation (ZNBC) to import and distribute television hardware as well as to provide subscriber management services. Further, GOtv Zambia Limited (GOtv Zambia), a joint venture with ZNBC was established to provide digital service in Zambia. Through these entities, MultiChoice Zambia Group’s presence in Zambia has grown over this period. Locally, it now employs over 190 employees and supports a large distribution network of over 950 agencies, sales representatives and retail outlets. The entities in Zambia have further interactions with entities outside of Zambia, including MultiChoice Africa, SuperSport and AfriSat. These are together referred to as ‘MultiChoice Pay TV Group’ for the purposes of this report.

This report quantifies the Gross Domestic Product (“GDP”) impact resulting from MultiChoice Pay TV Group’s activities and illustrates MultiChoice Pay TV Group’s wider impacts through:

- Investment in innovations in digital technology and digital migration as well as its partnerships such as with the government broadcaster ZNBC;
- Distribution and production of content of public interest and organisation of community initiatives;
- Investment in its people and supporting businesses across the distribution network;
- Promotion of the sports industry and investment in the broadcasting of sports.

MultiChoice Pay TV Group’s contribution to Zambian GDP

MultiChoice Pay TV Group is estimated to have contributed $65.3m to Zambian GDP in 2014/15, amounting to around 0.2% of Zambian GDP. Between 2011/12 and 2014/15 this amounted to a total of $202.2m. This estimate consists of the imports resulting from MultiChoice Pay TV Group’s spend in terms of wages, taxes and dividend payments, as well as its expenditures in the supply chain, and the ripple effects resulting from additional demand created in the economy through MultiChoice Pay TV Group’s expenditure. The total economic impact, therefore, consists of the impacts shown below.}

MultiChoice Pay TV Group’s expenditure. The total economic impact, therefore, consists of the impacts shown below.

**Direct impact**

MultiChoice Pay TV Group made a direct contribution of $35.9m to GDP in 2014/15. This impact is measured as the sum of the taxes, wages and profits paid into the Zambian economy. The majority of this impact is made up of tax payments made by MultiChoice Pay TV Group to the Zambian government amounting to $20.2m in 2014/15. These consist of VAT payments, corporation tax and import duty payments and have more than doubled since 2011/12.

MultiChoice Zambia Group also paid wages of $5.3m in 2014/15 to its more than 190 direct employees and contractors. Wage payments increased by a factor of around 2.5 from their level in 2011/12, testifying the rapid increase in MultiChoice Pay TV Group’s presence on the ground.

The direct impact further includes dividend payments to MultiChoice Zambia Group’s shareholder ZNBC, which amounted to $4.4m in 2014/15, an almost 50% increase from the 2011/12 level of $3.1m. Over the last six years since June 2009, total dividend payments of $20.1m were made to ZNBC.

**Supply chain expenditure**

MultiChoice Pay TV Group spent an aggregate of $16.7m in 2014/15 on its supply chain, which has more than doubled since 2011/12. The largest expenditure category in 2015 was made up of customer In over 20 years of operation in Zambia, MultiChoice Pay TV Group has transformed from an analogue only service to the first digital television service received in the country, now offering a breadth of packages across its satellite (under the DStv brand) and Digital Terrestrial Television (DTT) services (under the GOtv brand) and its innovations such as High Definition Television (HDTV), Personal Video Recording (PVR) (the Explora decoder) and Pay per View (BoxOffice) offers. MultiChoice Pay TV Group has thereby catered for the diverse needs of Zambian consumers and given its penetration in the market. As a result, the number of subscribers increased fourfold between the end of the financial year of 2011/12 and 2014/15.

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**Supply chain expenditure**

MultiChoice Pay TV Group spent an aggregate of $16.7m in 2014/15 on its supply chain, which has more than doubled since 2011/12. The largest expenditure category in 2015 was made up of customer
acquisition costs at $5.6m. This represents MultiChoice Zambia’s efforts in building a strong distribution network; it currently works with over 950 agencies, retailers and sales representatives.

Administrative costs made up $4.8m in 2014/15. Other expenditure categories include marketing, building & maintenance and content expenditure, testifying to MultiChoice Pay TV Group’s diverse supply chain, reaching different sectors in the economy.

In 2013/14 and 2012/13, total supply chain expenditure amounted to $21.7m and $19.7m, respectively. This higher expenditure was due to increased technology and transmission expenditure during roll-out of the DTT network: It totalled $7.8m in 2012/13, $6.4m in 2013/14, and only $0.7m in 2014/15.

Multiplier impact
It is estimated that MultiChoice Pay TV Group’s expenditure supports an additional $12.7m of economic activity in 2014/15 over and above its direct impact and expenditure in the supply chain. This demand supports additional activity in the economy through its multiplier impact, arising from interdependencies of MultiChoice Pay TV Group’s operations with other sectors in the economy.

MultiChoice Pay TV Group has contributed to the process of digitalisation and digital switchover through its investment in the digitalisation of broadcasting services. It had around 455,000 subscribers in 2014/15 across the GOh! (OTT) and Go! (DTH) satellite services in Zambia, a headline increase over the period from 2013/14 to 2014/15. There were also around 21,000 subscribers in 2014/15 subscribing to value-added digital services such as PMV, catch-up and its Pay per View service (“BoxOffice”).

Research suggests that SuperSport’s presence stimulates Zambians to participate more in sports activities and therefore have better physical and mental health in general. This also counts for our own staff.
Informing, educating and reflecting Zambian society
MultiChoice Pay TV Group has made a contribution to Zambian society by supporting public sector broadcasting, disseminating educational content and news as well as reflecting Zambian society and culture through its programmes.

MultiChoice Pay TV Group supports its business partner in Zambia, ZNBC, in its duties as public sector broadcaster. It supplies 67 of ZNBC’s 69 analogue transmitter sites with signal, using its satellite network to rebroadcast ZNBC’s channels to ZNBC transmission sites across the country. The dividend payments earned from MultiChoice Zambia make up around 20-23% of ZNBC revenues. Further, MultiChoice Pay TV Group shares some of its content with ZNBC and improves the ZNBC reach to customers by broadcasting in digital quality on its DGTv and DSTv platforms.

Recognising the educational value of its content, MultiChoice Pay TV Group has invested almost $60,000 in education from 2011/12 to 2014/15 through its MultiChoice Resource Centre Initiative, providing 327 schools with the means to use audio-visual teaching methods in class using decoders.

MultiChoice Pay TV Group is supporting the Zambian government’s objective of having more locally produced TV content shown by licensing and commissioning locally produced shows, and broadcasting these on its dedicated Zambian Magic channel and previously its Africa Magic channels across Africa. This thereby contributes to the visibility and recognition of Zambian culture and supports the local content production industry. This is further supported by MultiChoice Pay TV Group’s investment in cultural initiatives such as the Africa Magic Viewers’ Choice Awards (“AMVCAs”) and the CNN MultiChoice Africa Journalist Awards which recognise talent in the African content production industry and journalism respectively.

Supporting local businesses
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Promoting Zambian sports
SuperSport has expended over $5.3m on licence fee payments and production expenses in Zambia over the last four years, including repatriation outside of Zambia, a total of $9.6m was spent on the Zambian football league over this period. These funds have benefited a variety of stakeholders in the industry, in addition to other revenue streams resulting from increased popularity of football over recent years.

SuperSport has supported this by giving Zambia football significant visibility on-air. It showed more than 162 hours of football in 2014/15 in a total of 48 countries, around double the number of matches in 2011/12 on its channels. Some games are also provided to ZNBC for broadcasting to the benefit of the wider public. This has resulted in a series of knock-on effects for the league and clubs from title sponsorship, ticket sales and jersey sponsors.

Almost all of the 16 teams in the league now have jersey sponsors and regularly attract crowds of up to 30,000 spectators per match. Salaries for players could rise as a result. Nowadays even the lowest yearly base salary is around three times the GDP per capita of around $1,550 in 2015.

SuperSport has further supported the development of stakeholders in the industry by setting professional standards for league and club management and standards for employment contracts, thereby formalising and promoting employment in the sector.

MultiChoice Pay TV Group’s activities and economic impact in Zambia

Last year, MultiChoice Pay TV Group is estimated to have contributed $65.300.000 to the Zambian GDP.

SuperSport is part of this investment, it actively supports and facilitates the development of the Zambian football industry.

SuperSport has supported the growth of local businesses in Zambia by licensing and commissioning locally produced shows, and broadcasting these on its dedicated Zambian Magic channel and previously its Africa Magic channels across Africa. This thereby contributes to the visibility and recognition of Zambian culture and supports the local content production industry. This is further supported by MultiChoice Pay TV Group’s investment in cultural initiatives such as the Africa Magic Viewers’ Choice Awards (“AMVCAs”) and the CNN MultiChoice Africa Journalist Awards which recognise talent in the African content production industry and journalism respectively.

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INTRODUCTION

MultiChoice Pay TV Group’s services were first received in Zambia in 1995. It started as an analogue only service, but transformed into the first digital television service received in the country two years later through its DStv service, significantly expanding the content offering available in the market. MultiChoice Pay TV Group has since continuously invested in broadcasting through the breadth of its packages and its innovations such as High Definition Television (HDTV), Personal Video Recording (PVR) (the Explora decoder) and Pay per View (BoxOffice) offers, which have further stimulated the sector.

MultiChoice Pay TV Group has catered for the diverse needs of Zambian consumers and grown its presence in the market. As a result, the number of subscribers increased fourfold between the end of the financial year of 2011/12 and 2014/15.

