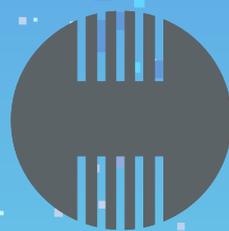


Focus on sustainability

It's our time

Integrated
Report 2020



huge
group

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Feedback

Huge welcomes interaction with all stakeholders. Further information with regard to Huge may be found on the Group website at www.hugegroup.com or by emailing info@hugegroup.com. Stakeholders are invited to visit the Company's Facebook page or contact the Company via twitter.

Facebook



Twitter



Our Report

Navigating Our Report

Capitals

-  Financial Capital
-  Social and Relationship Capital
-  Manufactured Capital
-  Natural Capital
-  Intellectual Capital
-  Human Capital

Stakeholders

-  Shareholders
-  Employees
-  Service Providers
-  Professional Advisors
-  Funders
-  Customers
-  Business Partners

The CEO's Huge Topics seek to address those factors which could have a strategic impact on Huge's ability to deliver its strategic objectives.

-  Human Capital and Rewards
-  Customer Acquisition and Customer Real Estate
-  High Growth, High Margin and Scaling
-  Service Intensity, Efficiency and Innovation
-  Distribution and Customer Reach
-  Sustainable Supply
-  Mergers and Acquisitions
-  Transformation
-  Debt Capital Market Appetite
-  Equity Capital Market Appetite

Our FY2020 integrated reporting process comprises the following reports:

- Full Integrated Report (available in a user-friendly online version and downloadable PDF at www.hugegroup.com)
- Summarised Integrated Report (available in printed format)

The full, online and summarised Reports include the Consolidated and Separate Annual Financial Statements, Notice of AGM and Form of Proxy.

Reporting scope and boundary

This Integrated Report is Huge's primary report to its shareholders and stakeholders for the financial year 1 March 2019 to 29 February 2020. In addition to presenting Huge's operational and financial performance, this Report provides information on Huge's business model, strategy, risk management and illustrates how Huge has created value through connectivity. This Report aims to provide a balanced and accurate assessment of Huge's delivery of its strategic objectives over the short (less than 12 months), medium (one to three years) and long-term (more than three years). This Report is available at www.hugegroup.com.

Reporting frameworks

The reporting process has been guided by the International Financial Reporting Standards (IFRS), the International <IR> Framework of the International Integrated Reporting Council, the King Code on Corporate Governance 2016 (King IV), the JSE Listings Requirements and the Companies Act 71 of 2008 (as amended).

Materiality

This Integrated Report focuses on information which the directors believe is material to shareholders' understanding of Huge's ability to create value in the short, medium and long-term. The materiality test applied by the Board is based on internal and external factors, both positive and negative, that substantially affect the ability of Huge to deliver its strategy and which could have a material impact on revenue, profitability and growth. The CEO's Huge Topics, set out on pages 10 to 20, seek to address those factors which could have a significant impact on Huge's ability to deliver its strategic objectives.

Assurance

The content of this Integrated Report has been reviewed by the Board and management but has not been subject to independent assurance. The Consolidated and Separate Annual Financial Statements have been assured by Huge's independent auditor, Moore Johannesburg Incorporated.

Forward-looking statements

This Integrated Report includes forward-looking statements which relate to the possible future financial position and results of Huge. These statements by their nature involve risk and uncertainty as they relate to events and depend on circumstances which may or may not occur in the future. Huge does not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information or future events, other than that which is required by the JSE Listings Requirements. The forward-looking statements have not been reviewed or reported by Huge's independent auditor.

Approval

The Board of Huge Group Limited has approved the publication of this Integrated Report for the year ended 29 February 2020.



Duarte da Silva
Chairman



James Herbst
Chief Executive Officer

Highlights

Key performance highlights

EBITDA
increased by
33%
from R134 million
to R178 million

Total revenue
increased by
14%
from R433 million
to R492 million

Operating profit
increased by
25%
from R108 million
to R135 million

Gross profit margin
increased by
15%
from 55%
to 63%

Net tangible asset value per
share increased by
17%
from 122 cents
to 143 cents

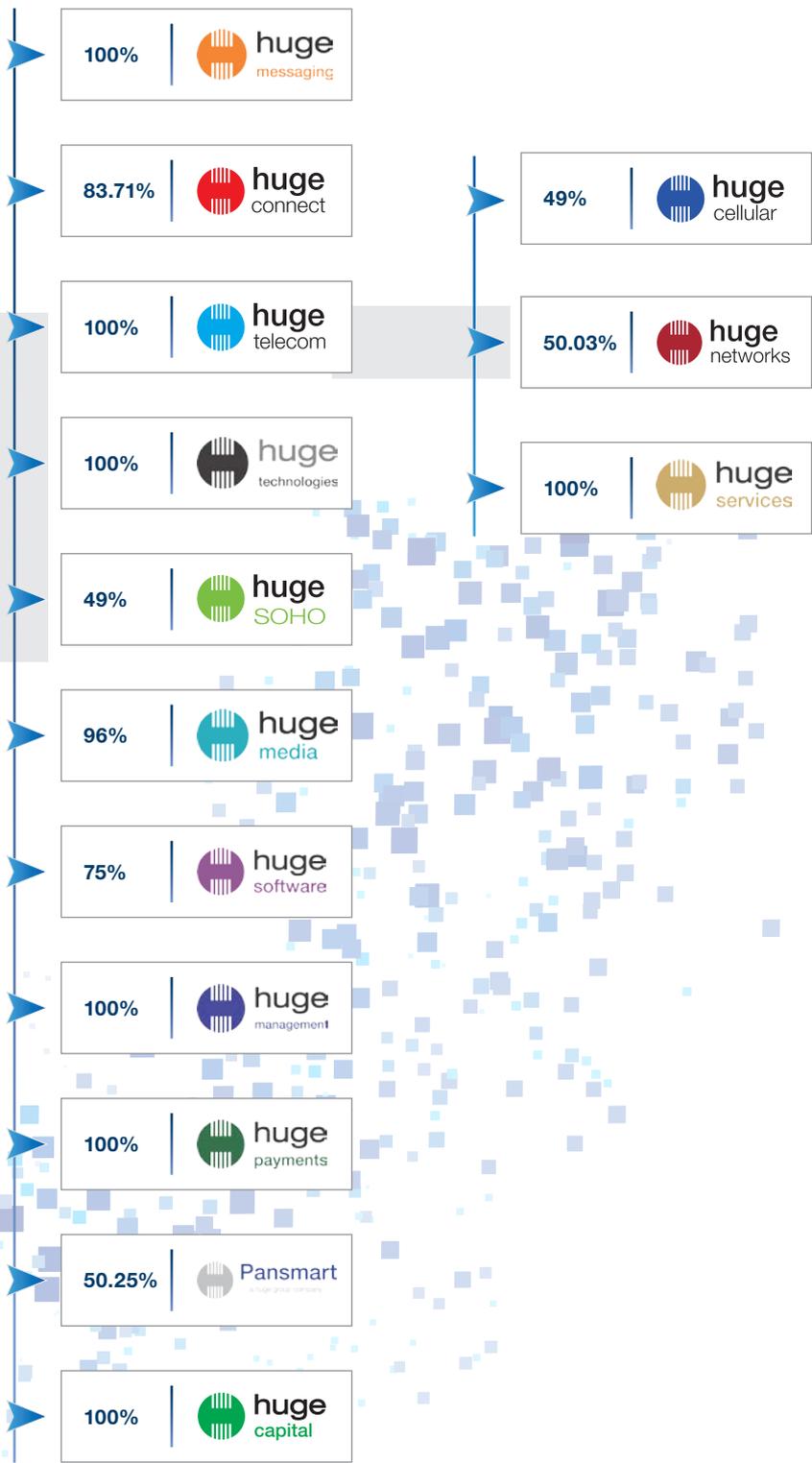
Basic earnings per
share increased by
20%
from 48.05 cents
to 57.58 cents

Headline earnings per
share increased by
21%
from 47.02 cents
to 57.03 cents

Annuity revenue
makes up
70%
of total revenue

Group cash
increased from
R24 million to
R40 million

Group Organogram



Chairman's Letter

Huge's strength lies in its proven ability to sustain its customer real estate and leverage its existing infrastructure. Despite prevailing challenges, Huge has continued to deliver against the objectives of the Growing Huge Strategy and solidify its investment case. Where endurance is the path to sustainable success, Huge has invested in the basis to deliver that success.

The first half of 2020 has already proven to be an 'annus horribilis' for society as a whole, including the corporate community. The poor economy has subsequently been aggravated by a global pandemic. On behalf of the Board, we extend our heartfelt condolences to those people who have lost loved ones to COVID-19, as well as everyone who has been financially impacted by the associated national lockdown and social distancing policy.

The economic consequences of COVID-19 are severe. Many companies, both large and small, have had to take unprecedented measures to ensure survival and to support corporate South Africa. I am exceedingly proud of the resilience that Huge has demonstrated over this period. Under the robust leadership of Huge's executive management team,

operations have remained active as 'essential services', providing connectivity and communication services to Huge's customer real estate.

In the past 24 months, the economy has faltered and suitable opportunities for growth have become more challenging. Notwithstanding, Huge has continued to deliver satisfactory growth in revenue and earnings. In the face of COVID-19, Huge has demonstrated its defensive attributes and its capacity to withstand unprecedented and exceptional shocks.

Huge views its role as a responsible corporate citizen as paramount. Preserving the full operational complement of employees, without compromising their salaries, has been a key objective for the Board. Despite the extraordinary operating circumstances currently being experienced, Huge has maintained its entire employee base, without loss of income or redundancies. Non-executive directors have made voluntary



“Never cease chiseling
your own statue”

– Plotinus (205 – 270)

Duarte da Silva
Chairman

“Success is not final; failure is not fatal: it is the courage to continue that counts”

– Winston Churchill

emolument sacrifices. In addition, the Chief Executive Officer and the Chief Operating Officer have foregone any annual increases in their remuneration for FY2021.

It is Huge’s customer real estate which informs its investment case, provides a foundation of sustainable annuity revenue and earnings which are defensive in nature, cumulatively creating a platform for growth and opportunity. This customer real estate is allowing Huge to explore IoT and payments as entry points for investment in Fintech. Huge is already exploring such initiatives, which involves creating bespoke financial offerings in partnership with financial institutions.

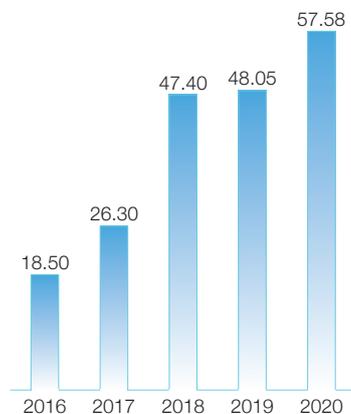
Huge’s achievements in FY2020 have been facilitated by the addition of new executives. The new position of Chief Operating Officer was created at the start of FY2020, to which Andy Openshaw was appointed. This role is key in creating the link between the Board, the Chief Executive Officer and the managing directors of the various operating companies. We have seen the positive impact that Andy has made in this role and the work he has undertaken in FY2020 has created the platform for organic growth. Samantha Sequeira was appointed

as Chief Financial Officer at the start of FY2020 and the work she has undertaken in strengthening the financial reporting processes at Huge has been nothing short of remarkable. With the reporting foundation laid, Huge can now turn its attention to building the financial management foundations and assurance processes it needs to leverage more value from its strategic objectives.

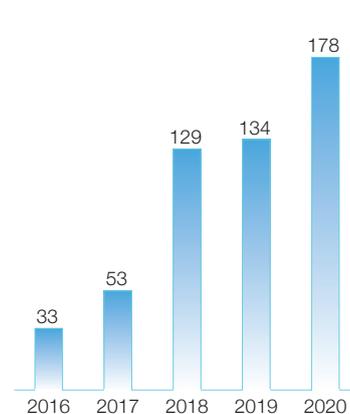
The ability to withstand the challenges imposed by COVID-19 will test the viability of many companies, including some of Huge’s SME customers. In the short term, Huge’s classification as an essential service provider has minimised any possible negative impact on its earnings. Going forward, a key focus for all companies will be balance sheet management, maintaining customers and protecting employees. The Board believes that, through the continued implementation of the Growing Huge Strategy, the Group is well positioned to meet this challenge. The ambition of Huge becoming a top 100 listed company on the JSE remains achievable.

I would like to take this opportunity to thank my colleagues on the Board for providing guidance in challenging times and to the executive management team for leadership and resilience.

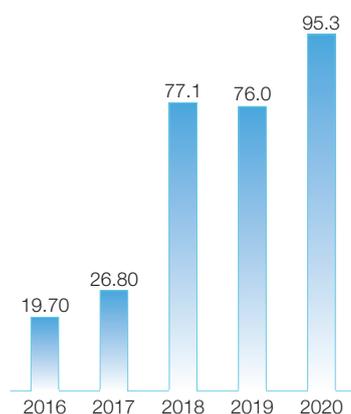
Earnings per share (cps)



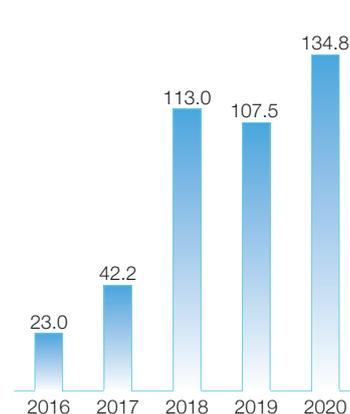
EBITDA (Rm)



Net profit (Rm)



Operating profit (Rm)



The Huge Business Model

Huge uses the six capitals defined in the International <IR> Framework to illustrate how its business model has created value in the short, medium and long-term.

Huge Inputs



Financial Capital

Shareholders and funders provide Huge with capital to support the delivery of the Growing Huge Strategy.



Social and Relationship Capital

Business Partners provide a distribution channel for Huge, while Huge continues to support the communities in which it operates. Transformation initiatives maintain our social licence to operate.



Manufactured Capital

Products and services acquired from service providers allows Huge to deliver innovative, cost effective and efficient solutions to our customer real estate.