MultiChoice Zambia Limited (MultiChoice Zambia) was set up in 1994 as a joint venture with Zambian National Broadcasting Corporation (“ZNBC”), the public broadcaster and MultiChoice Africa, a wholly owned subsidiary of MultiChoice Group. Eagle Digital Television (EDTV) was set up in 2007 as a joint venture between MultiChoice Zambia Limited and ZNBC. GOtv Zambia Limited (GOtv Zambia) was set up in 2011/12 in partnership with MultiChoice Zambia Limited and ZNBC to provide digital terrestrial television (DTT) in Zambia. The entities in Zambia have forged strong relationships with content providers, including the public broadcasters. MultiChoice Africa, SuperSport and M-NET. These are together referred to as “MultiChoice Pay TV Group” for the purposes of this report.

MultiChoice Pay TV Group has also grown its presence over the years in terms of activities on the ground. MultiChoice Pay TV Group has more than doubled the number of employees and contractors employed across its two entities. The number of employees and contractors employed across the two entities has more than doubled between the end of the financial year of 2011/12 and 2014/15 to over 1100. Further, it supports a large distribution network of over 950 agencies, sales representatives and retail outlets.

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INTRODUCTION

MultiChoice Pay TV Group’s activities and economic impact in Zambia

The analysis of these impacts makes use of two concepts. Firstly, the GDP impact of MultiChoice Pay TV Group’s operations, which captures the economic activity generated for the Zambian economy as a result of MultiChoice Pay TV Group’s expenditures. This is measured as the sum of the following impacts:

1. Direct impact: This consists of MultiChoice’s expenditure in remunerating factors of production (wages, profits) plus taxes and Corporate Social Responsibility (“CSR”) spending.
2. Indirect impact: The indirect impact consists of MultiChoice’s expenditure across the supply chain in Zambia (e.g. marketing, admin expenditure, building and maintenance) and the resulting ripple effects of that expenditure across the Zambian economy as employees of MultiChoice and its suppliers spend their income in consumer goods and services in other sectors in Zambia.
3. Induced impact: The induced impact consists of the ripple effects across the economy as employees of MultiChoice and its suppliers spend their income in consumer goods and services in other sectors in Zambia.

Secondly, the spoilover effects, which capture the by-products of MultiChoice Pay TV Group’s activities, felt by MultiChoice Pay TV Group’s consumers in Zambia, the wider public, or other firms and agents in the same or other sectors. These include MultiChoice Pay TV Group’s role in:

- Supporting digitalisation and digital switchover;
- Informing, educating and reflecting Zambian society;
- Supporting local businesses; and
- Promoting and facilitating Zambian sports.

Report Structure

The remainder of this report is structured as follows:

1. The next section discusses MultiChoice Pay TV Group’s activities, their impact on the Zambian economy and presents case studies to illustrate these impacts on the economy.
MULTICHOICE PAY TV GROUP’S IMPACT ON GDP

**MULTICHOICE PAY TV GROUP’S ACTIVITIES AND ECONOMIC IMPACT IN ZAMBIA**

The Multichoice Pay TV Group employed 193 permanent staff members and contractors in 2015, all of whom are Zambian, which is more than double its 2012 level.

Also in 2015, more than 50% of Multichoice Pay TV Group’s budget was spent on a single educational initiative, the Multichoice Resource Centre. A further 44% was spent on Zambian sports.

**EMPLOYEES AND CONTRACTORS**

This GDP impact is calculated as the sum of Multichoice Pay TV Group’s expenditure on remunerating local factors of production and the ripple effects arising both from expenditure across the Zambian supply chain and employment spending in the Zambian economy. These impacts are based on expenditure in Zambia only, expenditures in other countries outside of Zambia and associated impacts are excluded from this study.

**Direct impact**

Multichoice Pay TV Group is estimated to have made a direct contribution of $35.9m to Zambian GDP in 2015. It paid around $26.2m in taxes in 2015, which formed the majority of its direct contribution (73%). Wages and dividend payments made up roughly equal shares (15% and 12%, respectively).

**Taxes**

Multichoice Pay TV Group’s tax contribution more than doubled between 2012 and 2015, reaching $26.2m in 2015. Whilst VAT at $11.5m in 2015 still made up the majority of taxes in 2015 (44%), corporation taxes and import duties also made up substantial proportions at $7.3m each (27% respectively). Corporation taxes have increased steadily from 2012 to 2015, though, used to make up a larger share in all other years (36% in 2012, 2013 and 2014). Import duties peaked in 2015 due to the increased import of GOtv set-top boxes.

Multichoice Pay TV Group’s tax contribution allowed the government to collect funds of around $1.7 for each citizen in 2014/15.

**Dividend Payments to ZNBC**

Dividend payments to Multichoice Zambia Group’s shareholder ZNBC amounted to $4.4m in 2014/15, roughly a 50% increase from the $3.1m level of $1.5m. Over the last six years since June 2009, total dividend payments of $20.1m were made to ZNBC.

**Wages**

Wage payments totalled $5.3m in 2015, or around 2.5 times of their 2012 value of $2.5m. This is the component of Multichoice Pay TV Group’s direct contribution to GDP that grew the fastest between 2012 and 2015. Multichoice Zambia Group employed 193 permanent staff members and contractors in 2015, all of whom are Zambian, which is more than double its 2012 level. Employment is employed across a broad range of activities, such as management, marketing, public relations, sales, through to finance and operations. In addition, 70 temporary staff members were hired for a total duration of five months in 2014/15 during a promotional campaign. These figures include the jobs supported in Multichoice Zambia Group’s distribution network, further discussed in the next section.

**The Multichoice Pay TV Group employed 193 permanent staff members and contractors in 2015, all of whom are Zambian, which is more than double its 2012 level.**

Also in 2015, more than 50% of Multichoice Pay TV Group’s budget was spent on a single educational initiative, the Multichoice Resource Centre. A further 44% was spent on Zambian sports.
MultiChoice Zambia spent $137,000 in aggregate between 2012 and 2015 on CSR activities. In 2015, more than 50% of this budget was spent on MultiChoice Zambia’s educational initiatives, the MultiChoice Resource Centre ("MIRC") and a further 40% was spent on the sports event “Intercompany Relay”. The remainder of the budget was spent on smaller initiatives, such as the following:

- MultiChoice Zambia has been assisting the Kabwata Orphanage, and the Open Arms Orphanage since their inception, through in-kind donations of books, shoes, shopping vouchers and blankets, sponsorship money;
- MultiChoice Zambia has worked with the University Teaching Hospital for a number of years, giving free subscriptions to the kids and mothers, and occasionally supporting with paint jobs;
- Since 2006, MultiChoice Zambia has repeatedly been the head sponsor for the Nkana St Andrew Church annual golf tournament that raises money towards projects such as the construction of a house for a homeless lady.

Overview of key areas of MultiChoice Pay TV Group’s supply-chain expenditure in Zambia

MultiChoice Pay TV Group spent an aggregate of $16.7m in the supply chain in Zambia in 2015, down from $21.7m in 2014 due to higher than average technology spend associated with the roll-out of GOtv.

Expenditure on technology and transmission made up the majority of payments in 2013 and 2014, with $7.8m and $6.4m spent, respectively (40% and 29% of total expenditure in 2013 and 2014 respectively). This expenditure represents the capital expenditure on transmitters during the roll-out of the GOtv (DTT) network.

In 2015, the largest expenditure category consisted of customer acquisition costs, at $5.6m (34%). Customer acquisition costs are made up of commissions paid to the distribution network, as well as the administrative costs for landing set-top boxes. These costs increased more than five-fold between 2012 and 2015.

Another cost category that consistently made up large shares of total expenditure included administrative costs, which cover general administrative expenditure, communication, travel, external fees as well as training related expenses. In 2015, this category made up 29% of total expenditure, at $4.4m.

Marketing and building expenditure made up 14% and 13% of total expenditure, at $2.2m and $2.1m respectively. In 2014, MultiChoice Zambia Group accounted for 4% of total marketing spend of the top 10 spenders in Zambia (totaling $47.5m) as the 10th highest spender.

Content expenditure on the production and acquisition of local content, including sports, amounted to $1.2m, and a total of $4.5m between 2012 and 2015.

The Kabwata Orphanage is dedicated to the relief of orphans in Lusaka. The Orphanage cares for 80 children and is passionate about creating a loving, safe, healthy and thriving environment promoting the importance of education for their future.
MultiChoice’s contribution to the Zambian economy has increased steadily across the last four years, and more than doubled between 2012 and 2015.

MULTICHOICE’S IMPACT ON GDP

Multiplicities

MultiChoice Pay TV Group’s operations in Zambia generate further economic activity, amplifying the direct economic impact in terms of GDP. The “multiplier” effects arise from the linkages between MultiChoice Pay TV Group’s activities with other sectors. Firstly, MultiChoice Pay TV Group’s demand for inputs from its suppliers results in indirect production linkage related impacts across the whole supply chain as MultiChoice Pay TV Group’s providers will spend part of their income both along the supply chain. These are referred to as “indirect impacts.” Secondly, there are consumption related impacts, as MultiChoice Zambia’s employees in the supply chain receive incomes that they spend in the economy. This in turn generates greater demand for domestic producers across the range of sectors in the economy, causing further production and consumption linkage related effects. These are referred to as “induced impacts.” The expenditure by MultiChoice Pay TV Group is, therefore, further spent across the economy by employees, suppliers, the chicnese and ZNBC as a shareholder, producing ripple effect and further economic activity in the Zambian economy. The extent to which the direct effects are amplified through the indirect and induced impacts is referred to as the multiplier effect. The multiplier effect captures the combined effects of various economic linkages over a period of time, as impacts in one sector cause ripple effects through a number of rounds. The interdependencies across sectors in terms of production inputs, as well as household spending are captured in the 2007 Social Accounting Matrix (“SAM”). This can be used to derive multipliers that capture both the indirect and induced impacts described above in response to external shocks to demand. These can be used in the estimation of MultiChoice Pay TV Group’s total GDP impact, by applying the industry specific multiplier to MultiChoice Pay TV Group’s expenditure, comprising of its wages, taxes and dividend payments, as well as its supply chain expenditure. This expenditure is in turn the total demand for MultiChoice Pay TV Group’s services, and thus approximates a positive demand shock to the economy, the impact of which is being quantified in this study using the SAM. It is estimated that $1m of spend in the communications industry supports $1.24m across the Zambian economy.

The magnitude of economic linkages of MultiChoice Pay TV Group’s expenditure depends on a variety of factors including the following three key factors:

- Strength of sectors’ supply chain: The greater the linkages between sectors and their supply chain, the more income will be spent in the supply chain and thus the larger the multiplier;
- Local demand: The greater imports, the more income will leakages to abroad and the smaller the multiplier; and
- Household consumption patterns: The higher households’ propensity to consume, and to consume goods with strong supply chains, the larger the multiplier. Also, the more disposable income households are left with after paying taxes, the larger the multiplier.

A more detailed explanation of the methodology used to estimate multipliers and their application in this study is provided in Appendix A.
MultiChoice’s direct economic impact in 2015

<table>
<thead>
<tr>
<th>Category</th>
<th>Impact (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MultiChoice’s supply chain expenditure in Zambia</td>
<td>$35.900.000</td>
</tr>
<tr>
<td>MultiChoice supports a further $12.7m over and above its expenditure</td>
<td>$12.700.000</td>
</tr>
</tbody>
</table>

Total economic impact

MultiChoice Pay TV Group is estimated to have supported $65.3m of Zambian GDP in 2015, and a total of $200.2m between 2012 and 2015. The total impact in 2015 consists of its direct economic impact of $35.9m and its supply chain expenditure of $16.7m. Together, these amounts to the total value of demand for MultiChoice Pay TV Group’s services. Through its economic linkages in the economy, $1.2m worth of demand for MultiChoice Pay TV Group’s services is estimated to support $15.9m of GDP in the Zambian economy. Therefore, MultiChoice Pay TV Group supports a further $12.7m over and above its expenditure.

MultiChoice’s Pay TV Group’s contribution to the Zambian economy has increased steadily across the last four years, and more than doubled between 2012 and 2015.

Source: Deloitte analysis using MultiChoice Pay TV Group data.
They include MultiChoice Pay TV Group’s role in:

> Supporting digitalisation and digital switchover;
> Reflecting, informing and educating Zambian society;
> Supporting local businesses; and
> Promoting Zambian sports.

These are discussed in the following subsections.

Supporting digitalisation and digital switchover

The integration of digital technologies into various aspects of life is a global trend that is widely thought to have the potential to contribute to economic growth. The Zambian government believes that access to information and Communication Technology (ICT) services, harnessed through infrastructural roll out, will help in reducing the cost of doing business, promote small business development and enhance job creation.

MultiChoice Pay TV Group has supported this trend through its efforts in digital migration and by providing and encouraging uptake of innovative digital services in the broadcasting space.

Supporting digital migration

Digital migration in broadcasting involves the replacement of analogue TV signals with digital TV signals. Digital signals use frequency more efficiently and thus can expand broadcasting services to additional content, such as the delivery of government information, education, health and small medium enterprise (“SME”) programmes.

Further, it increases capacity for local content in a range of different languages. This yields opportunities for developing talent, skills and the creation of jobs and investment opportunities.

MultiChoice Pay TV Group enables a number of spillover effects in the wider economy beyond the economic activity it creates directly and along its supply chain. These spillover effects arise as by-products of MultiChoice Pay TV Group’s activities and through MultiChoice Pay TV Group’s deliberate investments.

SPILLOVER EFFECTS

Although the Zambian film industry has still a way to go, MultiChoice’s digital signals will help it develop faster. Digital signals use frequency more efficiently and thus expand capacity for local content in a range of different languages. This yields opportunities for developing talent, skills and the creation of jobs and investment opportunities.

**SPILLOVER EFFECTS**

**MULTICHOICE PAY TV GROUP’S ACTIVITIES AND ECONOMIC IMPACT IN ZAMBIA**
MultiChoice Pay TV Group has played a noticeable role in supporting the government’s effort towards achieving digital migration. Whilst analogue switch-off (“ASO”) has not occurred in Zambia by the EU mandated deadline of 17th June 2017, progress has been made towards encouraging take-up of DTT by consumers, rolling out the DTT network in partnership with ZNBC, and educating the public about digital migration. Only six countries in Africa have so far achieved ASO.

Stimulating take-up of DTT

MultiChoice Pay TV Group provided the first digital broadcasting services to the country, through its satellite offering under the DStv brand. In 2012, GoTv Zambia launched its DTT service, using the latest DVB-T2 technology. This offers attractive Pay TV services at more affordable prices which stimulate take-up of DTT services by the population. This is seen through the increase in the number of subscriptions.

In 2015, GoTv Zambia launched the GoTv Lite service, which allows Zambians with GoTv decoders to watch the two ZNBC channels and seven other Free-to-Air channels in digital quality without the need to pay for a monthly subscription. This further encourages the take-up of DTT.

Njila – The Njila, a new series on Zambezi Magic.

“We are excited to bring our viewers more local productions that will help to grow the entertainment industry in Zambia,” said Addiel Dzinoreva, Channel Head Zambezi Magic. “It shows our further commitment to enhancing new local productions on Zambezi Magic this year. Our region has many more rich stories to tell and we’re excited that Zambezi Magic has taken steps to make sure that our local story tellers and talent are seen and heard on our channel.”

In simple terms, MultiChoice offers Zambians the choice of two superior digital television systems. DStv brings entertainment, movies, lifestyle & culture, sport, documentaries, news, children, music, religion and consumer channels through a dish on the roof pointing at a satellite in space. GoTv does the same through an antenna pointing at a local land transmitter.
One of the key challenges in successfully achieving ASO is the organisation of sufficient stock of set-top boxes in the country required to receive the DTT signal. MultiChoice Pay TV Group has spent significant resources on importing set-top boxes into Zambia. By March 2015, MultiChoice Zambia Group had imported almost 660,000 DTT set-top boxes into Zambia, thus being able to supply 25% of households in the country with DTT set-top boxes alone. MultiChoice Zambia Group also provided ZNBC with around 100,000 independent decoders free of charge, at a total value of $5.1m. These decoders are configured as free-to-air set-top boxes according to ZNBC requirements. Around two-thirds of MultiChoice Zambia Group’s decoders have already been sold to customers. Importantly, MultiChoice Pay TV Group provides these decoders at a subsidised price; the cumulative subsidy on GOtv Set-top boxes that customers have benefitted from amounts to $10.5m as at April 2015. Depending on the wholesale insurance, as well as VAT and import duties, and the commission payments to its distributors for the sale of decoders.

Facilitating network rollout

MultiChoice Pay TV Group and its partner ZNBC have rolled out DTT networks across Zambia. The GOtv service is distributed across the country through ten transmission sites: Luaka, Kitwe, Ndola, Livingstone, Kafue, Livingstone, Chironga, Solwezi, Kabwe, Chibota and Choma. The total capital expenditure paid to Zambian agents for these transmitters amounts to around $14.4m. The quarterly dividend payments received from MultiChoice Zambia have in part been utilised to support this investment. In the financial year of 2014/15, dividend payments amounted to between $1.2m and $1.9m per quarter. Total payments of $17.2m were paid to ZNBC between June 2011 and June 2015.

### Set-top box supply

<table>
<thead>
<tr>
<th>Set-top boxes supplied to date</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Set-top boxes imported by GOtv Zambia (cumulative)</td>
<td>17,800</td>
<td>82,800</td>
<td>210,600</td>
<td>659,790</td>
</tr>
<tr>
<td>Set-top boxes sold to customers (cumulative)</td>
<td>6,400</td>
<td>76,726</td>
<td>181,900</td>
<td>432,426</td>
</tr>
</tbody>
</table>

Source: Deloitte analysis using MultiChoice Pay TV Group data
Providing attractive digital offerings

Whilst MultiChoice Pay TV Group has played an instrumental role in digital migration in Zambia through its DTT offering, MultiChoice Pay TV Group is continuously innovating its service offering, encouraging adoption of digital technologies.

In addition to the five bouquets that subscribers can choose from on DStv, subscribers with PVR enabled decoders (the ‘Explora’) can choose to subscribe to the PVR service. This allows customers to record and store up to 70 hours of personal recorded content, selected from the weekly programme guide accessible on the decoder. There are currently around 21,000 subscribers with Explora devices.

The PVR subscription also allows consumers to access other digital services, including:

- **Box Office:** A pay per view service enabled through the decoder and online, available to Premium, Compact + and Compact PVR subscribers. This service offers films currently available on DVD, around three months after the launch of the movie in the theatres;
- **SuperSport App and DStv Now:** Website and mobile application based live streaming services of SuperSport and other channels, respectively, providing service mobility to Premium PVR subscribers; and
- **Catch-Up:** Decoder and online based database of pre-recorded popular content, accessible at any point in time to Premium PVR subscribers.

Furthermore, all DStv decoders currently for sale are High Definition (“HD”) decoders which enable Premium subscribers to access around 20 channels in HD.

MultiChoice Pay TV Group has also further innovated in terms of customer support and payment services. Subscribers can reactivate their decoders following payment through the telecommunication operator’s website. In addition, subscribers can also pay through a variety of payment services, including mobile money services such as Airtel and MTN mobile money.

Partnerships with banks allow banks’ clients to pay using any mobile phone. Zanaco (Zapit service), FNB, Standard Chartered, Finprint Bank, UBA and Indom Zambia. MultiChoice Pay TV Group is also rolling out a new improved billing system called “Clarity”.

MultiChoice Zambia Group supports the government’s requirements towards educating the public about digital migration. GOtv Zambia launched a digital migration awareness campaign called “Digo itichita na GOtv” (Nyanja for “Digital happens with GOtv”) in April 2015, to continue until analogue switch-off.