Natural Capital

Fleet of 55 vehicles installing products and delivering services to our customer real estate.



Intellectual Capital

25 years of ICT experience, skills and competencies, internal software development expertise, wholesale agreements with mobile network operators and individual and class ECS and ECNS licences provide intellectual capacity for strategic delivery.



Human Capital

326 employees provide Huge with the human components required to deliver products and services to our customer real estate.

Professional advisors ensure that Huge engages with third parties on a commercially sound basis.

Our business



huge connect
We provide value-added data services using GSM-based cellular data networks for business-to-business and machine-to-machine applications.

huge networks
We provide customers with a complete solution to all their current and future data, internet, communications and private network needs.

huge software
We provide customers with a fully integrated online accounting solution suitable for small, medium and large businesses, as well as a mobile application.

huge telecom
We provide a GSM-based wireless full suite telephony service that gives our customers a replacement for their traditional "telco" fixed-line voice infrastructure.

Pansmart
We distribute Panasonic voice, video and CCTV products offering innovative solutions, insights into cutting-edge developments and deliver advanced telecommunications services.

Our service providers



Working with a common base of service providers, Huge's operating companies acquire the required inputs which enable the delivery of enhanced services and products to its customer real estate.

Our business enablers

Huge's entrepreneurial business solutions enable its customer real estate to access high quality, reasonably priced connectivity solutions.

Extensive distribution capacity	Critical scale of operations
National footprint	ECNS and ECS licences
Wholesale agreements with mobile network operators	Technical and customer support systems

Our Business Partners

Huge collaborates with Business Partners as well as internal and direct sales teams who drive the sales of our products and services.



Benefiting from our outputs

- Connecting 49 000 customers
- Sustainable investment in growing Huge
- Creating connections through locally and internally developed technology
- Entrepreneurial, innovative and cost-effective solutions to provide connectivity
- Strengthening the connectivity community through Business Partners and contributing ICT resources to educational and welfare facilities
- Servicing customers sustainably

Our customers

SMEs
 Corporates
 Individuals

Huge Outcomes

Financial Capital

- Paid interim dividend of 6.25 cents.
- Maintained sustainable debt funding at favourable interest rates.
- Generated R95.7 million cash from operations.
- Increased EBITDA by 33% to R178 million.



Social and Relationship Capital

- R45.5 million paid in commissions to Business Partners.
- Cash, ICT equipment and services to the value of R800 000 paid in support of education and welfare facilities.
- R1 million paid in regulatory and licence fees.



Manufactured Capital

- R110 million paid to service providers, enabling us to provide products and services to our customer real estate.



Natural Capital

- Our service engineers travelled 2.3 million km, producing 570 tons of carbon emissions, in servicing our customer real estate.



Intellectual Capital

- R5.1 million spent on research, development and furthering innovation.
- Proven ability to develop bespoke technology to drive internal efficiencies.



Human Capital

- R157 million paid in salaries and benefits.
- Loss Time Injury Frequency Rate of 0.0022.
- R11 million paid in fees to professional advisors.
- R1.1 million invested in training and development.



Investment Case

Vision:

“Building a Group that positions itself to realise extraordinary opportunities”

Mission:

“We invest in and grow companies that provide solutions which are simple, innovative and fit for purpose”

Focus on delivering capital appreciation, earnings growth and dividend yields

Our customer real estate provides:

- foundation of sustainable annuity revenue
- platform for growth and opportunity
- defensive earnings profile
- entry point for investment in Fintech

Strong corporate management capacity

Ability to partner with financial institutions

Proven investment strategy

Access to well valued debt funding

Efficient Group cash management processes

Healthy debt to equity ratio which provides a strategic advantage in structuring acquisitions

Ability to harness opportunities arising from a societal shift towards remote operations, communication and financial transactions

Focus on innovation, research and development enables investment in profitable connectivity solutions and mitigates risks in respect of digital transformation

Ability of operating companies to generate substantial earnings growth by taking advantage of price elasticity

Huge's Acquisition Strategy

Huge's investor base is largely institutional investors focusing principally on long-term earnings growth and dividend yields. Accordingly, Huge's acquisition strategy needs to deliver on those expectations when evaluating organic and acquisitive growth opportunities.

Huge's acquisition strategy is to focus on opportunities that can leverage its customer real estate. There must be tangible proof that an opportunity is sustainable and, crucially, that the opportunity can successfully be made commercial.

Huge's earnings and cash focus means it actively avoids acquisition opportunities that are dilutive, that might negatively impact earnings or that might impose excessive capital commitments.

Huge believes that its acquisition strategy does maximise value for all its stakeholders.

In order for Huge to pursue an acquisition:

the target must have a large customer real estate

the founder must want to be the jockey

the target must have a direct contractual relationship with its customers

the target must have the ability to bill its customers directly

the target must generate annuity revenues

The CEO's Huge Topics

The CEO's Huge Topics seek to highlight those matters which the executive management team believes could have a significant impact on Huge's ability to create value and deliver the Growing Huge Strategy and which the executive management team believes are most important to shareholders and prospective investors. One or more of the Huge Topics may have been raised by the non-executive directors on the Board, the Company's shareholders, and its other stakeholders during various engagements over the course of FY2020. The executive management team also believes that by highlighting the Huge Topics it will strengthen the relationship that the executive management team has with the Board, the Company's shareholders and its other stakeholders.

Human Capital and Rewards



Customer Acquisition and Customer Real Estate



High Growth, High Margin and Scaling



Service Intensity, Efficiency and Innovation



Distribution and Customer Reach



Sustainable Supply



Mergers and Acquisitions



Transformation



Debt Capital Market Appetite



Equity Capital Market Appetite



Huge will only achieve long-term success if it has invested in the right people and enough of the right people.

In October 2009, Huge's market capitalisation, measured by the number of shares in issue and the market price at which those shares traded on the JSE's stock exchange, was R35 million, and for the year ended 28 February 2010 it generated operating profit of R3 million. In October 2018, Huge's market capitalisation had grown to R1.7 billion – 50 times greater than what it was nine years earlier – and for the year ended 28 February 2019 it generated normalised operating profit of R108 million. For FY2020, Huge generated operating profit of R134 million – 45 times greater than what it was 10 years ago. These successes were only achieved because of Huge's people, their credibility, and the skills and experience they could bring to the table.

In early 2017, Huge was a single operating company, listed company and within the space of three months it became a multiple operating company, listed company. This was accomplished in a measured, conservative and risk conscious manner and at the lowest possible cost to Huge's shareholders. However, if Huge is to grow, and if the Growing Huge Strategy is to be fulfilled, Huge must create human capital capacity.

In the last 18 months, Huge has established a corporate office to support its operating companies in pursuing the Growing Huge Strategy. Huge's executive management team responsible for overseeing the delivery of the Growing Huge Strategy now comprises a Chief Executive Officer, a Chief Operating Officer, and a Chief Financial Officer. This executive management team is supported by a Company Secretary and three professional support staff. The creation of the role of Chief Operating Officer during FY2020, to which Andy Openshaw was appointed, created a key link between the Chief Executive Officer and the managing directors of the operating companies.

Huge's view is that if it invests in companies with the 'right jockeys' it will have a direct and positive bearing on Huge's long-term success and the success of the Growing Huge Strategy.

For Huge to be successful it must attract and retain its people. If Huge is to attract and retain human capital, it will have to create and offer incentives to its executives, members of management and employees.

During FY2020, shareholders overwhelmingly approved the Executive Option Agreements concluded with the Chief Executive Officer, the Chief Operating Officer, and the Chief Financial Officer. This support demonstrated that Huge's shareholders understand the correlation between incentives and shareholder value.

The Executive Option Agreements create a mechanism which will only reward the executive management team if the Group grows its earnings and cashflows and if the market rewards this growth in higher valuations. These simple performance hurdles align the objectives of the executive management team with the objectives of the Company's shareholders.



Human Capital and Rewards



Customer Acquisition and Customer Real Estate

Huge has a very substantial real estate of customers, which includes three of South Africa's leading financial institutions, but its real estate of SME customers with a low concentration of spend is the attribute that best informs its investment case.

The primary objective of the Growing Huge Strategy is growing Huge's real estate of customers and in particular its real estate of corporate customers, whether or not they are small-office-home-office customers, SMEs or medium to large corporate organisations.

The value of Huge's real estate of customers is often underestimated – Huge has a real estate of customers similar in size to some of the larger financial institutions in South Africa and because of the frequency and intensity of its engagement with these customers it can be argued that it is better placed to leverage this value.

Huge's engagement with its customers is not fleeting or once-off – it is a daily engagement informed by the services that the Huge operating companies provide to these customers. These services, which happen to be connectivity services, ensure that Huge is always connected or engaging with these customers because Huge is providing the very connectivity that keeps these customers connected to the world. The frequency and intensity of these connections or engagements is the steel which reinforces the foundation of Huge's investment case.

In many cases, the two largest costs of doing business is the cost of customer acquisition and, the cost of credit vetting and credit losses. It takes months, if not years, to forge new relationships with new customers and to build the trust which is required to do business and it costs a lot of money to get this right. Huge can introduce new businesses to this real estate of customers, who will then be in the fortunate position of not having to bear customer acquisition costs, credit vetting costs and credit losses as primary costs of building a business.

Huge's operating companies are either high growth, high margin or provide scaling opportunities, or they have a combination of two or more of these attributes.

Huge Telecom, Huge's largest revenue generating company, provides connectivity for making telephone calls, Huge Connect, Huge's second largest revenue generating company, provides connectivity for processing payment transactions and Huge Networks, Huge's third largest revenue generating company, provides connectivity for transmitting data. In today's world, Huge's services are universal and are universally required. The Fourth Industrial Revolution is all about connectivity and following the onset of COVID-19, it has become even more apparent that connectivity is the most important tool on which businesses rely to operate. The digital evolution has been fast-tracked, challenging the norms of commercial and societal structures worldwide.

Huge's revenue streams are annuity in nature and as customers are acquired these revenue streams compound, like interest compounds on capital – and compounding is the eighth wonder of the world.

Huge Telecom is bringing a corporate telephony solution to the market, which is built on the GSM standard. While it has been working on this solution and the various components of this solution for over a decade, the executive management team believes that the tipping point of its acceptance in the market as the preferred corporate telephony solution is near. The conclusion of a supply agreement with a tier-1 mobile telephone network operator like MTN has brought this tipping point nearer. GSM is the perfect substitute for the copper cables of a traditional fixed-line telephone operator's network. While fixed-line telephony is ex-growth, voice is not and corporate voice using GSM is anything but ex-growth. It is a significant growth opportunity. People still need to make telephone calls, but they need to do so in a simple and easy way without the maintenance headaches and associated downtime and without the security risks associated with VoIP. GSM is simply not hackable. While Huge Telecom is still in its infancy, when measured by revenue, the opportunity to grow its revenue is significant.

In addition to providing payment connectivity to three of South Africa's largest banks, Huge Connect provides connectivity to approximately 30 000 merchants. This provides Huge with the opportunity to dip its toe into the Fintech arena in a risk-averse cautious manner by offering cash advances secured by the future receivables collected at the time of a credit card or debit card swipe and at the same time that an acquiring bank takes its fee for the provision of the mobile-point-of-sale device. Lately, there are also suggestions that the banks are considering their involvement in the renting of mobile-point-of-sale devices and may even consider exiting this line of business. Huge Connect is perfectly placed to benefit from this change in strategy. As the payment industry evolves, a company like Huge Connect is better equipped to identify the right opportunities. The executive management team is determined to participate in this high-growth area of the market.

Huge Networks is a data connectivity business, not unlike the many other data connectivity businesses operating in South Africa – and there are many. The market for data connectivity to corporate customers is maturing and consolidating and the opportunities to scale businesses through acquisition are increasing every month. Data connectivity businesses require scale and Huge Networks is perfectly placed to scale. Scaling will improve operating profit margins.

Huge Software is key to Huge's aspirations with connectivity, IoT, payments and Fintech. Point-of-sale devices must integrate with point-of-sale software, which must integrate with accounting software. Huge Software has already played a vital part in integrating Huge Telecom and Huge Connect's CRM and billing engines with Huge Software's accounting system.

In the world of connectivity, there is an age-old saying that he who owns the switching device owns the connectivity. It is not by chance that Huge decided to acquire a controlling interest in Pansmart. Huge will use Pansmart to grow its telephony connections and Pansmart will use Huge to acquire customers who need PABXs. This is another example of Huge leveraging its real estate of customers.



High Growth, High Margin and Scaling



Service Intensity, Efficiency and Innovation

Huge seeks to acquire businesses with low service intensities and high service efficiencies, change the business models of currently owned businesses in an effort to decrease their service intensities and increase their service efficiencies and sell currently owned businesses whose service intensities are too high, or whose service efficiencies are too low, or where the trends in service intensities are rising at a faster rate, or where the trends in service efficiencies are falling at a faster rate than expected.

The service intensities of Huge's two largest operating companies, Huge Telecom and Huge Connect, are low. They also have very high service efficiencies. These are exactly the types of businesses in which Huge wants to invest and they are also exactly the types of businesses which Huge wants to grow. The services provided by these two companies are 'plug, play and walk away' services where most of the time is spent installing, setting-up and activating the services rather than dealing with the ongoing maintenance of the services. In other words, they have low service intensities.

Huge's operating companies seek to lower service intensities by adopting technologies which are simple to manage and/or which are easy to understand and maintain and accordingly will bring with them a lower service cost. They also seek to lower service intensities by reducing the number of variables in the business model or by reducing the number of variables in the service ecosystem – fewer variables mean less management and maintenance, lower costs of servicing and higher profit margins.

Other ways in which Huge's operating companies have lowered their service intensities is through process automation, owning their own CRM, billing and accounting software, and integrating them and developing and owning some of the technology used in delivering the services. Huge Connect and Huge Telecom have developed and own their own CRM and billing engines and Huge Software has developed an accounting software platform which it licenses to third parties and to Huge's operating companies. This has created significant service efficiencies.

Huge Telecom has developed its own routing devices, and this has introduced competition to the local market for the supply of routing devices, which has had the effect of reducing the costs to deliver the services.