Creating public awareness

This campaign mirrors the public that GOtv services are digital and in subscribers do not need to acquire any additional services or equipment once analogue switch-off has occurred. At the same time, new customers are alerted about the content of the GOtv service. The campaign is fully financed out of the marketing budget, signaling the MultiChoice Zambia Group recognizes the importance of consumer education in the communication to its customers. This campaign is being conducted across all 10 GOtv towns, including high-density areas which benefit from power access to information on digital migration and retail outlets. The success of the campaign is demonstrated by significantly increased decoder sales. By September 2015 the sales target for the year had been reached.

GOtv Zambia has further launched the GOtv lite bouquet, which gives subscribers access to the two ZNBC channels, in addition to other free to air (FTA) channels for every consumer with a GOtv decoder. This does not require the payment of a monthly subscription.

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MultiChoice Zambia Group supports the government’s requirements towards educating the public about digital migration. GOtv Zambia launched a digital migration awareness campaign called “Digo itichita na GOtv” (Nyanja for “Digital happens with GOtv”) in April 2015, to continue until analogue switch-off.
SPILLOVER EFFECTS

CASE STUDY

**GOtv services, network rollout and “Digitoko ichitika na GOtv” campaign**

The GOtv service launched in 2012, in partnership with ZNBC. Two bouquets are on offer: GOtv Plus and GOtv Value, at monthly prices of ZMW85 and ZMW65 respectively. These services give customers access to 26-36 (depending on the region) and 21 channels across a variety of genres, such as Entertainment, Sport, Children, Music, Religion and News. Further, the GOtv Lite service, allows Zambians with GOtv decoders to watch the two ZNBC channels and seven other Free-to-Air channels in digital quality without the need to pay for a monthly subscription.

The GOtv service allows customers to access all content in digital quality. As a result, no further steps towards digital migration are necessary for existing subscribers. This forms the key message of the digital migration marketing campaign, which kicked off in April 2015, termed “Digitoko ichitika na GOtv”. This campaign reaches out to consumers through a variety of channels, informing them about GOtv services and showcasing GOtv content to its customers in road shows, (digital) billboards, radio commercials, TV shows, Print Media, Social Media, retail outlets, through mobile and online advertising, as well as through activations in football stadiums. GOtv also named brand ambassadors to gain support in spreading its message: “Bikiloni & Difikoti” and “Dorika”, well known comedians across Africa. The various agents in its distribution network are also heavily involved, allowing them to benefit from commissions earned from decoder sales.

**Facilitating efficient use of spectrum**

Digital migration facilitates the release of valuable spectrum currently used in analogue broadcasting, since broadcasting frequencies are used more efficiently. This is referred to as the “digital dividend”. Through its contributions to analogue switch-off, MultiChoice Pay TV Group is assisting with the potential release of this spectrum for alternative uses.

The Zambian Government sees digital migration as a key tool to achieving its ambitious targets for economic and social progress. It stated its intentions to use the spectrum that is expected to be freed up for wireless broadband communications, as well as “other” applications, such as value added broadcasting services. Research suggests that this can have an impact on strengthening economic growth. Digital dividend spectrum is expected to contribute an estimated 1.8% to South African GDP by 2017.**

The Zambian Government sees digital migration as a key tool to achieving its ambitious targets for economic and social progress.
Informing, educating and reflecting Zambian society

MultiChoice Pay TV Group has made contributions to Zambian society by supporting public sector broadcasting, disseminating educational content and news as well as reflecting Zambian society and culture through its programmes. Further, MultiChoice Pay TV Group has initiated a number of educational and cultural programmes and projects.

Supporting public sector broadcasting

MultiChoice Pay TV Group supports the ZNBC in its role as Zambia’s sole public service broadcaster in a variety of ways.

ZNBC currently relies on MultiChoice Pay TV Group to supply its 67 analogue transmitter sites with signal, using its satellite network. MultiChoice Pay TV Group picks up ZNBC content from its local office in Lusaka, and sends it to its satellite uplink sites in Randburg, South Africa. Then, it is uploaded to the satellites that rebroadcast the content to ZNBC transmitters across the country. All of ZNBC’s transmitters across the country, except Lusaka, receive ZNBC feed through this arrangement, as part of its partnership with MultiChoice Pay TV Group. ZNBC also plans to rely on this arrangement for additional sites to be built, which would take its coverage beyond the current level of around 80%.

Through the regular dividend payments MultiChoice Zambia pays to ZNBC as its shareholder, MultiChoice Zambia provides a reliable source of income to ZNBC’s expenditure including costs for the provision of public service content. MultiChoice Zambia’s dividend payments amount to around 20-25% of total revenue of ZNBC, which is otherwise made up of airline sales (around 45%), TV levy (around 10-15%) and government funding (around 1%). The funds provided have been progressive across the years, and this provide a more reliable source of revenue than other sources, such as airline sales. They are utilised across the board, such as network investment and airing, operational expenses, and employee and welfare related expenses. As the government broadcasters, ZNBC is a popular source of information on local politics and news, as well as other local content to Zambians. MultiChoice Pay TV Group broadcasts both ZNBC1 and ZNBC2 on both DStv and GoTV platforms in digital quality, thereby improving the customer experience and making ZNBC’s content more attractive. Furthermore, MultiChoice Pay TV Group provides ZNBC with some of its content, most notably at least one of the football matches produced on each production weekend.

MultiChoice Pay TV Group also supports ZNBC through capacity building. In 2015 alone, MultiChoice Pay TV Group have invited ZNBC staff to the Content Showcase in Mauritius, as well as the CHIJ/Pabrik Awards at the cost of MultiChoice Pay TV Group. Several members of staff are also enrolled in the production training led by SuperSport, allowing ZNBC staff to acquire key skills in TV production.

MultiChoice Pay TV Group has made contributions to educating and informing Zambians, both through broadcasting content of public interest, as well as investing in educational initiatives.

The widespread benefits of education have been researched extensively. These include improvements in productivity, moving towards a more equal distribution of income, and facilitating individual’s life choices.
Francine Mazala, winner of the DStv Eutelsat Star Awards: “Africa is the least developed continent in the world for several reasons such as ignorance or lack of education, disease and poverty. To mention but a few. I believe satellites and educational television can facilitate the tackling of some of the problems which African countries are experiencing.”

SPILLOVER EFFECTS

close cooperation with the Ministry of Education. The total expenditure between 2012 and 2015 on this programme amounted to $56,500.

MRCs had been set up in 327 schools by August 2015. Each year, MultiChoice Zambia Group staff travel around the country to add around 60 schools each year: this involves installing satellite dishes and TVs, connecting decoders, and training teachers on the use of the decoders and the use of recorded material in class. Expanding on the programme has continu-ously increased, and has more than quadrupled from 2012/13 to 2014/15. Costs include the technical equipment, as well as the cost involved in MultiChoice Zambia Group staff travelling to schools, installing the equipment, training the staff on how to use the equip-ment. The Department of Distance Education (“DODE”) within the Ministry of Education supports the initiative through selecting appropriate schools each year, and providing the TV sets required to view the content.

The educational channels provided contain material on a variety of topics, including science, mathematics, geography and languages. The key benefits of using audio-visual material in classes are reported to include higher levels of student attention, an improved relationship between teachers and students, facilitated understanding of abstract materials that would otherwise only be taught through books (e.g. natural wonders, animals) as well as ease of preparation of classes for teachers. Research conducted in a secondary school in Nigeria showed that audio-visual resources stimulate interest and improve learning.27

Further, anecdotal evidence from interviews suggests that it can be used to productively fill classes in case of teacher absenteeism. Teacher absenteeism has been prevalent in Zambia, often due to health-related issues and can have far-reaching consequences; research suggests that a 5% increase in the absence rate reduces learning by 4-8% of the average gains in a year in Zambia.28

The MRC programme is accompanied by the DStv Eutelsat Star Awards, a pan-African collaboration between MultiChoice Africa and Eutelsat. In this initiative, students submit essays about the benefits of satellite technology as the continent. The main aim is to get students interested in science and technology concepts, and to encourage further study in these fields. The two top essays in the country are awarded with gifts; the country winner is then also invited to compete against other African winners in a competition attended by international judges. In 2013, the overall winner Francine Mazala was Zambian and benefitted from her experiences of travelling to Paris to visit the Eutelsat facilities. As a result, the award ceremony was held in Zambia in 2014.

Other educational initiatives run by MultiChoice Zambia include the following:

• MultiChoice Zambia partners with the University of Cape Town to offer scholarships towards studying for an M Phil in Development Policy and Practice, a two-year part-time programme to forge leaders in the public sector, civil society or international organisa-tions. Zambian students awarded with scholarships include Felix Mwenga in 2014 and Kutengo Chilanga in 2015.

• MultiChoice Zambia sponsors a small grassroots charity called the “Young Talent Foundation Project”, run by the Zambian model Ruth Musakabantu. This charity conducts day time activities for a small group of children of around 50 children of various age groups, run-ning up to a total of a payment done attended by the children’s parents. During the programme, children are being engaged in meaningful daytime activities.
Access to educational and news content

MultiChoice Pay TV Group’s customers have ready access to educational content and content of public interest through its news and educational channels. These channels are available on the Premium bouquet, and one channel is available on the GOtv bouquet. These channels are not available on other platforms in Zambia.

These figures are confirmed in the broadcast hours of content of public interest shown below. The total broadcast hours in 2014/15 translated into the equivalent of over 41 channels broadcast for 24 hours a day, 365 days a year.

**BROADCAST HOURS OF CONTENT OF PUBLIC INTEREST ON DSTV**

MultiChoice Pay TV Group’s subscribers enjoy this content, as being evidenced in its viewing figures illustrated below.

**VIEWING HOURS OF CONTENT OF PUBLIC INTEREST ON DSTV PREMIUM AND COMPACT**


MultiChoice Pay TV Group is encouraging the development of programmes which reflect Zambian society and culture. It is doing so by contributing to the visibility on-air of Zambian and Southern African culture, as well as by supporting cultural initiatives in the country.