These efforts matter, and these matters have the attention of the executive management team. Reducing service intensities reduces service costs and increases service efficiencies and ensures a higher conversion of gross profit into net profit. Huge believes that innovation must take place primarily at the service layer rather than at the technology layer because all technology eventually becomes commoditised.

Distribution and customer reach are key – a good product or a good service will never be a great product or a great service unless the product or service can reach the chosen customer market in a simple, efficient and speedy manner. Huge has access to approximately 800 Business Partners which enable it to go from good to great.

Over the last decade, Huge Telecom has built a sizable distribution capability through its Business Partner network. On average, each Business Partner has five sales representatives, and this provides Huge with about 5 000 ‘feet-on-the-street’. This is testimony to Huge Telecom’s distribution capability and its customer reach. In the last 18 months, the executive management team has been hard at work introducing these Business Partners to the management teams at Huge Connect, Huge Networks and Pansmart. The number of Business Partners who previously only sold the services of Huge Telecom and which are now selling the services of Huge Connect, Huge Networks and Pansmart is steadily increasing. This initiative is bearing fruit.



Distribution and Customer Reach



Sustainable Supply

The capability of each operating company is dependent on a sustainable supply of its required inputs at the lowest possible cost, without comprising quality.

Huge's operating companies focus on providing connectivity services which have already experienced high degrees of commoditisation at the infrastructure layer. The greater the commoditisation at the infrastructure layer, the lower the cost and the higher the gross profit margin. Huge Telecom and Huge Connect have very high gross profit margins. They are able, with these low costs, to add value at the service layer, and so they enjoy high gross margins.

Multiple sources of supply are very important, and the executive management team pays careful attention to managing supplier relationships, and the risks associated with these relationships. Negotiating and securing commercial supplier relationships is a time-consuming process and this raises a natural barrier to entry into Huge's markets. Huge Connect delivers payment connectivity using dual SIM card functionality. Huge Telecom purchases voice connectivity from more than one supplier. This ensures competition for Huge's patronage and a lower cost framework.

Mergers and acquisitions remain a key strategic objective of the Growing Huge Strategy and a central focus for the executive management team. Huge already has a substantial real estate of customers and growing this real estate by acquisition is a very important objective for the executive management team.

The executive management team believes that there are many acquisition opportunities related to businesses which provide various forms of, and attend to, various needs for connectivity, including IoT. In addition, businesses which provide Fintech solutions to customers would also fit into the gamut of acquisition opportunities which would fall within the framework of the Growing Huge Strategy. COVID-19 has made the world more reliant on connectivity, virtual delivery mechanisms and contactless digital payment solutions. The value of Huge's customer real estate has enhanced its investment case and not simply preserved it.

The post-COVID-19 environment is likely to result in an acceleration of acquisitive opportunities. Valuation expectations are likely to be more tempered, thus increasing the number of viable opportunities open to Huge. Huge's appeal remains its critical mass of customers and its ability to leverage them.

During FY2020, the executive management team closed the Otel Transaction and the Pansmart Transaction. These transactions were concluded without significant outflows of cash and were also concluded by way of an unlisted share swap. As a result of the Otel Transaction, Huge Network's year-on-year increase in revenue was 120%. The Pansmart Transaction is an example of the revenue leverage that Huge can extract by giving an acquisition target access to its real estate of customers.

The executive management team will continue to focus on acquisition targets which have strong annuity revenue streams, high gross margins, low levels of service intensity, high operating profit margins and a high cash conversion rate.



Mergers and Acquisitions



Transformation

Huge's B-BBEE profile is important because it assists Huge in operating in the telecommunications industry and the broader South African economy. Huge continues to strive to improve the B-BBEE profile of its underlying operating companies.

Transformation in business is very important if a company wants to be a good corporate citizen and wants to drive positive economic outcomes for the whole of society.

COVID-19 has highlighted the important role companies can play in being good corporate citizens by being active members of the broader society, who provide immediate and emergency support to their stakeholders and the whole nation. Huge continues to target strategic initiatives that improve its transformation credentials, while also focusing on the well-being of its employees, particularly during economic circumstances as challenging as those currently being experienced.

During FY2020, Huge Connect concluded an empowerment transaction. Huge Connect is now 16.29% black-owned, and 60% of this black ownership constitutes black female ownership. This empowerment transaction significantly improves Huge Connect's B-BBEE credentials and ensures that it can maintain its competitive advantage in both the private and public sectors. The transaction also constitutes a positive step in achieving the Group's strategic objective of improving its B-BBEE profile.

During FY2019, Huge concluded empowerment transactions in respect of Huge Soho and Huge Cellular and during FY2020 the Huge operating companies acquired R48 million in products and services from these entities. Initiatives and investments focused on the transformation of Huge's other operating companies will continue as a key objective of the Growing Huge Strategy.

Access to debt capital is a key enabler of Huger's current expansion aspirations and the delivery of the Growing Huger Strategy.

In challenging economic times, successful deal making depends on innovative deal structuring. Huger's ability to raise debt capital in partnership with financial service institutions such as Futuregrowth Asset Management enables it to be more flexible and agile when investigating acquisitive growth opportunities. The Board believes that the productive and progressive relationship between Huger and its providers of debt capital is evidence of the support that significant stakeholders are prepared to give to Huger so that it can achieve its objectives over the medium to long-term. It is also testimony to the quality of Huger's underlying operating companies.

During FY2020, the executive management team created a centralised treasury function. This treasury function will operate through Huger Management and it will be responsible for providing capital to Huger's operating companies. The objectives of this centralised treasury function include reducing the cost of debt on a Group basis and improving the internal oversight of intercompany borrowing and lending. The function provides the operating companies with a single point of contact for their borrowing requirements and it simplifies and speeds up the process of raising the necessary debt capital. This function creates efficiencies in the Group cash management processes and allows the operating companies to focus on more important objectives relating to business strategies and growth. It also allows Huger to leverage the strong relationships it has with its lenders and the experience of the executive management team in cashflow management and funding processes.

The debt to equity ratio of the Group is 22%. This provides Huger with a strategic advantage in pursuing and structuring acquisitions.



Debt Capital Market Appetite



Equity Capital Market Appetite

Access to equity capital is key to Huge's growth aspirations and delivery of the Growing Huge Strategy.

The global trend in asset management from active to passive fund management has had a marked impact on stock markets. This has resulted in investments becoming concentrated in large capitalisation companies. This trend has meant that small capitalisation companies and their shares are paid little attention.

Huge's executive management team continues to engage investors about the Group's value proposition and investment case so that Huge might be positioned as a preferred investment destination.

Huge's executive management team believes that there are many organic and acquisitive growth opportunities for Huge and that the Company can still leverage both its listed shares as well as the unlisted shares of its operating companies. The Group's cash position and its access to reasonably priced debt means that it is unlikely that the Group will need to consider raising equity capital in the short to medium-term.

During FY2020, Huge established a share repurchase programme. In terms of this repurchase programme Huge and/or its subsidiary companies can repurchase up to 4 million Huge Shares for an aggregate consideration not exceeding R20 million. Undertaking the share repurchase programme reflects the Board's belief in the value of the Huge Share.

During FY2020, the vendors of Huge Connect and Huge Networks agreed to restrict the sale of the Huge Shares that they received as consideration in the transaction which took place in March 2017, for an additional two-year period. In return, Huge waived the profit warranties it held against the vendors. This decision was made easy because Huge Connect and Huge Networks have exceeded Huge's initial profit expectations. The vendors form part of the key management teams at Huge Connect and Huge Networks and are also substantial shareholders in Huge. This undertaking shows their commitment to Huge and their view of the long-term value proposition of being invested in Huge.



The Growing Huge Strategy

Operating context

SME customer base

Huge's customer real estate is predominantly SMEs

- Huge is an entrepreneurial business which is skilled in delivering products, services and value to SMEs.
- SME customers have a sensitivity to price but cannot substitute price in favour of quality.
- Huge is able to deliver quality, value for money solutions at a reasonable price, with the aid of its Business Partners.

Challenging political, social and economic environment

South Africa's current low growth and COVID-19 has a negative impact on the sustainability of SMEs

- The key to successful economic reform in South Africa lies in the ability for SMEs to grow.
- In order to grow, SMEs require cost effective, value for money and efficient means of communication, which Huge can provide.
- Despite the susceptibility of SMEs to economic challenges, Huge has sustained its customer real estate.

Abundance of communication infrastructure

Huge is able to operate across various infrastructure platforms

- Huge has the ability to arbitrage the best cost structure and pass these benefits on to its customer real estate.
- Huge has proven its ability to differentiate itself through its ability to provide expanded product and service offerings.
- Huge enables its SME customers to be able to deliver to their customers the same value as their larger competitors, at an affordable cost.

Explosion in Fintech opportunities

Investment in Fintech is a strategic initiative of the Growing Huge Strategy

- Huge aims to build and acquire capacity and invest in the correct skills to leverage Fintech opportunities.
- Through its Investment Committee, Huge focuses on accurate modelling and risk mitigation.
- Huge will only invest in brownfields opportunities, which have a track record of delivery and the ongoing commitment of the founding management teams, who will be required to retain 'skin in the game'.

Rapid growth of Huge

Huge has grown exponentially in recent years and anticipates that it will continue to do so

- Huge's investment in skills and capacity positions it to deliver the Growing Huge Strategy.
- Huge's growth strategy leverages the value from the compounding impact of growth in annuity revenue.
- Huge is able to deliver the cash generative growth required by its investors.



Strategic achievements

Declared and paid total dividends of **18.75 cents** during FY2020

Basic earnings per share increased by **20%** from **48.05** to **57.58 cents**

EBITDA increased by **33%** from **R134 million** to **R178 million**

Total revenue increased by **14%** from **R433 million** to **R492 million**

Objectives

Understand the ability to expand the Huge brand in the business community

Leverage and expand the existing network of Business Partners and the customer real estate
 Leverage existing product and service offerings
 Expand into new products and services
 Identify new strategic partners

Create a people centric organisation
 Advance measurements and data collection
 Implement automation in key areas of the operations
 Improve internal process management
 Review and refine operating models

Develop and implement comprehensive B-BBEE plans

Invest in earnings accretive businesses
 Deliver bolt-on acquisitions at subsidiary company level
 Increase investor base
 Add service diversification and amass customer real estate

Gross profit (Rm)



Market Capitalisation (Rm)



Share price (R)



Revenue (Rm)

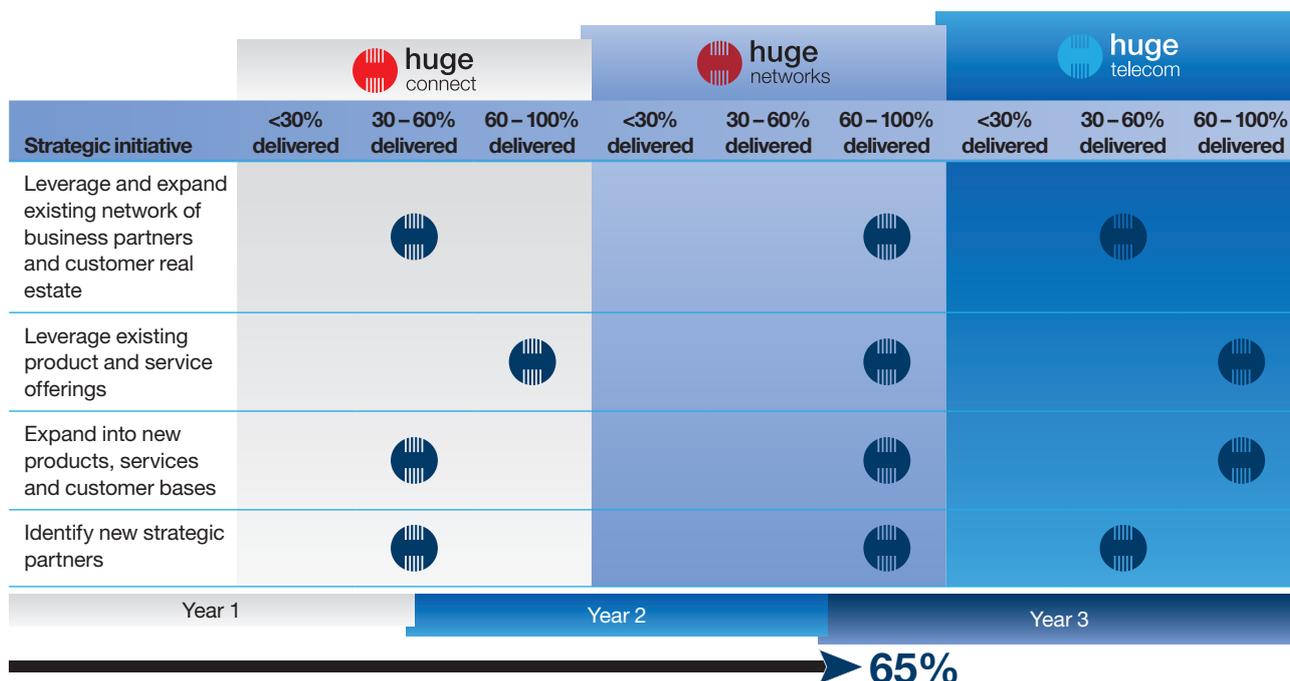


Strategic Performance

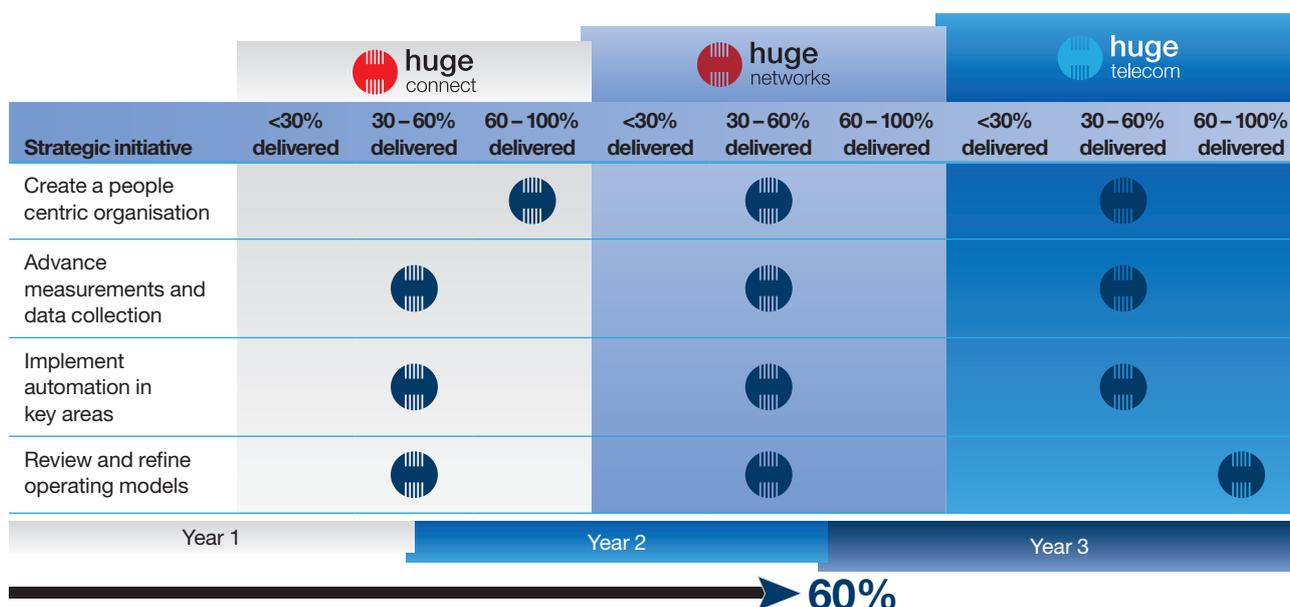
Huge implemented the Growing Huge Strategy in March 2018 and the Board continues to track the performance by the operating companies on a regular basis. The implementation of initiatives to Create a Platform for Growth, to Create Capacity and to Elevate the Huge Brand have made good progress against the three year plan. The challenging economic climate and limited qualifying acquisition targets have impacted the strategic initiatives to Grow the Group by acquisition. While the Huge Connect B-BBEE ownership transaction resulted in that operating company achieving its strategic initiatives with regard to improving its B-BBEE profile, similar initiatives at other operating companies remain a focus.