Local shows and channels

The Zambian Government believes that the creation and use of local content will contribute to the integration of people from diverse backgrounds. Furthermore, the development of digital local content is believed to spur the development of the creative industries and promote job creation.

MultiChoice Pay TV Group has broadcasted locally produced shows on M-NET’s dedicated African produced content channels. It has thereby contributed to the visibility on-air of Zambian culture across Africa. Furthermore, the visibility of Zambian talent on MultiChoice shows such as “Big Brother Africa” and “Stand Up Zambia” has contributed to the popularity of local celebrities such as Cleo Ice Queen and Bob Nkosha.

The graph on the right shows the broadcast hours between 2011/12 to 2014/15 of the five Zambian produced programmes MultiChoice Pay TV Group has broadcast on its Africa Magic channels, three almost doubled between 2013/14 and 2014/15. MultiChoice Pay TV Group has since then made a conscious decision to increase investment in the local production industry further, to offer a more balanced channel offering for the Zambian market.

MultiChoice Pay TV Group launched a new regional channel called “Zambezi Magic” in July 2015 to broadcast in the Southern African region. Zambia being the biggest market in the region, Zambian content features predominantly on the channel. MultiChoice Pay TV Group has increased the acquisition of locally produced content, in the financial year of 2015/16, broadcast hours have already increased further, for example due to the broadcast of the locally produced magazine shows “Kool Roc Show” and “Kumwesu” and the drama series “Fever” on the new Zambezi Magic channel.
Investment in cultural initiatives

Besides the investment in the MRC, MultiChoice Pay TV Group also support a variety of other cultural initiatives aiming to encourage engagement in local traditions and contributing to representing Zambian talent internationally.

MultiChoice Africa annually conducts the Africa Magic Viewer’s Choice Awards (“AMVCAs”), an Awards ceremony that recognizes African talent in the film and entertainment production industry in over 25 categories. In 2014, Zambia produced three nominees in the categories of Best Supporting Actress, Best Television Comedy Drama and Best Video Editor. There were three nominees as well in 2013 and the Zambian Drama series “Love Games” won in the category of best TV series.

The Awards, frequently referred to as the “African Oscars” have been an impactful platform for African talent to gain international exposure and progress their careers.

In 2014 and 2015, MultiChoice Pay TV Group conducted the MultiChoice Africa Content Showcase, a five day event in which content producers and providers, and media personnel from across the world are brought together to network and discuss developments in the media industry. In 2015, eight journalists from Zambia, as well as ZMBC staff and other key stakeholders were invited to attend the event.

MultiChoice Zambia Group encourages Zambian journalists to participate in the annual CNN MultiChoice African Journalist Awards, an annual Award ceremony in which young talented journalists are recognised in around 30 categories. The Awards are internationally well renowned, and similar events are being conducted in India, South Korea, Latin America and the German speaking countries in Europe. Further key stakeholders and media from the industry are invited to attend the Awards in addition to the participants for capacity building and networking purposes. In 2015, 13 journals from Zambia travelled to Nairobi, Kenya, to attend the Awards. In 2012, the Awards were conducted in Zambia and the Zambian journalist Andrew Mkanga won the Arts & Culture Award for one of the pieces published in his weekly column “Mulenga’s hole in the wall” published in the “Education Post”. Furthermore, MultiChoice Zambia supports various cultural ceremonies with sponsorship payments, such as the Bemba ceremony “Kusefya pang’wena” and figure ceremony “K’wulwa.”
MultiChoice Resource Centres

MultiChoice Zambia has invested in education in Zambia through setting up its MRC initiative across the country since 2004. This initiative allows schools to use audio visual teaching methods in their teaching, by providing secondary schools with decoders and a subscription for a specifically developed education bouquet. This education bouquet includes channels that can be used for teaching purposes; the PVR decoders provided allow teachers to integrate pre-recorded programmes into their classes. The eight channels provided are the following: Mindset Learn, National Geographic, National Geographic Wild, BBC Knowledge, History Channel, Discovery Channel, Animal Planet, ZNBC and BBC World. These channels contain a lot of material directly relevant to the curriculum; other programmes can be used creatively by teachers to illustrate various concepts. Decoders have a capacity of 994 hours, ensuring that a variety of programmes can be saved and utilised.

Mr Saul Daka became the responsible teacher for the MRC programme and received training from MultiChoice on how to utilise the training. He explains: “We use the weekly programme guide on the menu to find programmes for the whole week. Every teacher picks which programmes to record, and then the selection is reviewed afterwards.”

The initiative is run in close cooperation by the Department of Broadcasting Services within the Department of Distance Education. A memorandum of understanding was signed in 2004, dividing up the responsibility of the projects: Whilst MultiChoice Zambia provides the decoders and satellite dish, the government department provides the TV and chooses the schools to join the programme each year. The main benefits from the programme in relation to formal teaching arise from the fact that it “exposes students to more approaches to teaching”, states Mr Daka. Whilst it is difficult to measure changes in outcomes per se, schools reported the following benefits in a survey conducted in 2013 by MultiChoice Zambia.

Mr Daka noted that “it motivates the teachers [in their class preparation] as well, it gives the teachers a lot of space”, this could enhance teachers’ productivity. Mr Ngoma mentioned that the programme can also mitigate some of the adverse effects of teacher absenteeism; “It fills in gaps in a productive way.”

Besides the relevance of the MRC to formal teaching and learning processes, most schools have also derived additional value from the facility for example by allowing teachers to stay better informed about global news and challenges, and to support student education outside of class, for example during club activities.
Perceived well by its viewers and the critics, it has been nominated and won a number of awards, giving the Zambian production industry exposure internationally and encouraging further growth in the sector. Actress Nancy Handabile was nominated for best supporting actress for the Africa Magic Viewer’s Choice Awards in 2013. She recognised the exposure this nomination had enabled, stating that “I have been exposed and I have established contacts. The sky is the limit for me”. In 2014, it won the Award for Best Television Series and Drama. Information and Broadcasting Services Minister Mwansa Kapeya stated that “This [award] is good for the country; it means our efforts are being recognised internationally. As you might know, film is one the industries that can create jobs.” He was also of the view that several upcoming movie makers in Zambia would be inspired to work harder as a result of this recognition (Source: Times of Zambia).

In addition, the series was also nominated for Best International TV Drama Series at the 2013 Global Film Fashion Music Television Theatre & Sport Awards.

MultiChoice Pay TV Group is seeking to provide a platform for local content and expand the production and broadcast of local programming in the Southern region. To this end, it launched a new regional channel called “Zambezi Magic” in July 2015 which is to become the platform for providing local content to the public. It is broadcast in the countries of Zimbabwe, Zambia, Botswana, Swaziland, Malawi and Namibia. Although the region has traditionally had strong ties to South Africa, it has a unique cultural identity that the channel is planning to service. The channel is to become the local entertainment content platform, and help grow the local production industry following the examples of Kumps and Hollybun in Nigeria. In these more mature markets, MultiChoice Pay TV Group is also actively commissioning content, and conducting in-house productions.
These payments also have a wider impact through the impact on their supply chains and through their personal expenditures. Agents’ income is used to support families and dependents. Agents operating in fixed locations pay rent from the shop rental. Agents have employees, who can again support their families. However, there are several impacts that go over and above the pure monetary value of commission payments, discussed in this section.

MultiChoice Zambia has taken a long-term approach to investment into its agents, relying on different distribution models and building long-term relationships with its agents. Further, it has provided financial support to businesses through giving out trade credit, and offers training. It thereby supports the growth of local businesses in Zambia. Small and medium-sized enterprises (SMEs) are increasingly being recognized as productive drivers of economic growth and development for African countries. The economic performance of SMEs is important for positive impact on growth and poverty reduction. A Department for International Development (DfID) commissioned study covering Central Europe and Africa showed that countries that adopted SME enabling environment reforms also witnessed greater per capita GDP growth.

MultiChoice Zambia also has partnerships with five formal retail chains, including Pepkor, Pick n Pay, OK Furniture, Game Stores, Hi Fi Corp, to sell its decoders in their 80 retail outlets. Around 20 Brand Ambassadors have been hired on a contract basis, who monitor this relationship, giving on the job training to the staff so that the customer experience progresses according to MultiChoice standards.
Whilst many agents have reinvested a proportion of the commission payments earned into growing their business with MultiChoice Zambia, many agents have also been able to invest in alternative business ventures, such as retail outlets, hospitality or agricultural businesses. In this fashion, MultiChoice Zambia funds are used to grow other industries that are not part of MultiChoice’s supply chain. The economic impact arising from such activities is additional to the economic impact calculated earlier in this report.

Agents in MultiChoice Zambia’s distribution network include retailers (both formal and informal), agencies, DSRs and installers. These agents earn commissions from the various services performed on behalf of MultiChoice Zambia. Different brands support the existence of the different types of agents. DStv sales rely more on DSRs, informal retail outlets, and agencies (indirect branded), while DStv sales rely more strongly on the businesses of branches and formal retailers.

Within the category of agencies, one can distinguish between SMA agencies, and mobile agents. SMA agencies are either branded outlets, or counters in Zampost branches. They sell decoders and collect subscription payments and perform basic customer support and account management. They earn commissions through selling decoders which they acquired at reduced prices at the point of sale, and earn a percentage on the subscription payments collected at the end of the month.

SMA agencies are set up following an application, including a suggestion for a particular location. Following approval by the marketing department, agencies pay for the branding of the chosen outlet, purchase the IT systems required and decoder stock. Therefore, some finance is required for agencies to be set up. Further agents in the category of agencies include users of mobile prepaid solutions, these are agents working in other outlets, such as retailers or DSRs, which use one or two mobile prepaid solutions. A mobile point of sale device or a mobile phone application operational on smartphones. The commission on subscription payments is recognised at the end of the month. Entry into the field requires agents to produce bonds up to a balance of their choice with MultiChoice Zambia, against which payments to MultiChoice Zambia can be collected.