The strategic performance of Huge Connect, Huge Networks and Huge Telecom, being the key contributors to earnings, is reflected below.

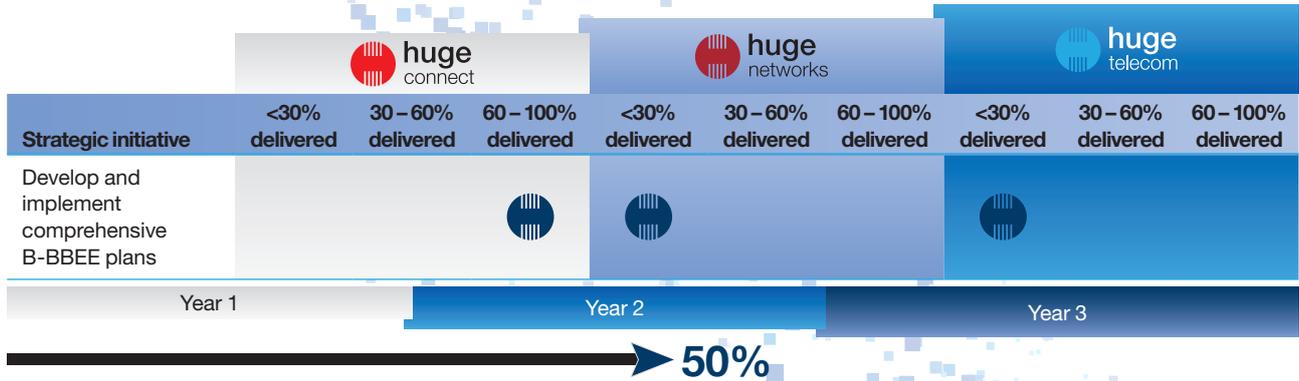
Create a Platform for Growth



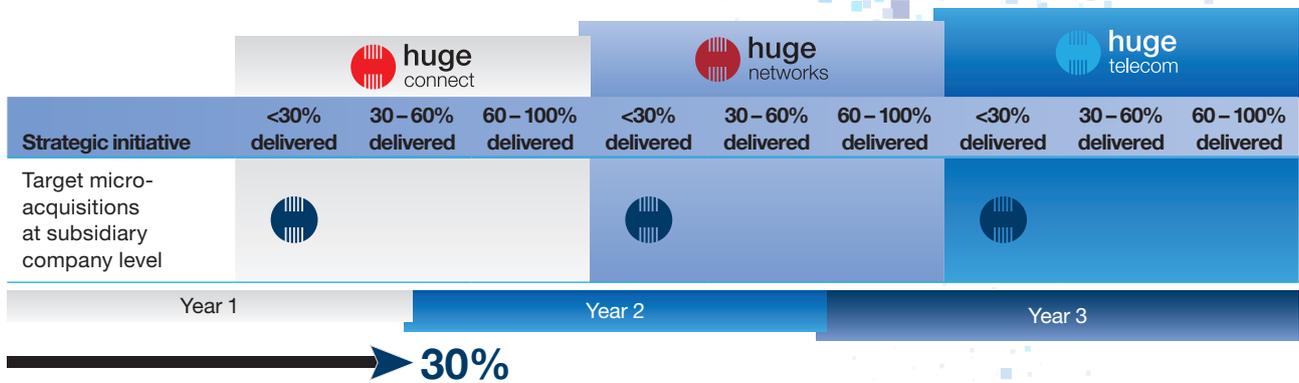
Create Capacity



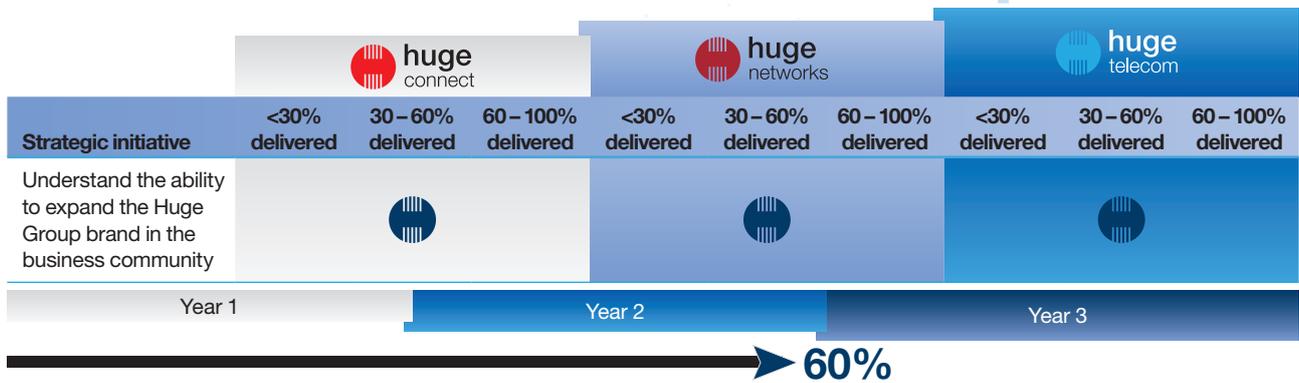
Improve B-BBEE profile



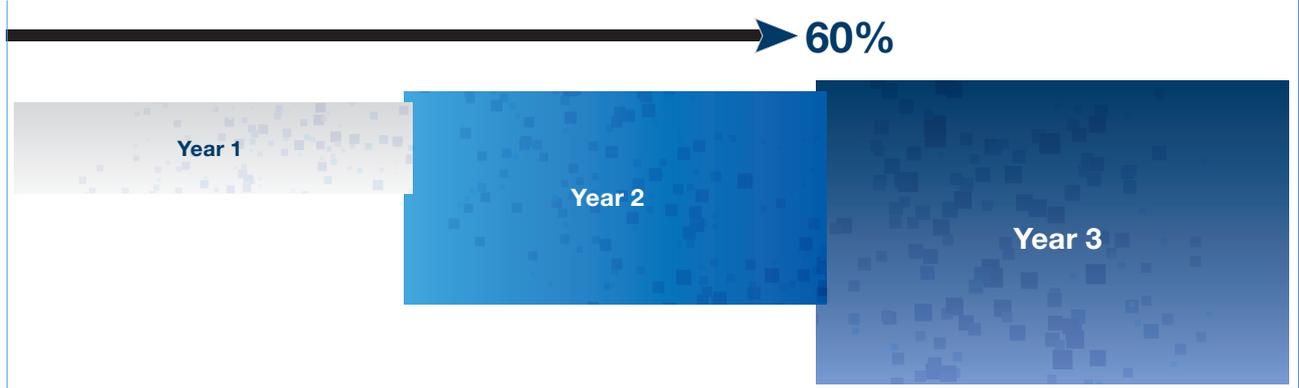
Grow the Group



Elevate the Huge Group Brand



Overall progress in implementing the Growing Huge Strategy



Investing in the Creation of Huge Value

Huge appreciates that its ability to deliver the Growing Huge Strategy is contingent upon its collaboration with its stakeholders. Huge focuses on building strong relationships with its stakeholders and recognising their contribution to Huge's value creation process and long-term sustainability.



Shareholders

Value created for Huge

Shareholders provide Huge with equity capital.

Value created by Huge

Huge distributed circa R31 million to shareholders in the form of dividends during FY2020.

Future outlook

Huge continues to aspire to become a top 100 listed company on the JSE.



Growing Huge Strategy

Create a platform for Growth

Capitals impacted



Financial Capital

Huge Topics effected

Mergers and Acquisitions



Equity Capital Market Appetite



Customer Acquisition and Customer Real Estate



Grow the Group



Funders

Value created for Huge

Access to the debt capital market enables Huge to invest in its growth strategy, while providing a return to funders.

Value created by Huge

During FY2020, Huge paid R19 million to Futuregrowth Asset Management in interest payments on its facilities.

Future outlook

Huge can create sustainable avenues for debt investment in pursuing the delivery of the Growing Huge Strategy.



Growing Huge Strategy

Create a platform for Growth

Capitals impacted



Financial Capital

Huge Topics effected

Debt Capital Market Appetite



Mergers and Acquisitions



Customer Acquisition and Customer Real Estate



Grow the Group



Employees

Value created for Huge

Employees provide Huge with the skills to deliver a services-based business model and generate returns on capital employed.

Value created by Huge

During FY2020, Huge's employee numbers grew by 22%. Huge paid salaries of R157 million and invested R1.1 million in skills development and training.

Future outlook

Creating capacity is a key strategic objective of the Growing Huge Strategy, of which 60% has been implemented.



Growing Huge Strategy

Create capacity

Capitals impacted



Intellectual Capital



Human Capital

Huge Topics effected

Transformation



Human Capital and Rewards



Service Intensity, Efficiency and Innovation



Improve B-BBEE profile



Customers

Value created for Huge

Huge's customer real estate is the foundation of the Growing Huge Strategy and enables Huge to deliver value to its other stakeholders.

Value created by Huge

Huge successfully retained its customer real estate during challenging economic circumstances.

Future outlook

While Huge had hoped to grow its customer real estate more significantly in the short to medium term, the ability to retain customer real estate in a challenging economic climate is indicative of the sustainability of Huge over the long-term.



Growing Huge Strategy

Create a platform for Growth

Grow the Group

Elevate the Huge Brand

Capitals impacted



Social and Relationship Capital



Manufactured Capital

Huge Topics effected



Service Providers

Value created for Huge

Huge provides good quality products and services to its customer real estate, in partnership with its service providers.

Value created by Huge

During FY2020, Huge spent R110 million with its service providers, securing a sustainable supply to its customer real estate.

Future outlook

Huge continues to work with its service providers in delivering cost effective and efficient solutions to its customer real estate.



Growing Huge Strategy

Create a platform for Growth

Grow the Group

Capitals impacted



Intellectual Capital



Manufactured Capital

Huge Topics effected





Business Partners

Value created for Huge

Huge's business model of relying largely on an indirect distribution channel has facilitated the incubation and growth of many Business Partners.

Capitals impacted



Human Capital



Social and Relationship Capital

Value created by Huge

During FY2020, Huge's network of active Business Partners increased by 60%, with R45.5 million paid in the form of fees.

Huge Topics effected

Service Intensity, Efficiency and Innovation



Distribution and Customer Reach



Future outlook

Huge continues to build its' indirect distribution channel, which in turn creates the potential for substantial employment and value creation.



Growing Huge Strategy

Create a platform for Growth

Grow the Group

Elevate the Huge Brand



Professional Advisors

Value created for Huge

Huge relies on suitably experienced and expert professional advisors to ensure that it structures transactions and commercial arrangements in a manner which best protects value for its stakeholders.

Capitals impacted



Intellectual Capital



Manufactured Capital

Value created by Huge

During FY2020, Huge paid R11 million in fees to professional advisors.

Huge Topics effected

Mergers and Acquisitions



Future outlook

Reliance on professional advisors who support the delivery of its strategic objectives remains a key component of the combined assurance model and the Group's approach to risk management.



Growing Huge Strategy

Create capacity

Grow the Group

Managing Risks and Opportunities

COVID-19 Risk

Following the onset of COVID-19 and the declaration of a national state of disaster during March 2020, the Board tasked the executive management team with developing and implementing specific risk responses to the impact of COVID-19 on the Group. Accordingly, the Group adopted a three-phased approach to identifying and addressing these risks:



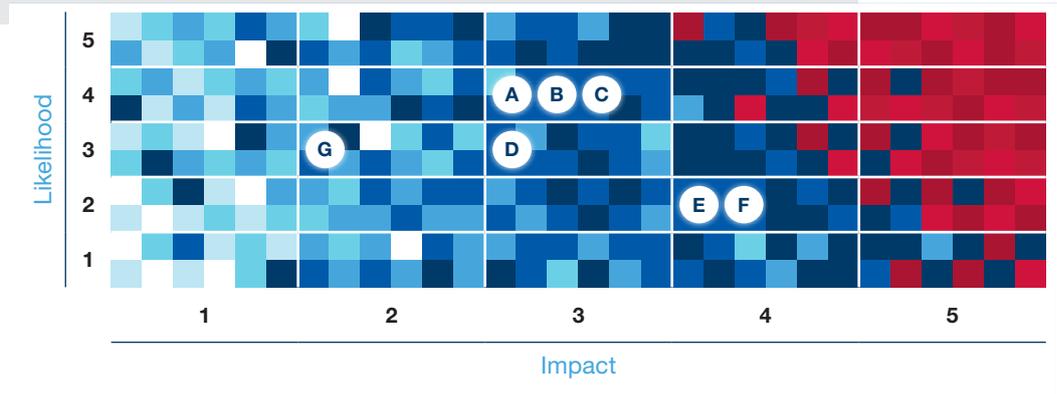
COVID-19 Mitigating Response

The Board identified the following factors which mitigate the risks relating to COVID-19 and which are inherent in the Group's various business models. It is expected that these factors will assist the Group in remaining resilient to the impact of COVID-19:

- 1 Decentralised, asset-light business models across all of the operating companies.
- 2 Telecommunication and connectivity products and services classified as essential services.
- 3 Annuity, compounding nature of the businesses and their revenues provide greater security of revenue streams and customer retention.
- 4 Low concentration of the vast majority of the operating companies' customer spend offsets the risks relating to some of the Group's larger customers.
- 5 Diversified, third party sales channels continue to provide access to markets in a quick, efficient and cost effective manner.
- 6 Flexible and agile management structures mean the Group is able to be very responsive to challenges.
- 7 Previous challenges have directed the Group to focus on sustainability and risk management.
- 8 Challenging economic environment in recent years has enabled the operating companies to strengthen internal processes and procedures to address risks relating to a declining customer base.
- 9 Cohesive teams with low employee turnover promote resilience in human capital.
- 10 Mature and experienced executive and senior management teams at Board and operating company level.

COVID-19 Risk Response

Short, medium and long-term risk registers have been developed in order to assist management in limiting the impact of COVID-19 on the Group. The most significant risks to the Group, in terms of short term risks, measured on a residual risk basis, are reflected accordingly:



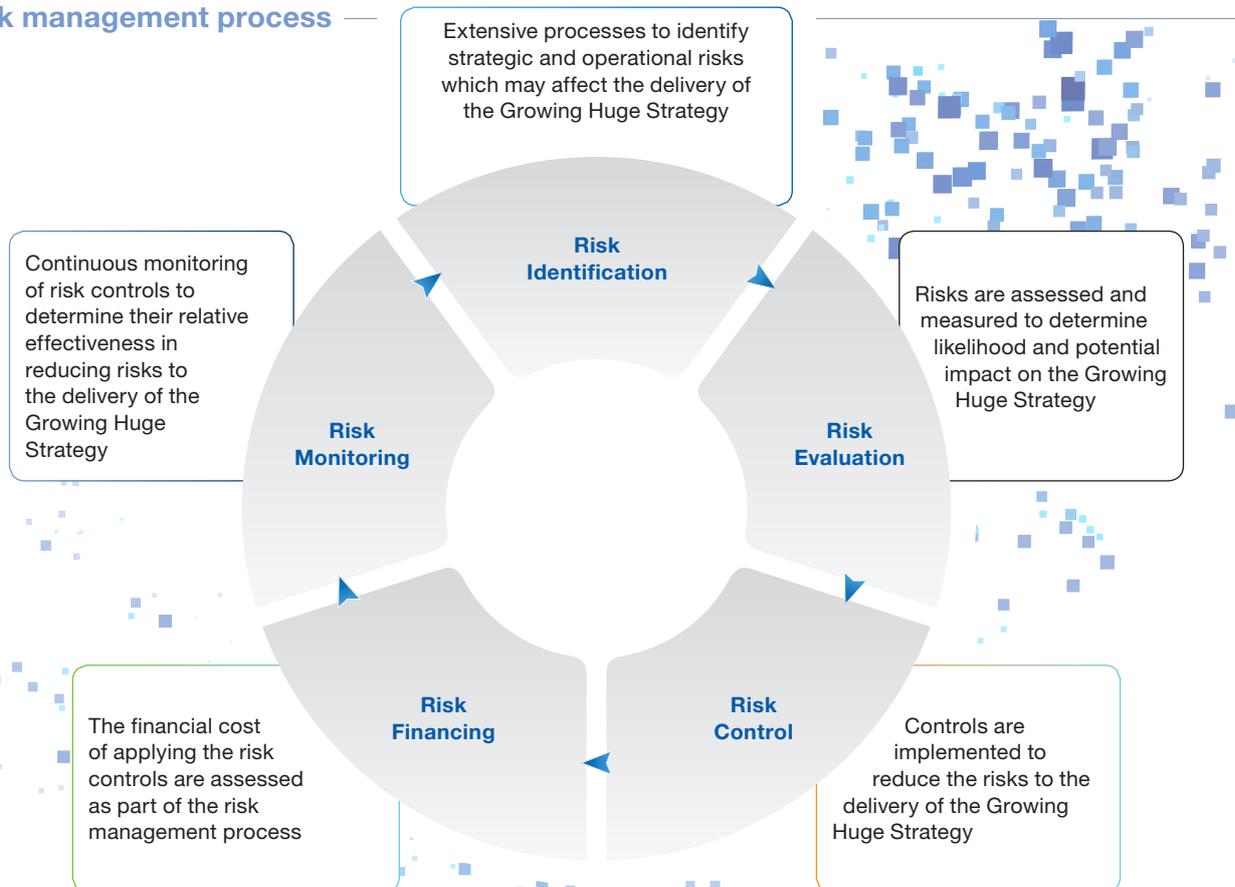
COVID-19 Risk

- A** Declining orderbook
- B** Credit risk
- C** Sustainability of customers and Business Partners
- D** Human capital – psychosocial consequences to employees
- E** Human capital – securing physical health & safety of employees
- F** Capacity to deliver
- G** Declining customer base

COVID-19 Mitigating Response

- 2 4 5 7
- 2 3 4 6
- 2 5 8 7
- 6 7 8 9 10
- 1 2 5 6 9
- 1 2 5 10
- 2 3 5 6 8

Risk management process

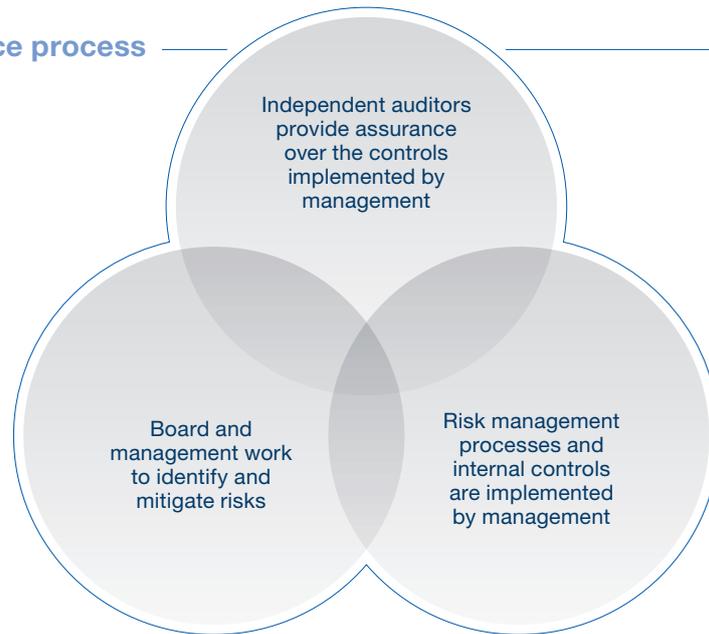


The Board considers risk management as an integral component of its decision-making processes. Through the Risk Committee, it has delegated to management the responsibility for implementing and executing effective risk management.

The Board exercises ongoing oversight over risk management, in respect of which it assesses:

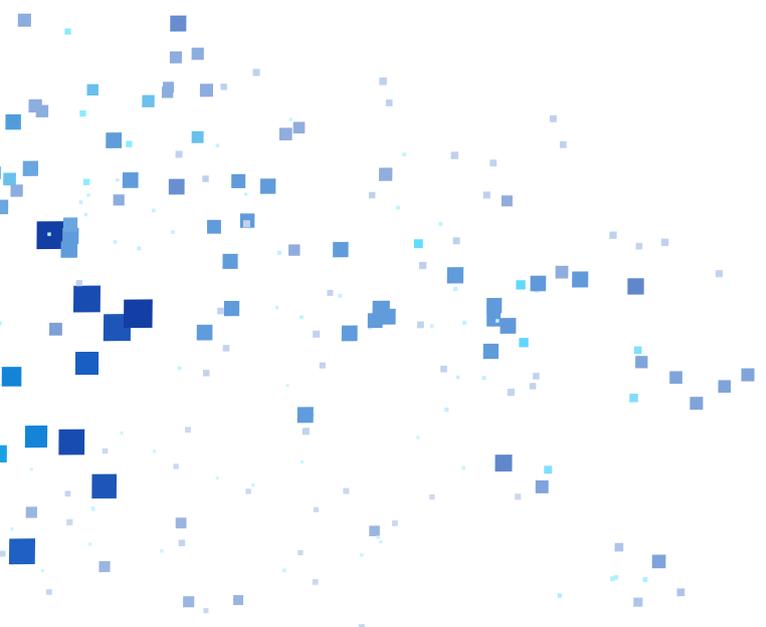
- the risks and the opportunities arising from the environment in which the Group and its operating companies function
- the potential upside or opportunities presented by risks
- the Group's dependence on resources and relationships
- the design and implementation of appropriate risk responses
- the establishment and implementation of business continuity arrangements which allow the Group to continue operating in instances of business disruption
- the integration and embedding of risk management in business activities and in the culture of the Group

Combined assurance process



The Group utilises the five lines of assurance to mitigate risks, reduce errors and identify areas of weakness in its internal controls. Improvements in its assurance mechanisms continue to develop in line with the objectives of the Growing Huge Strategy.

	Area of responsibility	Assurance processes
First line:	Line management, including sales managers and customer service managers	Applying internal control policies and procedures which limit the Group's exposure to risk, while also exploring opportunities identified by the second line of assurance.
Second line:	Managing Directors, Financial Directors, internal risk functions, Group risk functions	Identifying risks and potential opportunities in operating companies and implementing necessary internal control policies and procedures to limit risks and maximise the benefit of opportunities.
Third line:	External legal advisors, regulatory compliance advisors, investment consultants, financial accounting specialists	Providing guidance to the Board and the executive management team so that they can identify areas of risk and take suitable actions which can mitigate these risks.
Fourth line:	Independent auditor	Reviewing the risk management and internal control processes throughout the Group and its operating companies and identifying areas of weakness which require improvement.
Fifth line:	Risk Committee and Audit Committee	Advising the Board on and making recommendations in respect of the efficacy of the Group's risk management processes and its ability to leverage opportunities.

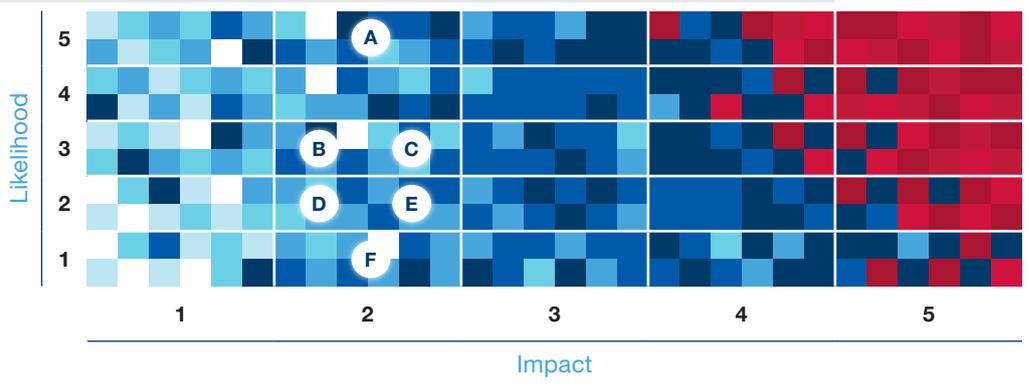


Strategic Risk

Strategic risks which have been identified and which impact the delivery of the Growing Huge Strategy:

The Board is cognisant that risk management is integral to the Group's pursuit of its strategic objectives. Risk management is an ongoing exercise conducted across the Group and impacts daily decision-making in all operational areas. It also impacts on the broader, strategic objectives which are reviewed formally by the Risk Committee at the financial year-end and interim reporting periods.

The most significant risks to the Growing Huge Strategy, measured on a residual risk basis, are reflected accordingly:



Risk

- A** Political, economic and social risks
- B** Regulatory risks
- C** Transformation and human capital risks
- D** Market risks
- E** Technology risks: cybersecurity
- F** Technology risks: lack of digital transformation in response to digital evolution

Risk Reduction

- 50%** reduction
- 50%** reduction
- 50%** reduction
- 50%** reduction
- 75%** reduction
- 75%** reduction

A Political, economic and social risks

Description

Deterioration of general economic conditions as a consequence of political, social, macro-economic and pandemic risks may significantly reduce Huge's operating earnings.

Mitigating response

Responsive action plans to mitigate risks and maintain operational activities, specifically those impacted by COVID-19 (through the COVID-19 Mitigating Response), government policy and regulation, equity markets and social behaviour.

Opportunities

Optimise business models to address changing market conditions and leverage opportunities arising from the size of the customer real estate.

Capitals affected



Financial Capital

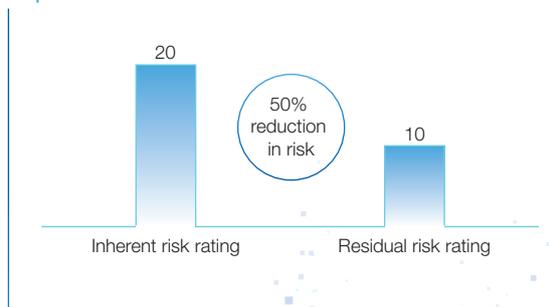


Social and Relationship Capital



Human Capital

Impact: inherent and residual



Link to Huge Topic

Human Capital and Rewards



Debt Capital Market Appetite



Equity Capital Market Appetite



Customer Acquisition and Customer Real Estate



B Regulatory risks

Description

Changes in regulation require a change to the Group's business models or result in increased expenditure to ensure compliance, which may adversely impact the Group's future operating earnings.