Local entrepreneurs in the distribution network
MultiChoice Zambia’s demand for distributors has made it possible to set up a variety of local businesses. By offering a number of different entry routes into MultiChoice Zambia’s distribution chain, it provides agents from different backgrounds and different financial capabilities, including the youth with potential employment opportunities.

In addition to its head office in Lusaka, MultiChoice Zambia also has two customer service branches in Lusaka, and one each in Kitwe and Ndola. The majority of services requiring customer contact are therefore carried out by the agents. For example, agents are responsible for around 50% of decoder sales across DStv and DStv, as shown on this page’s graph. By far the highest proportion of decoder sales is achieved by Direct Sales Representatives (“DSRs”), the category of agents with the easiest entry route including many young agents such as school graduates.

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MultiChoice Zambia develops a close relationship with all agents working in the distribution networks, allowing them to understand and support the local businesses on an individual basis. There are many examples of businesses that have been able to grow successfully. Several agency owners now operate through multiple branches and have in excess of ten employees.

In the case of agencies, staff from the operations department at MultiChoice Zambia calls agents every day to confirm that the systems are working and to assist with any issues. This close relationship has resulted in the agency owners now employing more staff, with many agencies employing up to nine members of staff working with retailers in the retail distribution chain who pay regular visits to the retailers.

Through the close relationships to its agents, MultiChoice Zambia is able to better understand how to support businesses in their growth. For example, providing support in business development, MultiChoice Zambia has established strong relationships with its agents in the distribution networks, in all locations of operation. It has worked closely with local retailers and agents, pushing for a high degree of professionalism. It has provided them with training, thereby contributing to increasing the level of competitiveness and business growth of the sector.

MultiChoice Zambia also has partnerships with five formal retail chains, including Pepkor, Pick n Pay, OK Furniture, Game Stores, Hi Fi Corp, to sell its decoders in their 40 retail outlets. Around 20 branded Ambassado devices have been hired on a contractual basis, who monitor this relationship, giving the job training to the staff so that the customer experience progresses according to MultiChoice Zambia standards.

Strong relationships across the country
MultiChoice Zambia’s distribution network stretches across the entire country. The next page shows the map with the number of agencies by location across Zambia. As a result of this, the local business sector is supported and employment opportunities are created across the country.

Providing support in business development
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In the case of agencies, staff from the operations department at MultiChoice Zambia calls agents every day to confirm that the systems are working and to assist with any issues experienced. MultiChoice Zambia has 15 members of staff in the operations team working exclusively with agencies, each staff member has a dedicated number of agencies that they support. A visit is conducted every year to interact with agents personally, to check that their IT equipment is up to date and to conduct a review of the financial statements. In addition, there are more members of staff working with retailers in the retail distribution chain who pay regular visits to the retailers.

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CREDIT FACILITIES FOR BUSINESS GROWTH

One particularly impactful channel through which MultiChoice Zambia provides support to its agents is through providing credit facilities. This allows business owners to convert their commission earnings into cash for their business needs, improving cash flow and enabling continued growth.

A standard credit facility is provided to agencies in which projected commission earnings from subscription payments are converted into cash by the end of each month. This mechanism can be interpreted to be equivalent to an interest-free trade credit facility of 30 days.

In a few cases, credit facilities of up to 90 days have been provided on a discretionary basis. This has been enabled through MultiChoice Zambia’s close relationship to its agents. This is a valuable mechanism, especially in Zambia, given that interest rates set by the Bank of Zambia have been kept on hold at 12.5% since August 2015, averaging 10.66% between 2012 and 2015. However, retail rates are even higher, finance from formal lending institutions may not be available at interest rates below 25%. This renders regular loan facilities expensive to businesses. Furthermore, access to such loan facilities is by no means guaranteed to small businesses.

MultiChoice Zambia has facilitated skill transfer through various training programmes delivered to its agents. MultiChoice Zambia has two staff members dedicated to carrying out training to its own employees as well as all agencies.

In 2014/15, over 20 multi-day training sessions specifically aimed at its agents were conducted, including the following:

- **Customer Service Training:** This training is outsourced to and conducted by a Zambian trainer and involves a non-MultiChoice Zambia specific training on a variety of issues around customer service. Around $50,000 were paid to outside parties in both 2013/14 and 2014/15. Most Lusaka based agencies participated in the training.

- **SMA Training Agencies:** The training to agencies is very similar to the training of MultiChoice Zambia’s own branch staff and includes training on product knowledge, general customer service, basic soft skills, and customer contact.

- **SMA Mobile Retailers and Mobile installers training:** Training for retailers and DSRs, and separately to installers, on the mobile prepaid application used to collect subscription payments. The course also includes training on basic soft skills.

- **Brand Ambassador training:** Training given to brand ambassadors in formal retail outlets on products, and basic soft skills.

- **Training on self-help portals to be used by customers:** The knowledge conveyed in these trainings is not just useful for the running of the business related to MultiChoice Zambia Group, but can also be employed in other businesses. For example, the Customer Service training teaches agents how to deal with a customer appropriately. These principles can be applied across all the agents’ dealings.

Furthermore, MultiChoice Zambia’s operations department holds an agency conference once a year to bring agency owners together. In this, any issues that may have arisen in their business can be raised. Also, knowledge sharing presentations around issues such as business insurance, investment opportunities and business growth are given. Successful agencies are awarded prizes for key achievements, and invited to share their experiences. These knowledge sharing sessions further contribute to the business understanding of business owners that can be applied across many different channels.
Over the 10 year period of working with MultiChoice Zambia, Mr Banji developed a close working relationship with MultiChoice. “MultiChoice Zambia introduced me to Stanbic Bank, and my partnership with MultiChoice Zambia gave me leverage to get a loan facility to help me expand my businesses.” MultiChoice Zambia has also given him the freedom to innovate his sales strategy, for example by delivering decoders and carrying out installations in remote locations by using local bus services for a small additional fee.

He also values the training provided by MultiChoice Zambia: “I send my staff for training so as to get the full benefit.” It provides its employees with the necessary means to carry out their job in a professional manner.

However, Mr Banji has also been able to reinvest the revenues from MultiChoice Zambia to expand into other industries. He started his first business about 30 years ago, dealing first in cross border trade, motor vehicle parts and then FTA decoders. In 2005, he became a registered installer and subsequently, an agent for MultiChoice Zambia in Livingstone. Being an agent, his business sells decoders, collects subscription payments from which it earns commissions, and does account creations and also conducts installations for both G00 and G00V, facilitates decoder servicing and assists in customer care. Mr Banji has been able to expand his MultiChoice businesses significantly since establishing his first agency. “Through working with MultiChoice Zambia, I could get to where I wanted within a year instead of my 10 year plan.” Mr Banji has been able to open up a further branch in Kalomo, and three in Lusaka. He started with one employee in his Livingstone outlet, and now has about 10 workers in Livingstone alone, across his other agencies he has a further 40 employees.

Case Study
Experience of different agents

MultiChoice Zambia has enabled a multitude of agents to build successful local businesses across its entire distribution network.

Mr Banji started his first business about 30 years ago, dealing first in cross border trade, motor vehicle parts and then FTA decoders. In 2005, he became a registered installer and subsequently, an agent for MultiChoice Zambia in Livingstone. Being an agent, his business sells decoders, collects subscription payments from which it earns commissions, and does account creations and also conducts installations for both G00 and G00V, facilitates decoder servicing and assists in customer care. Mr Banji has been able to expand his MultiChoice businesses significantly since establishing his first agency. “Through working with MultiChoice Zambia, I could get to where I wanted within a year instead of my 10 year plan.” Mr Banji has been able to open up a further branch in Kalomo, and three in Lusaka. He started with one employee in his Livingstone outlet, and now has about 10 workers in Livingstone alone, across his other agencies he has a further 40 employees.

However, Mr Banji has also been able to reinvest the revenues from MultiChoice Zambia to expand into other industries. Firstly, he is in the process of opening a branch in Mazabuka, with 10 employees. He also bought a cable workshop in Mazabuka, with 10 employees, and plans to sell to Zambia, the largest integrated agricultural business in Zambia. His Exoshop has an alternative route; he has an existing business, an electronics shop called “Home Line”, set up in 2010.

“I have 300 animals, and an empire built through MultiChoice Zambia worth around $500,000.”

Ms Chilombo also benefited from a credit facility of 500 decoders in March 2015 and managed to sell these within three months. Her shop is located in Chawama, one of Lusaka’s densely populated compounds. She has been selling G00 decoders in the area since 2013, after her application prompted by a radio advertisement was successful. She also sells some new, but the majority of her business focuses on MultiChoice. Through the money from her business, she has been able to buy a block of flats in Farmwadi, and is renovating these to rent them out; the credit facility allowed her to complete the renovations for two of the three flats. Cristina presents an example of a DSR who has been able to expand her business. She has been working with MultiChoice Zambia for two years, starting out with one sales branch, and now has another. Cristina uses decoders for G00V and G00, she has started collecting subscription payments in one branch using a prepaid mobile device. The single mother uses her income to support her children.

MALI-NEEREN PAY TV GROUP’S ACTIVITIES AND ECONOMIC IMPACT IN ZAMBIA

SPILLOVER EFFECTS

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“I increased my shop size in August and am looking to hire 3 more people. I plan further extensions in the near future.”

He has developed a close working relationship with the sales department at MultiChoice Zambia. “The MultiChoice Zambia team help a lot; any issues: they sort it out straight away”. He further states: “I know who I am dealing with.” He also benefitted from a discretionary trade credit. “I was given a credit facility for 1,000 decoders” which has helped with his latest extension.

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MultiChoice Pay TV Group has undertaken a number of activities that have either directly or indirectly promoted and developed Zambian sports. The sports industry creates direct economic benefits through employment, revenue from events, consumables and general taxation. In addition, it may promote employee productivity through activity and health.