Mitigating response

Active monitoring of and engagement with regulatory bodies to ensure timeous identification and comprehensive understanding of these risks; pursuing investment opportunities which improve compliance and which transform the Group.

Opportunities

Adopting a proactive rather than a reactive response to regulatory changes and creating a competitive advantage because of this approach.

Capitals affected



Intellectual Capital

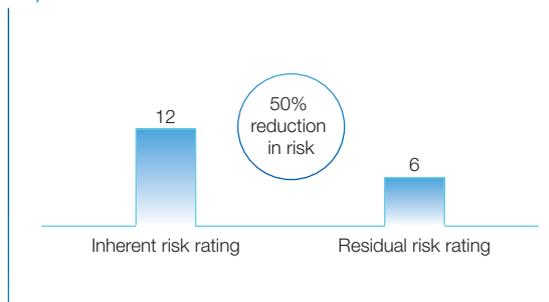


Social and Relationship Capital



Human Capital

Impact: inherent and residual



Link to Huge Topic

Service Intensity, Efficiency and Innovation



Transformation



Mergers and Acquisitions



C Transformation and human capital risks

Description

Directors, executive management team and senior management do not reflect transformation or a diverse demographic, which may have a negative impact on growth potential and future operating earnings.

Mitigating response

Promoting diversity through filling existing vacancies.

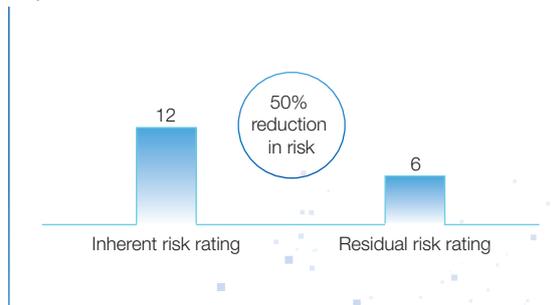
Opportunities

Improving strategic and operational input through diversity of skills, experience, age, gender and race.

Capitals affected



Impact: inherent and residual



Link to Huge Topic

- Mergers and Acquisitions
- Transformation
- Human Capital and Rewards

D Market risks

Description

Competition to Huge's operating business models which may impede organic growth.

Mitigating response

Continuing to differentiate while investigating new markets for entry; introducing value-added services that create 'stickiness' in retaining customers.

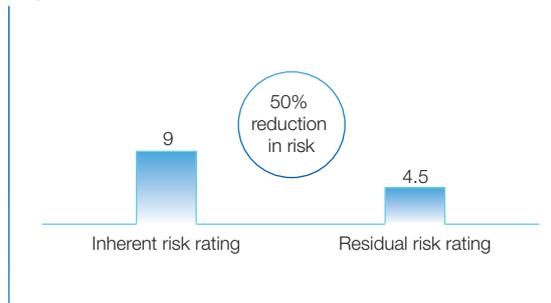
Opportunities

Creating partnerships which expand offerings and exposure to other markets.

Capitals affected



Impact: inherent and residual



Link to Huge Topic

- Equity Capital Market Appetite
- Debt Capital Market Appetite
- Mergers and Acquisitions

E Technology risks: cybersecurity

Description

Increased risk of cyberattacks arising from external threats which advance at a rapid pace.

Mitigating response

Understanding and identifying new threats, improving the Group's ability to test for security breaches and upgrade defensive actions where required; investment in online security enhancements and allocation of suitable capital expenditure; improvements in governance of information and technology risk.

Opportunities

Providing cybersecurity services to Huge's customer real estate.

Capitals affected

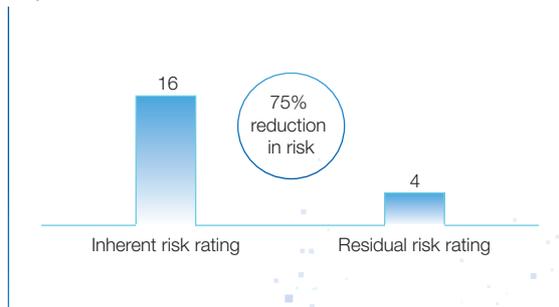


Intellectual Capital



Manufactured Capital

Impact: inherent and residual



Link to Huge Topic

Sustainable Supply

Customer Acquisition and Customer Real Estate

Service Intensity, Efficiency and Innovation

F Technology risks: lack of digital transformation in response to digital evolution

Description

Changes in technology and the increased move towards automation and digitisation require continuing changes to the Group's business models.

Mitigating response

Broadening the diversity of business models; digitally transforming the Huge business models; managing and controlling greater parts of the value chain; exploiting opportunities to increase mobility and remote working capacity.

Opportunities

Improving operational processes and business models in such a way that they become resilient to change; aggregating the value chain and increasing purchasing power.

Capitals affected

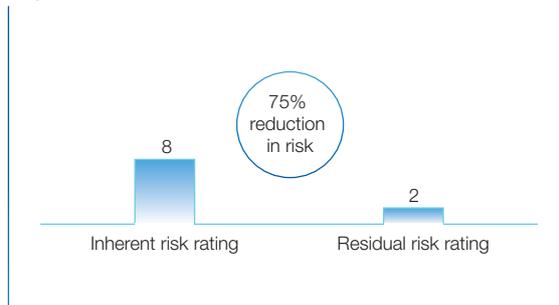


Intellectual Capital



Manufactured Capital

Impact: inherent and residual



Link to Huge Topic

Human Capital and Rewards

Service Intensity, Efficiency and Innovation

Sustainable Supply

Board of Directors



Duarte da Silva ⁵⁵
 Non-Executive Chairman

PhD (Eng); BSc (Mech Eng)

Chairman: Remuneration Committee and Investment Committee

Appointed

1 March 2016

Previous experience

- Regional Head of African Operations, Macquarie
- Chief Executive Officer, Macquarie First South
- Deputy Chairman, McCarthy Bank
- Executive director, Merrill Lynch South Africa
- Top rated technology analyst



Steve Tredoux ⁶⁰
 Lead Independent Director

Chairman: Social and Ethics Committee

Member: Audit, Risk and Nomination Committees

Appointed

26 March 2008

Previous experience

- Chairman, Huge Group
- Various directorships, Huge Group and Huge Telecom
- Group Executive - Sales and Retail Marketing, MTN Group
- Various senior management and accounting positions at National Data Systems, Copyreel Production, AVVID and TL Electronics



James Herbst ⁴⁹
 Chief Executive Officer

BCom, BAcc, CFA, CA(SA)

Member: Investment and Risk Committees

Appointed

1 September 2006

Previous experience

- Chief Financial Officer, Huge Group
- Managing Director, Huge Telecom
- Chief Financial Officer, DataPro Group (now Vox Telecom)
- Private client portfolio manager, Fleming Martin Private Asset Management and BoE



Andy Openshaw ⁵⁶
 Chief Operating Officer

BPharm

Member: Investment, Risk and Social and Ethics Committees

Appointed

1 March 2019

Previous experience

- Chief Executive Officer, Reunert Communication Cluster
- Chief Executive Officer, ECN
- Various senior sales and marketing positions, Glaxo Pharmaceuticals
- Founding partner, Professional Pet Products (Vets Choice)



Samantha Sequeira ³¹
 Chief Financial Officer

CA(SA)

Member: Investment, Risk and Social and Ethics Committees

Appointed

25 March 2019

Previous experience

- Financial Director, Virgin Mobile South Africa
- Practice manager, ARC Inc
- Audit manager, ARC Inc
- Financial Manager, Property Management
- Financial Manager, Sandbox Holdings



Brian Armstrong ⁵⁹
 Independent Non-Executive Director

BSc (Eng), MSc (Eng), PhD

Member: Audit, Investment, Risk and Remuneration Committees

Appointed

1 September 2017

Previous experience

- Group Chief Operating Officer and Group Chief Commercial Officer, Telkom SA
- Vice President for Middle East and Africa, BT Group Plc
- Director of the Division for Information and Communications Technology, CSIR
- Managing Director, AST Networks (now Gijima)



Dennis Gammie ⁶⁷
 Independent Non-Executive
 Director

CA(SA)
 Chairman: Audit, Risk and Nomination
 Committees
 Member: Remuneration Committee

Appointed
29 June 2012

Previous experience

- Chief Financial Officer, Aveng Group
- Financial Director, Murray & Roberts Materials
- Financial Director, Imperial Group subsidiary
- Acting Managing Director, various Aveng Group subsidiaries



Craig Lyons ⁵⁰
 Independent Non-Executive
 Director

BCom, D.Soc (Economics)
 Member: Audit, Risk, Social and Ethics and
 Investment Committees

Appointed
3 July 2017

Previous experience

- Chief Executive Officer, Mvelaphanda Strategic Investments
- Extensive strategic, management and finance experience in various industries
- Co-founded, lead and managed two South African investment companies



Vincent Mokholo ⁴⁶
 Non-Executive Director

BSc (Unv. Limpopo), Telecom MBA
 (Informa Academy UK)
 Member: Remuneration, Nomination and
 Social and Ethics Committees

Appointed
2 July 2007

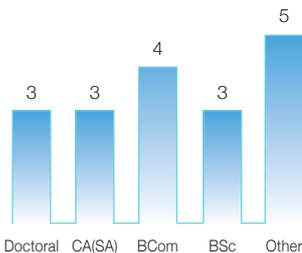
Previous experience

- Chairman, Huge Group
- Deputy Managing Director, Huge Telecom
- Client Services Director, TelePassport
- Director, Ambient Mobile

Present appointments and responsibilities external to Huge

Duarte da Silva Consultant, Casa Da Luz	Andy Openshaw Chairman, Radford Dale	Steve Tredoux Council, Audit Committee and Finance and General Projects Committee, Rhodes University	Brian Armstrong Professor of Digital Business, Wits Business School, Independent non- executive director, Old Mutual Inc	Craig Lyons Non-executive director, various boards, committees and investment funds	Vincent Mokholo Director, Windfall Operations Director, Mano Coal
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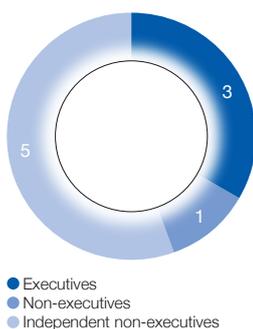
Qualifications



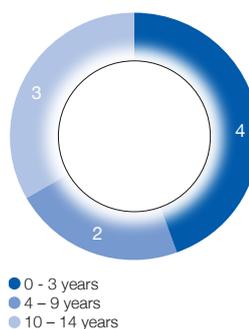
Board experience

- 59** Combined years on the board of Huge
- 214** Combined years of industry experience
- 52** Average age

Board composition



Tenure

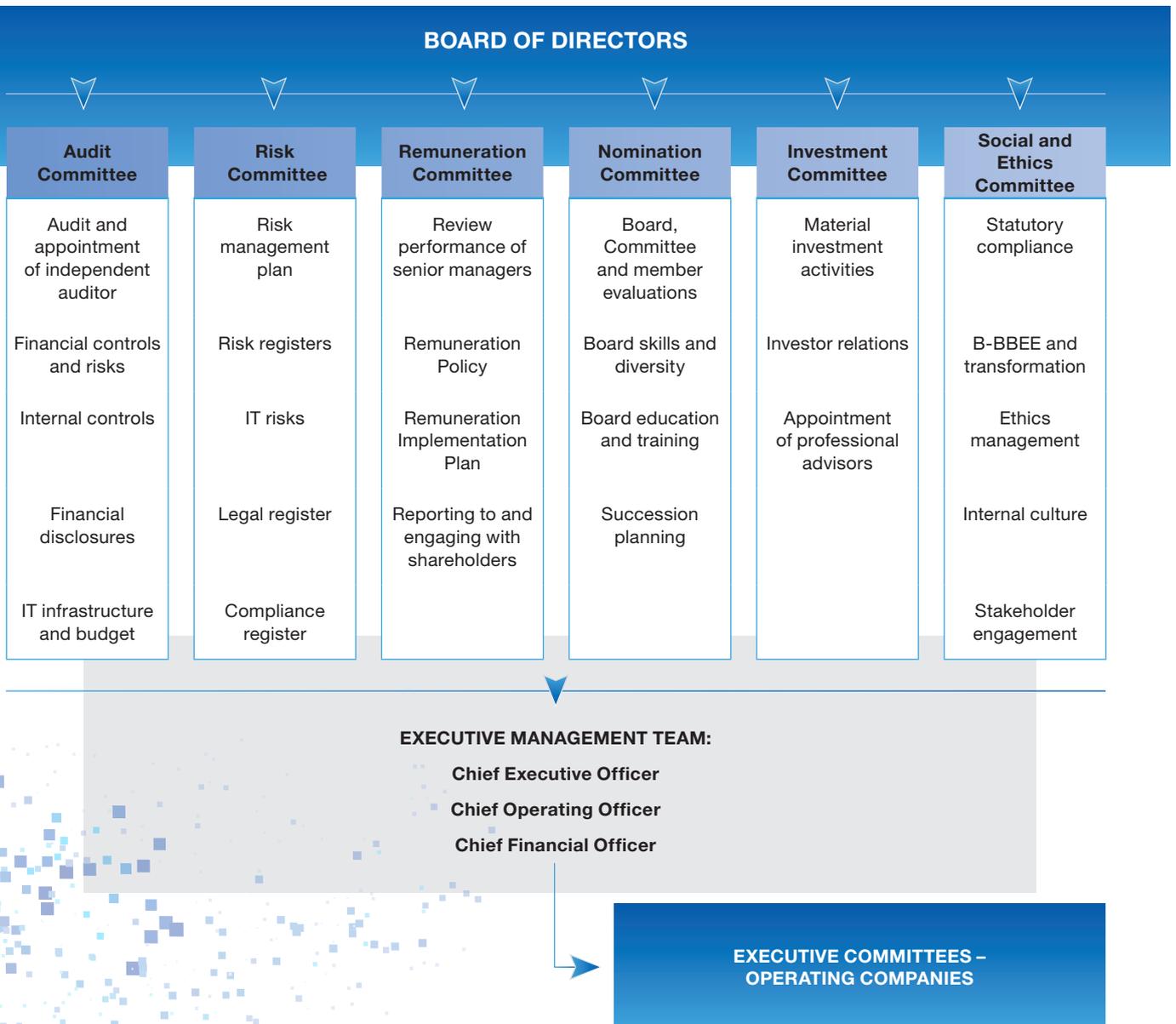


Governance Report

Overview

Huge and its operating companies value the principles of sound corporate governance as a means to ensuring that the Group delivers sustainable value to its stakeholders.