**SuperSport has invested over $5.3 million in the last four years in the Zambian sports infrastructure.** MultiChoice Pay TV Group entity responsible for sports content and a sports channel group, has invested over $5.3m in Zambia in the last four years in the sports infrastructure through its licence fee payments to the Football Association of Zambia ("FAZ") and production expenditure, including expenditure in sports outside of Zambia. SuperSport has spent a total of $6.9m on the Zambian Football League over the four year period.

SuperSport became the first sports production house to professionally produce footage of Zambian football in 2008. To this day its coverage of the MTN Super League is the key activity of SuperSport in Zambia. Whilst the first division of the FAZ was founded as early as 1964, no income had previously been earned from the production of its games in Zambia. Its licence fee payments for both the coverage of the MTN Super League as well as each game of the national team provide a key source of income to the football associations.

Financial support in sports infrastructure
SuperSport has actively invested in the sports infrastructure through various channels: firstly, through its licence fee payments for producing Zambian football matches; secondly, through its investment in broadcasting production training.

Football teams in the league benefit equally from the licence fees paid by SuperSport, save the administrative fees retained by the FAZ. These payments allow them to finance various activities, such as paying...
superSport partially subcontracts the production work to Zambian parties; the staff count employed by these third parties has grown significantly to about 30% in 2015. SuperSport is investing heavily in training of production staff to further increase local participation. In 2015, it conducted production training for 13 cameramen and women, mostly ZNBC staff (55%) that resulted in notable improvements to the quality of productions. The current ongoing training initiative, called the GFT programme (an abbreviation of “Gaining insight from training”), is a grassroots training project for 24 participants, across various production disciplines such as editors, graphic operators, more cameramen and audio operators. This is the first pro- fessionally conducted production training programme in the country. Professionals from South Africa and Kenya are hired to train the participants locally. The training is being conducted in sessions of around ten days, involving theoretical training as well as practical training through the production of a live football match. However, the theoretical training does not only cover sports, the intention is for the participants to also become qualified to conduct other types of productions. In 2015/16, six such training sessions have been budgeted for. More than double than this is expended for the entire Southern region. Around 40% of this expenditure is locally spent. This expenditure is in addition to the approximately $30,000-$40,000 spent per production weekend.

The aim of the programme is to further increase local participation in productions; this is expected to reduce the cost of productions and can result in more productions per year. Between 2011/12 and 2014/15, the number of football games already more than doubled.

Salaries and bonuses, investment in stadiums and covering other operating expenditure. SuperSport also invested in sports through its expenditure on productions. A lot of stadiums required crucial improvements to facilitate live productions, such as the ability to fix cameras for live purposes. SuperSport led the way and encouraged further investment. Teams made active decisions to invest more money in the local facilities, including toilets, security and scaffolding for cameras in order to meet the requirements specified by SuperSport.

Investment in local production infrastructure

Live broadcasting on the SuperSport channels is done using two specialized Outside Broadcasting (“OB”) Vans acquired in 2015. These vans contain all equipment required to complete a full TV production. The value of the vehicles alone amounted to around $150,000 at the time of purchase. Including production equipment, the expenditure value of each of these vans amounted to approximately $300,000. One of the vehicles is planned to be soon replaced by a OB (BR) Van. These vans are not only used for the live productions of football; in 2013/14 and 2014/15, some boxing matches were also produced. They have also been utilised for other live events, such as the CNN MultiChoice Africa Journalist Awards which were conducted in Zambia in 2012.

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The Chipollopolos in training

MultiChoice Pay TV Group has supported the development of sports initiatives into marketable sports propositions by providing a platform to showcase football on national TV, increasing its popularity and facilitating stakeholders to benefit from revenue streams.

SUPERSPORT BROADCAST HOURS (FOOTBALL)

Source: Deloitte analysis using MultiChoice Pay TV Group data

PROMOTING Zambian Sports

MultiChoice Pay TV Group has supported the development of sports initiatives into marketable sports propositions by providing a platform to showcase football on national TV, increasing its popularity and facilitating stakeholders to benefit from revenue streams.

Presence on national TV

MultiChoice Pay TV Group has given Zambian sports a presence on TV, stimulating public interest in the sports. Importantly, SuperSport indicates that it has been able to deliver reliable coverage, in digital quality and professional production quality. In 2015/16, SuperSport plans to cover two 80% Super League weekends every month, producing two games on Saturday and Sunday respectively. This amounts to at least 60 games, amounting to a quarter of all games played per season. This dependable schedule allows the membership to plan ahead and makes it easier to follow in addition, the games are accompanied by informed commentary from local presenters, such as ex-players, raising the overall viewing experience. The broadcast hours of local football have more than doubled from 2011/12 to 2014/15.

ZNBC is also given the feed for games produced and is thereby able to broadcast games every weekend, either live or delayed. This ensures the reach beyond MultiChoice Pay TV Group’s subscribers.

In October 2015, a new TV show called “Zedbola” was launched. This magazine show, produced locally, is expected to further provide a platform for Zambian football. The show is intended to inform viewers of the latest news and developments in the local football industry, contain interviews with players and other stakeholders, such as the FAZ.

Popularity and other revenue streams

The visibility of Zambian football on TV due to SuperSport has contributed to the popularity of the sport. Research into viewership preferences commissioned by MultiChoice Pay TV Group suggests that there is a strong desire to watch the Zambian football league, and it is almost as popular among viewers as the English Premier League. Viewers stated that they feel a “sense of belonging” and a more personal connection to the players.

Furthermore, this popularity has allowed the teams to benefit from alternative revenue streams. Almost all of the 16 teams in the league now have jersey sponsors, such as Heaven, Investec bank, NatWest bank and KRC; the few teams that have no jersey sponsors nevertheless have title sponsors. A few seasons ago, none of the teams had jersey sponsors.

Also, gate collections have become a substantial source of income for the clubs, all clubs have dedi-
PROMOTING ZAMBIAN SPORTS

Nchanga and Kondele stadiums often reach their capacity of 20,000 and 15,000 respectively when the Chipolopolo are playing.36

Another significant source of income to the league and its teams results from the sponsorships payments by MTN, who became the league sponsor in 2010 following SuperSport’s involvement. MTN have just renewed their contract. Anecdotal evidence from interviews conducted suggests that there are other revenue sources, too. All of the teams are said to be involved in selling merchandise, for example a Kitwawo football club jersey sells for around 200 Kwacha (ca. $26). A Chilengelo jersey sells for around 400 Kwacha (ca. $53). Further, sponsors are given the opportunity to buy food, water and goods during the break of games at stadiums, offering retail opportunities to other companies.

Finally, it has been suggested that many teams have become financially independent from their company sponsors. Teams can now afford to buy team buses, to illustrate, Kitwawo football club, just bought a new team bus, even though sponsor fees are killing, affecting revenues of head sponsor Mopani Copper Mines.

The MTN Super League games produced by SuperSport are not only broadcast in up to 48 countries across Africa; when the national team is playing, the games are broadcast to countries beyond Africa, where the national team is playing, the games are broadcast to even more territories. This makes Zambian talent visible across a number of nations, allowing talent to be recognized more than locally.

Some players have risen to fame internationally through the exposure on SuperSport channels; for example, Collins Mbesuma played in the English Premier League and now in Russia for Ural Oblast Swerdlowsk. However, Zambia has also become an attractive destination for other players.

The one-year nature of the broadcasting right contract between SuperSport and FAZ gives the FAZ and football teams security over their income; allowing football teams to plan their expenses in a forward-looking fashion. This has trickled down to the compensation paid to players and other stakeholders, raising both the level of compensation, as well as the ability to arrange long-term contracts with players, allowing financial stability.

The MTN Super League can be considered professional in the sense that every player now earns their livelihood from playing football. All players have contracts with a specified duration, and specified pay structure including base salaries and winning bonuses. Monthly base salaries vary from around 3,000 Kwacha to around 15,000 Kwacha (ca. $1,980). In addition, match appearance bonuses of around 500 Kwacha (ca. $65) and match winning bonuses of up to 2,000 Kwacha per match (ca. $265) get paid. It should be noted that even the lowest base salary would already be around three times the GDP per capita of around $570 in 1915.37 This also compares well with civil servants salaries, anecdotal evidence suggests that these range from around 6,000-10,000 Kwacha per month (ca. $790-$1,320).

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Defender Stophila Sunzu curbing Ivory Coast superstar Didier Drogba.
Over 200 athletes selected from different parts of the country took part in the Zambia Amateur Athletics Association (ZAAA) games which took place at the Olympic Youth Development Athletics Centre.
PROMOTING ZAMBIAN SPORTS

CASE STUDY

Inter Company Relay

The Inter Company Relay (ICR) has become a recognised annual corporate event ever since its first edition in 1999. Corporates are represented by their Relay Team, which consists of 8 people, competing against other teams in similar industries in a race of initially 11.5km (now 10km). Nowadays there is also a 10km individual race and 5km health walk, a 100 meters CEO Race as well as kids athletics. This event attracts a number of spectators, and participants often bring along their entire families, who are invited to participate in the health walk. The event is run by the Zambia Amateur Athletic Association (“ZAAA”), the association representing all athletes in the country. The funds raised are used to support athletes, for example to facilitate participation in international competitions.
Whilst the sporting activities are still at the heart of the event, a number of additional activities take place. Firstly, free health check-ups are being offered to visitors and participants alike: HIV, breast & cervical cancer, hypertension, diabetes, Cardiac ailments such as high blood pressure, eye screening. This is being carried out by voluteering doctors, as well as the medical association and national and international health organisations and charities. Secondly, educational sessions about healthy nutrition are held to inform the participants about how it can reduce the need for medication, and a Healthy Eating Gala Dinner is organised. This also facilitates networking between companies.

During Kids Athletics, children are invited to discuss the value of life, competitiveness and teamwork.