Governance at Huge is subject to the oversight of the board of directors, which exercises control through the appropriate level of delegation to committees and executive directors.



King IV

During the period under review, the Board continued to implement governance procedures to align with the recommended practices of King IV. While the Group has commenced the process of applying King IV, certain recommended practices still require development.

Governance requirements

In ensuring that the Group meets its governance requirements, management has regard to the following legislation, regulations and internal standards:

- Vision and mission
- Companies Act
- JSE Listings Requirements
- A2X Market Listing Requirements
- King IV
- 10 Principles of the United Nations Global Compact
- Regulatory licence terms and conditions
- Code of Ethics

The board of directors

The Board is the highest governance authority in the Group and remains responsible for the Group's adherence to principles of good governance, ensuring that decisions taken are made with reasonable care, skill and diligence.

The MOI of Huge requires the Board to have a minimum of five directors. The Board currently comprises nine members, of whom three are executive directors, six are non-executive directors, of whom five are independent, ensuring a balance of authority which precludes any one director from exercising unfettered power of decision-making. Directors are appointed to the Board following a formal process, which is overseen by the Nomination Committee. Directors are required to dedicate sufficient time to meeting the Board's requirements. Each director contributes a high degree of knowledge, skill and experience to the Group as a whole.

The role of the Chairman and the Chief Executive Officer are separate. Since joining the Board as its Chairman in 2016, Duarte da Silva was not considered independent due to a consulting agreement between Huge and Casa Da Luz, an advisory service associated with Dr da Silva. During May 2020, this consulting agreement came to an end. The Nomination Committee has re-evaluated Dr da Silva's independence. Following the completion of the aforementioned consulting agreement, the Nomination Committee determined that Dr da Silva's status had changed from non-executive director to independent non-executive director with effect from 29 July 2020. Steve Tredoux fulfils the role of Lead Independent Director and the Board is satisfied that he fulfils the criteria for independence recommended by King IV.

The Board views the role of its non-executive directors as essential to protecting shareholders' interests, including those of minority shareholders. Members of the Board remain up to date with Group activities and developments through regular interaction with the executive directors and senior management. Directors are entitled to receive independent professional advice at the expense of the Company and have unrestricted access to management, the independent auditor and the Company Secretary.

The Board composition is set out on pages 38 to 39 of this Report, including a brief CV of each director. The categorisation of directors is made in line with the Companies Act, King IV and the Listings Requirements. The Board Charter places specific responsibilities on the Chairman, Lead Independent Director, the Chief Executive Officer and Company Secretary in respect of overseeing the implementation of sound corporate governance practices. The Chairman is required, *inter alia*, to set the ethical tone for the Board and the Company, provide overall leadership to the Board, ensure that conflicts of interest are managed appropriately and ensure that members of the Board play a full and constructive role in the affairs of the Company. The Lead Independent Director is required, *inter alia*, to fulfil the functions of the Chairman whenever the Chairman is absent or conflicted, serve as a sounding board for the Chairman and act as an intermediary between members of the Board and the Chairman. The Chief Executive Officer is required, *inter alia*, to oversee the implementation of the Board approved strategy and supporting policies. The key responsibilities of the Board are set out in further detail in the Board Charter and Committee Charters, which are available at <http://hugegroup.com/huge-group-unlocking-business-opportunity-governance-charters/>.

Chief Financial Officer

Samantha Sequeira was appointed as the Chief Financial Officer on 25 March 2019. The Audit Committee has evaluated the expertise and performance of Mrs Sequeira over the past financial year and is satisfied that she has the appropriate knowledge, skills and experience to perform the functions required by her position. The Audit Committee is also satisfied that Mrs Sequeira is supported by adequate and competent staff.

Company Secretary

The Company Secretary is required, *inter alia*, to oversee Board governance and guide the directors collectively and individually on their duties, responsibilities and powers. All members of the Board have unrestricted access to the Company Secretary, who provides guidance on the duties and responsibilities of the directors. Following a review of the performance of the Company Secretary during the reporting period, the Board confirmed its satisfaction that Mrs Robinson is competent, suitably qualified and has the necessary knowledge, skills and experience to adequately perform the functions required by her position. Mrs Robinson is not a director of the Company nor any subsidiary company thereof and has an arm's length relationship with the Board.

Board appointments and rotation

The Nomination Committee oversees the formal process for appointing and evaluating directors. The Company's MOI requires that at least one third of non-executive directors must retire at the Company's AGMs on an annual basis. These retiring members of the Board may be re-elected. The Board, through the Nomination Committee, recommends directors for re-election, taking into account their past performance and contribution to the Board.

Accordingly, the Board recommends that Brian Armstrong, Craig Lyons and Duarte da Silva, who are standing for re-election at the AGM, be duly re-elected to the Board by shareholders.

Diversity Policy

The Board recognises the value of diversity to the quality of its decision-making processes, as well as a positive contribution to transformation. Improving the Group's B-BBEE profile is a key strategic objective of the Growing Huge Strategy. The Board continuously seeks to improve upon its current level of diversity and is supported in this process by its Diversity Policy, as well as the functions of the Nomination Committee and the Social and Ethics Committee.

Succession planning

The Board, through the Nomination Committee, undertakes a comprehensive review of executive and senior management positions on an annual basis. Key individuals have been identified who could fulfil short-term appointments on an emergency basis, as well as individuals who could provide long-term succession to these positions. Personal development plans for these individuals remain ongoing in order to ensure that they are adequately prepared to assume responsibility for the relevant positions.

Directors' dealings in Huge Shares

Closed periods and prohibited periods are imposed by the Company in line with the Listings Requirements. Notifications of these periods are distributed to the Board, the directors of subsidiary companies and employees across the Group. Share dealings are managed by a formal policy on share trading and confidentiality and any directors' dealings require the pre-approval of the Chairman. The Company Secretary maintains a register of directors' dealings.

Board remuneration

Non-executive members of the Board are remunerated for their services to the Company by way of a monthly retainer and an attendance fee. Where required, reasonable travel expenses are paid by the Company. Shareholders approve non-executive director fees on an annual basis at the AGM. Further information on the non-executive director fees are set out in the Remuneration Report on pages 47 to 51.

Attendance at Board Meetings and Board Committee meetings

Directors	Board meetings	Special Board meetings	Audit Committee	Special Audit Committee	Risk Committee	Investment Committee	Social and Ethics Committee	Remuneration Committee	Special Remuneration Committee	Nomination Committee
No. of meetings held during FY2020	5	3	5	1	3	4	3	4	1	4
DF da Silva	5	2	-	-	3	4	-	4	1	-
SP Tredoux ¹	4	3	4	1	2	-	2	4	-	3
JC Herbst	5	3	-	-	-	4	-	-	-	-
AP Openshaw ²	5	3	-	-	-	2	-	-	-	-
SL Sequeira ³	5	3	-	-	-	2	-	-	-	-
BC Armstrong ⁴	5	3	-	-	3	2	-	2	1	4
DR Gammie	5	3	5	1	3	-	-	4	1	4
CWJ Lyons ⁵	5	3	5	1	-	4	1	-	-	4
VM Mokholo	5	2	-	-	-	-	3	4	1	-
KE Robinson	-	-	-	-	-	-	3	-	-	-

¹ SP Tredoux became a member of the Nomination Committee with effect from 31 July 2019.

² AP Openshaw became a member of the Investment Committee with effect from 31 July 2019.

³ SL Sequeira became a member of the Investment Committee with effect from 31 July 2019.

⁴ BC Armstrong became a member of the Remuneration Committee and the Investment Committee with effect from 31 July 2019.

⁵ CWJ Lyons became a member of the Social and Ethics Committee with effect from 31 July 2019.

Committee Reports

Delivery of objectives

Audit Committee

Mandate

Assisting the Board by reviewing and advising on the financial reporting, oversight of governance, financial risk management processes and internal financial and non-financial controls, independent audit functions and statutory and regulatory compliance.

Responsibilities

Reviewing the Consolidated and Separate Annual Financial Statements prior to approval, both with the executive directors and in a separate forum with the independent auditor.

Reviewing the appropriateness of the accounting policies and ensuring that the Consolidated and Separate Annual Financial Statements fairly present the financial performance, financial position and going concern status of the Company and the Group as at 29 February 2020.

Reviewing and addressing any concerns or complaints relating to the accounting policies, internal controls, internal financial controls or auditing of the Consolidated and Separate Annual Financial Statements.

Making submissions to the Board on any matter related to the Group's accounting policies, financial controls, records and reporting procedures.

Key focus areas for FY2020

Reviewed the independence and terms of engagement of Moore Johannesburg Inc and recommended their re-appointment.

Considered the impact of the prior period restatement in relation to an error identified in the FY2019 Huge Connect results.

Considered the impact of changes to the application of IFRS 16 in respect of the capitalisation of operating leases to the Group's Statement of Financial Position.

Considered the impact of the Executive Option Agreements and calculations thereof to determine whether there was a material impact in FY2020.

Considered the impact of the consolidation of The CI Trust, the current and future share-based payments and the related qualification by the independent auditor on the FY2019 AFS.

Reviewed the adequacy and effectiveness of internal controls in respect of financial reporting.

After having made the appropriate assessments, recommended the declaration of a final FY2019 dividend and an interim dividend for FY2020 to the Board and the implementation of the Share Repurchase Programme.

Key focus areas for FY2021

Taking into account operational risks relating to the macro-economic climate and the impact of COVID-19 on the Huge business model, the Committee will give particular focus to:

- Monitoring actual performance against budgeted performance.
- Key financial risk indicators across the Group.
- Liquidity and working capital requirements.
- Initiatives which strengthen the balance sheet and reduce levels of debt.

Results of the annual performance evaluation

While the Committee is satisfied that it has met its objectives for FY2020, it intends to continue enhancing its efficiencies in reviewing internal controls.

No. of meetings held during the year:

5

Special Audit Committee

Attendance:

93%

Attendance:

100%

Audit Committee's Report to Shareholders pages 79 to 80

Risk Committee

Mandate

Assisting the Board in managing any unexpected risks which may have a significant impact on business continuity and the achievement of the Growing Huge Strategy.

Assisting the Board in reviewing both opportunities and risks which may affect the Company.

Responsibilities

Ensuring that effective risk management policies and strategies are in place and are recommended to the Board for approval.

Ensuring that material risks are identified and that appropriate risk responses are implemented.

Reviewing the Group's sustainability risk on a regular basis.

Ensuring that appropriate resources are directed towards areas of high risk.

Reviewing the Group's insurance arrangements and considering whether appropriate coverage is in place.

Key focus areas for FY2020

Monitored the effective implementation of risk management policies and strategies by management.

Reviewed and approved risk registers for the Group and its operating companies, ensuring that the risks were identified on a quantitative and qualitative basis, according to probability and impact.

Reviewed the Group's risk appetite and risk tolerance levels, relative to reward or opportunity.

Key focus areas for FY2021

Monitoring the implementation of the Group's COVID-19 Risk Register and ensuring that the Group's risk responses remain effective in minimising the impact of the pandemic on operations.

Ensuring that risks relative to the ongoing implementation of the Growing Huge Strategy are managed appropriately.

Results of the annual performance evaluation

While the Committee is satisfied that it has met its objectives for FY2020, it intends to continue enhancing its assessment of the Group's risk appetite, risk tolerance and sustainability risk.

No. of meetings held during the year:

3

Attendance:

92%

Risk Report to Shareholders pages 30 to 37

Social and Ethics Committee

Mandate

Assisting the Board in monitoring compliance with legislative, regulatory requirements and codes of best practice in respect of social and economic development, corporate citizenship, transformation, environmental matters, health and public safety, stakeholder relationships and labour and employment.

Responsibilities

Monitoring compliance with the Revised B-BBEE Codes and the ICT Sector Charter.

Ensuring that the Group is, and is seen to be, a good corporate citizen.

Ensuring that the Group complies with the relevant labour and employment legislation.

Ensuring that the Group complies with the relevant consumer protection legislation.

Considering the impact of the Group's operations on the environment, and the health and safety of its employees.

Overseeing policy implementation which supports ethical behaviour.

Key focus areas for FY2020

Approved the Group's Whistleblower Policy.

Monitored the implementation of B-BBEE compliance plans.

Reviewed the Group's environmental and safety reports.

Key focus areas for FY2021

Reviewing the Group's social and ethical responsibilities as a participant in the national economy impacted by COVID-19.

Monitoring the implementation of B-BBEE compliance plans across the Group.

Overseeing the implementation of the Code of Ethics, which entrenches an ethical value system across the Group.

Results of the annual performance evaluation

While the Committee is satisfied that it has met its objectives for FY2020, it intends to continue enhancing its assessment of the Group's policies and practices which support the strengthening of an ethical culture and good corporate citizenship. The improvement of the Group's B-BBEE profile remains a key strategic focus for the Committee.

No. of meetings held during the year:

3

Attendance:

90%

Social and Ethics Committee's Report to Shareholders page 52

Investment Committee

Mandate

Assisting the Board in deliberating any strategic investment opportunity and interactions with the investment community.

Responsibilities

Considering potential acquisition opportunities and making representations to the Board.
 Monitoring compliance with the Investor Relations Policy.
 Reviewing activities relating to investor relations and communications.
 Reviewing and recommending the appointment of service providers in respect of the Company's investment activities.

Key focus areas for FY2020

Considered acquisitions undertaken during FY2020, potential acquisition opportunities and due diligences undertaken in respect thereof and made recommendations to the Board.

Key focus areas for FY2021

Continue to identify investment opportunities which align with the delivery of the Growing Huge Strategy.