The 2015 event, which MultiChoice Zambia as the head sponsor supported with organisational support, sponsorship and media coverage was the biggest event so far. According to Mr Mpondela: “135 companies participated in the competition in 2015, about 1000 people participated in the 10km Relay race, 200 in the 14km individual race, 100 in the 5km race, over 500 in the 5km health walk and we had a spectatorship of over 3,000 people in the workshops.”

In addition, more than 100 volunteers joined the efforts, and more than 100 police officers were working at the event. There was about 6 hours of live broadcasting on ZNBC. He is further of the view that “it was the best organised and branded event so far, it made people see the value of the event.” “We had much bigger coverage, and more awareness of people than ever before. MultiChoice Zambia’s PR and Marketing capabilities and connections have impacted positively on the organisation of the event.”

“MultiChoice Zambia have been participating every year, their support has been fantastic throughout the years and they have helped to attract other companies as well”. The 2015 event was widely supported by a number of corporates, not only through their participation, but also through sponsorship; companies such as Zambian Breweries, Zambia State Insurance Corporation, Zambia Sugar, Road Safety Agency (RATSA), Bata and ZNBC sponsored the event and a number of NGOs also participated.

PROMOTING ZAMBIAN SPORTS

CASE STUDY

Inter Company Relay (continued)

According to organiser Elias Mpondela, Chairman of the Intercompany Relay and President of the ZAAA, the event has a number of benefits besides raising finance, such as encouraging participation in sports, even outside the event.

“People would like to showcase what they have been doing in the gym”. Further, it may help strengthen the company morale.

“It reduces the social distance between directors and lower level employees since the team maker is the guy that wins”.

He believes that the “economic benefit of this is that people are able to work in a friendly environment”. This is also reflected in the respective themes that the events are conducted under. Every year, the motto ends in “by acting together we can win”.

Run and walk for your health towards peace & unity, by acting together we can win
and spends income through its demand for public commodities and pays social transfers to households. The remainder of its income is the fiscal surplus which is invested. Information on government accounts was taken from 2007 Government Accounts data, and the 2007 balance of payments.

Investment must equal total savings in the economy; the difference between total domestic savings from the government and households and total investment is the current ... is coming from the 2007 balance of payments estimated by the IMF, and trade data from the National Accounts Department.

Economic linkages
Demand-side shocks to the economy have both direct and indirect effects. The direct effects are those pertaining to the sector that is directly affected by the shock. However, it may also have indirect effects stemming from the sector’s linkages to other sectors and parts of the economy.

These indirect linkages can be separated into production and consumption linkages, which are referred to in this report as “induced” and “induced” impacts respectively. The extent to which the direct effects are amplified through the induced and induced impacts is referred to as the multiplier effect. Multipliers capture the combined effects of various economic linkages over a period of time, as impacts in one sector cause ripple effects through a number of rounds.

The indirect impacts, or production linkages, are determined by the sectors’ production technologies, contained in the input-output part of the SAM. These are differentiated into backward and forward linkages. Backward linkages are the demand for additional inputs to supply additional goods. Forward linkages account for the increased supply of inputs to upstream industries. Storage linkages lead to larger multipliers. The consumption linkages, or induced effects, arise when an expansion of production in response to a demand shock generates additional incomes for factors and households, which are then used to purchase goods and services. This in turn generates greater demand for domestic producers across the range of sectors in the economy, causing further production and consumption linkage related effects.

The magnitude of consumption linkages depends on various factors, including the composition of the consumption basket, the share of domestically supplied goods in consumer demand and the share of factor income distributed to households. Importantly, import demand is a leakage from the circular flow of incomes; if households demand imported goods, then it is foreign producers who benefit and so leakages will be smaller. Similarly, taxes paid to the government from household income reduce consumption linkages.

Demand side shock
In this report, MultiChoice Pay TV Group’s activities are measured as an exogenous demand shock to the economy. MultiChoice Pay TV Group provides services to the economy which are demanded by its consumers, therefore, MultiChoice Pay TV Group’s supply exerts the demand for its services. The assumption implicitly made in this report is, therefore, that if MultiChoice Pay TV Group stopped providing its services, this demand would not be met through other service providers.

Total supply is equal to the value added due to MultiChoice Pay TV Group, plus the intermediate demand. Value added is measured by the wages, taxes and profits paid into the economy. These pay-ments equally are the direct impact. Intermediate supply is measured by the purchases of intermediate goods and services, which when added to Gross Domestic Product (GDP), give the total supply of the MultiChoice Pay TV Group. The difference between the total supply and the value added is the intermediate demand.

APPENDIX A - METHODOLOGY
Social Accounting Matrix and Economic Multipliers. The 2007 Social Accounting Matrix (SAM) for Zambia is used in order to estimate a total impact GDP multiplier. This is used to calculate the total economic impacts on the economy.

The 2007 Zambia SAM is an accounting framework that captures the incomes and expenditures transferred between sectors and institutions including productive activities, commodity markets, factor markets, households, government and domestic and foreign investment. It provides a detailed representation of the Zambia economy and is built using input-output tables, national accounts, government budgets and balance of payments.
Given that in the exercise of this report, demand for MultiChoice Pay TV Group’s services is either present or not, it does not seem too limiting an assumption that price is fixed and that any changes in demand will lead to changes in physical output, rather than prices. This in turn requires an additional assumption that the economy’s factor resources are unlimited in concentration, so that any increase in demand can be matched by an increase in supply. Finally, it is assumed that all structural relationships between sectors and households in the economy are unaffected by exogenous changes in demand, meaning that the input or outputs of producers and the consumption patterns of households as stated in the SAM remain unchanged.

METHODOLOGY: SOCIAL ACCOUNTING MATRIX AND ECONOMIC MULTIPLIERS

demand is measured by the total payments made in the supply chain. In order to capture the total economic impacts on the Zambian economy, it is therefore necessary to apply the multiplier to the sum of value added and intermediate demand.

Types of multipliers

Three types of multipliers can be distinguished: firstly, an output multiplier reports the final increase in gross output of all production activities from both direct, indirect and induced impacts. Secondly, a GDP multiplier measures the total change in value-added or factor incomes caused by these impacts. Finally, the income multiplier measures the total change in household incomes.

In this report, impacts are measured in terms of the GDP multiplier given that value added represents the incremental impact on GDP caused by the demand side shock.

The 2007 SAM has been used to calculate GDP multipliers for different sectors. Over 44 sectors are defined through the activities in the SAM. The GDP multiplier for the communications industry is applied to MultiChoice’s supply, consisting of value added and intermediate demand, in order to estimate the total economic impact of the MultiChoice Pay TV Group in terms of direct, indirect and induced impacts.

The GDP multiplier calculated for the communications industry is 1.24. This implies that for every $1 of the MultiChoice Pay TV Group’s services demanded in the economy, GDP increases by $1.24.

Assumptions

The SAM multiplier framework can be used to estimate the impacts of changes in any of the exogenous demand accounts in the model. Households are treated as exogenous, given that the SAM multiplier approach makes use of information on household factor endowments and income distribution.

Other demand stimuli are treated as exogenous: export demand, government spending and investment demand. This implies that it is assumed that none of these agents change their behaviour in response to MultiChoice Pay TV Group’s activities. This is considered prudent since rendering any of these demand factors endogenous would increase the size of the multipliers.

To illustrate, if government spending and taxes were to be assumed to be endogenous, the multiplier would rise to 1.57, similarly if investment demand and export demand were assumed to be endogenous the multiplier would rise to 1.44 and 2.33 respectively.

Given that there is no immediately obvious reason for why the government would increase its spending in response to MultiChoice Pay TV Group’s demand, or why investment and export demand should rise, it is assumed that these demand factors remain exogenously determined.

However, a number of assumptions have been made. The SAM multiplier model itself assumes that prices are fixed and that any changes in demand will lead to changes in physical output, rather than prices. This in turn requires an additional assumption that the economy’s factor resources are unlimited in concentration, so that any increase in demand can be matched by an increase in supply. Finally, it is assumed that all structural relationships between sectors and households in the economy are unaffected by exogenous changes in demand, meaning that the input or outputs of producers and the consumption patterns of households as stated in the SAM remain unchanged.
SOURCES

1. For the purposes of this report, MultiChoice Zambia Group refers to the Zambian entities of MultiChoice Zambia and GOtv Zambia. MultiChoice Pay TV Group refers to the entities making up MultiChoice Zambia Group and other group entities including MultiChoice Ghana, South Africa, and Kenya.

2. In this report, the terms MultiChoice Zambia Group, MultiChoice Pay TV Group, and MultiChoice refer to the Zambian entities of MultiChoice Zambia and GOtv Zambia.

3. The MultiChoice Pay TV Group operates in the two major markets of Sub-Saharan Africa: Sub-Saharan Africa and South Africa.

4. The MultiChoice Pay TV Group operates in Sub-Saharan Africa and South Africa.

5. The MultiChoice Pay TV Group operates in Sub-Saharan Africa and South Africa.

6. The MultiChoice Pay TV Group operates in Sub-Saharan Africa and South Africa.

7. The MultiChoice Pay TV Group operates in Sub-Saharan Africa and South Africa.

8. The MultiChoice Pay TV Group operates in Sub-Saharan Africa and South Africa.


10. Based on a population of 15.52m in 2015, Source: IMF World Economic Outlook.

11. This is the most up to date SAM available.

12. It is harder to causally link the effect of MultiChoice Pay TV Group on the economic through spill-over effects, as such the impact on the economy of Sub-Saharan is captured in this report.


15. The MultiChoice Pay TV Group operates in Sub-Saharan Africa and South Africa.


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27. The MultiChoice Pay TV Group operates in Sub-Saharan Africa and South Africa.


29. The MultiChoice Pay TV Group operates in Sub-Saharan Africa and South Africa.

30. UK Development Department


33. The MultiChoice Pay TV Group operates in Sub-Saharan Africa and South Africa.

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