Results of the annual performance evaluation

While the Committee is satisfied that it has met its objectives for FY2020 and particularly its objectives relating to continuing education, the Committee recognises the importance of lifelong learning and will strive to always improve on this objective by expanding and broadening the subject matter and body of knowledge to which its members are exposed.

No. of meetings held during the year:

4

Attendance:

100%

Investment Case page 8

Remuneration Committee

Mandate

Ensuring the consistent application of the Group's Remuneration Policy and Remuneration Implementation Plan.

Assisting the Board in ensuring that the disclosure of remuneration matters is accurate, complete and transparent.

Responsibilities

Reviewing the outcomes of the Remuneration Implementation Plan and determining whether the Remuneration Policy is achieving its intended objectives.
 Reviewing the annual remuneration trends of the Group and noting any significant changes in remuneration and/or employee benefit structures and policies.
 Overseeing the implementation of remuneration practices with a view to supporting the achievement and ongoing delivery of the Growing Huge Strategy.
 Advising the Board on the remuneration of the non-executive directors, having given due consideration to recommendations by the executive directors, independent research and market related practices.
 Reviewing the terms and conditions of the employment contracts of the executive directors.
 Considering whether benefits, including any retirement benefits and other financial arrangements, were appropriately administered and valued.

Key focus areas for FY2020

Monitored the application of the Remuneration Policy and its role in the delivery of the Growing Huge Strategy.

Approved a general increase of 5% for Huge employee remuneration for FY2021.

Considered the Executive Option Agreements in respect of the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer and recommended same to the Board for approval by shareholders.

Key focus areas for FY2021

Continue to oversee the implementation of the performance measurement targets and appropriate incentive scheme for executive directors, senior management and employees.

Results of the annual performance evaluation

While the Committee is satisfied that it has met its objectives for FY2020, it intends to continue enhancing its efficiencies in reviewing remuneration practices and the evaluation of performance targets for executive directors.

No. of meetings held during the year:

4

Attendance:

100%

Remuneration Report pages 47 to 51

Special Remuneration Committee

Attendance:

100%

Nomination Committee

Mandate

Assisting the Board in applying processes for nominating, electing and appointing members to the Board and its committees, succession planning and evaluation processes.

Responsibilities

Overseeing succession planning for the Board, committees, executive directors and senior management and ensuring that suitable processes are implemented.

Considering the rotation of directors and making recommendations to the Board in respect of directors retiring by rotation and standing for re-election at the AGM.

Considering the members of the Audit Committee and making recommendations to the Board in respect of the re-election at the AGM of shareholders, after assessing the credentials and fitness for office of each member.

Developing criteria for the selection of candidates to serve on the Board.

Reviewing the structure and composition of the Board committees.

Evaluating the effectiveness of the committees and reporting its findings to the Board.

Making recommendations to the Board for participation in continued professional development.

Reviewing the adequacy of the directors' and officers' liability insurance coverage.

Reviewing and monitoring the Company's application of the Board's Diversity Policy.

Key focus areas for FY2020

Focused on areas for improving the Company's diversity.

Monitored succession planning and skills development initiatives to support growth of Human Capital.

Key focus areas for FY2021

Monitoring the implementation of the succession planning processes for executive directors and senior management.

Monitoring arrangements in respect of continued professional development for directors and senior management.

Results of the annual performance evaluation

While the Committee is satisfied that it has met its objectives for FY2020, it intends to continue enhancing its focus on succession planning in the operating companies as well as enhancing the Board's access to relevant and timely industry-related information.

No. of meetings held during the year:

4

Attendance:

100%

Governance Report pages 40 to 42

	Audit	Risk	Social and Ethics	Investment	Remuneration	Nomination
Membership						
Number of members	3	4	4	6	4	4
Majority non-executive	✓	✓	✓	✓	✓	✓
Independent chairman	✓	✓	✓	✗	✗	✓
All members of the Board attend by invitation	✓	✓	✓	✓	✓	✓
Legislative and regulatory compliance:						
Formal charter adopted	✓	✓	✓	✓	✓	✓
Charter objectives achieved	✓	✓	✓	✓	✓	✓
Compliance with Companies Act	✓	✓	✓	✓	✓	✓
Compliance with JSE Listings Requirements	✓	✓	✓	✓	✓	✓
Improvements made in implementing King IV recommended practices	✓	✓	✓	✓	✓	✓

Remuneration Report

Dear Shareholder,

Notwithstanding challenging economic circumstances, the Group has maintained its promise to deliver earnings growth and generate cash flow. The Group's Remuneration Policy, which was implemented in support of the Growing Huge Strategy, ensures that the Group continues to remunerate fairly and reasonably, while also creating value for shareholders.

Following the onset of COVID-19, a key objective of the Board has been to preserve its full complement of employees, without compromising their remuneration. In support of this initiative, non-executive directors have made voluntary sacrifices relating to their fees, while the Chief Executive Officer and the Chief Operating Officer have foregone annual increases in their remuneration for FY2021. As the economic impact of national lockdown endures, the Remuneration Committee will focus on ensuring that the objectives of the Remuneration Policy remain an important part of the Group's operational activities.

During FY2020, the Group continued to develop strategic initiatives aimed at creating incentives for employees. The Board believes that this is necessary for the delivery of the Growing Huge Strategy. The Board recognises that incentives are very important, both at executive and at an operational level.

The Executive Option Agreements, which were approved by shareholders at a special general meeting held on 26 February 2020, granted the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer options to acquire shares in the Company.

In proposing the Executive Option Agreements to shareholders, the Board was cognisant of the importance of aligning the objectives of the executive directors with those of shareholders. The Board also deliberated the recommendations of King IV in respect of performance hurdles relative to the Group's strategic objectives. The Board's rationale for proposing the Executive Option Agreements was the retention of key skills and creating a mechanism which will reward the executive directors only if the Group grows earnings and cash flows and only if the market rewards this growth in higher valuations. There is no better performance hurdle than meeting the expectations of the market when it comes to growing earnings and generating cash flows. However, if the executive directors grow the earnings and cash flows of the Group the possibility does exist that they may not be rewarded for their achievements – this would be the case if the market lowers its valuation, even in the face of rising earnings and cash flows.

During FY2020, the executive directors also engaged in developing performance measures and suitable incentive schemes for application in the operating companies. Presently, the scale and turnover variation of the operating companies limits the scope for implementing general incentives on a

consistent, groupwide basis. Accordingly, incentives will be created for management in each operating company based on performance measures that are relevant and specific to these companies' strategic objectives. As the Growing Huge Strategy continues to be implemented, it is anticipated that the increased scale of the Group and its operating companies will provide a more suitable basis for the development of a groupwide incentive scheme.

In accordance with the Remuneration Policy, the Board approved a general increase of 5% for all operating companies in the Group, which is in line with the average inflation rate for FY2020 (FY2019: 5.5%). While the Board approved the overall percentage, the managing directors of each operating company had the latitude to apply increases per employee in a manner they deemed most prudent and efficient for achieving the objectives of the Growing Huge Strategy. Generally, a higher percentage increase was applied to employees at lower levels of remuneration. This has been a regular practice by the Group, with a view to ensuring that it remunerates fairly while also reducing remuneration inequality.

The Board remains confident that the Remuneration Policy, a summary of which is included in this Report, is well aligned with the delivery of the Growing Huge Strategy. The Remuneration Policy will be presented to shareholders for approval by means of a non-binding advisory vote at the AGM scheduled for 8 October 2020.

At the Company's last AGM held on 29 August 2019, 96.28% of the votes cast by shareholders supported the Remuneration Policy and 98.37% of the votes cast by shareholders supported the Remuneration Implementation Report. Non-executive director fees received the support of 100% of the votes cast.

No remuneration consultants were used during the period under review. However, cognisance was had to the following independent public reports on remuneration:

- *Non-executive Directors: Practices and Remuneration Trends Report, PWC, 13th Edition*
- *Executive Directors: Practices and Remuneration Trends Report, PWC, 11th Edition*

The Remuneration Committee is of the view that it has achieved the stated objectives of its charter. The Committee will continue to focus on the implementation of the Remuneration Policy in support of the sustainable delivery of the Growing Huge Strategy.

Duarte da Silva
Chairman
Remuneration Committee

REMUNERATION POLICY

Governance of remuneration

The Remuneration Committee assists the Board in discharging its responsibilities relating to the remuneration of its executive directors, managing directors and senior managers, monitoring the application of Huges Remuneration Policy and ensuring that disclosures related to remuneration matters are accurate, complete and transparent.

The Remuneration Committee met four times during the reporting period, with an additional special meeting being held to deliberate the Executive Option Agreements. The full report of its activities can be found on page 45.

The executive directors and the balance of the members of the Board attend the Remuneration Committee meetings by invitation. Executive directors do not participate in deliberations relating to their own remuneration.

Key principles of the Remuneration Policy

The Remuneration Policy sets out the Groups remuneration philosophy, which is focused on delivering the Growing Huge Strategy. In doing so, it considers the creation of incentives that will retain the skills needed to deliver growth, both organically and acquisitively, to promote and entrench a culture of service delivery excellence and improve diversity and transformation.

In determining remuneration, the Company considers the scarcity of the skills required, whether a position is critical to its operations and the extent to which an employee is considered "top talent".

The Remuneration Policy incorporates principles for ensuring compliance with the recommended practices of King IV and provides Huges with a basis for ensuring it remunerates its employees fairly, responsibly and transparently, in order to promote the achievement of the Growing Huge Strategy and positive outcomes in the short, medium and long-term.

Overview of the Remuneration Policy

Remuneration elements and design principles for executive directors and employees

Huge remunerates its employees on the following basis:

- Salaries are calculated on a total cost to company (TCTC) basis
- Salaries are reviewed annually during February and increases are implemented with effect from 1 March
- In benchmarking salaries, comparisons are made against market related industry salaries in the median quartile
- Executive director remuneration is benchmarked against available peer group comparatives and relevant remuneration surveys

Various benefits are available to employees, as part of their TCTC. These benefits depend upon the operating company concerned. Benefits include:

- membership of a provident fund
- membership of a medical scheme
- car insurance benefits
- study assistance

Details of any obligations in employment contracts that could give rise to payments on termination

Executive directors' employment contracts do not commit the Company to make payments on termination arising from a director's failure to perform his or her agreed duties.

Executive directors' employment contracts provide for a restraint of trade, alternatively for compensation related to a restraint of trade. Executive directors' contracts also provide for differentiated notice periods based on the reason for termination and the possibility of certain payments being made to the executive director in the event of termination for change of control.

The Board is cognisant of the recommended practice of King IV in respect of which the Chairman of the Board should not be the Chairman of the Remuneration Committee and the Chairman of the Remuneration Committee should be independent.

Dr da Silva is the Chairman of the Board and the Chairman of the Remuneration Committee. Until May 2020, Dr da Silva was associated with a consultant to Huges, which resulted in him not being considered independent. Dr da Silva has substantial experience in respect of remuneration structures, particularly with regard to aligning remuneration structures to the delivery of an organisation's strategic objectives. During FY2020, the Remuneration Committee appointed Dr Armstrong as its fourth member and accordingly membership comprised two non-executive directors and two independent non-executive directors. The Nomination Committee has since re-assessed Dr da Silva's independence following the completion of the aforementioned consulting contract and has come to the conclusion that Dr da Silva's status has changed from non-executive director to independent non-executive director with effect from 29 July 2020.

Framework and performance measures used to assess strategic objectives and positive outcomes

Executive directors' employment contracts provide for the award of performance-based incentives on a discretionary basis, after the publication of the annual financial statements of the Group and following a performance appraisal. The amount of this incentive is determined by the Board, acting on the recommendation of the Remuneration Committee, with reference to the outcome of the director's performance appraisal and the Company's performance in the prior financial year. In determining criteria for performance appraisals, consideration is given to both financial and non-financial indicators.

Addressing fair and reasonable remuneration of executive directors in the context of overall employee remuneration

The Remuneration Committee is of the view that Huge has a responsibility to narrow the earnings gap between employees in the lowest remuneration levels and those in the highest. This practice continues to be implemented incrementally throughout the Group, predominantly through the process of awarding annual increases.

Application and justification of remuneration benchmarks

In considering executive director remuneration, reference was made to PWC's *Executive Directors: Practices and Remuneration Trends Report* and in particular, small capitalisation companies in the telecommunications services sector, with appropriate adjustments made to align with the relevant reporting period.

The application of these remuneration benchmarks is illustrated in the Remuneration Implementation Report.

Basis for setting the fees for non-executive directors

Non-executive directors are paid a monthly retainer for their services and a fee for attending Board meetings, committee meetings and special Board meetings. Members who tender apologies for meetings do not receive the relevant meeting attendance fee. The Remuneration Committee believes that this structure is the most appropriate for remunerating non-executive directors, particularly given their availability to the executive directors for ongoing strategic matters.

In considering fees for non-executive directors, reference was made to PWC's *Non-Executive Directors: Practices and Remuneration Trends Report* and in particular, small capitalisation companies in the telecommunications services sector, with appropriate adjustments made to align with the reporting period.

The application of these remuneration benchmarks is illustrated in the Remuneration Implementation Report.

The full Remuneration Policy is available at <http://hugegroup.com/wp-content/uploads/2019/08/2019-04-04-HGRO-Remuneration-Committee.-Remuneration-Policy.pdf>

REMUNERATION IMPLEMENTATION REPORT

Summary of remuneration activities and decisions taken

During the reporting period, the Remuneration Committee undertook the following activities and approvals:

- Considered the Executive Option Agreements, including the strategic objectives and financial consequences thereof, and the report of the independent expert
- Approved an annual budget increase of 5% to the remuneration of Huge and its operating company employees
- Mandated the executive management team to develop performance criteria for senior management, which process is currently under way

Executive director remuneration

Fixed remuneration

During the reporting period, the executive directors of Huge consisted of Mr Herbst, the Chief Executive Officer, Mr Openshaw, the Chief Operating Officer and Mrs Sequeira, the Chief Financial Officer. In reviewing the annual increase to the remuneration of each executive, the Remuneration Committee considered the responsibilities of executive directors for the delivery of the Growing Huge Strategy.

In benchmarking executive remuneration to that of similar companies in the small capitalisation telecommunications services sector, the Remuneration Committee noted that Mr Herbst and Mrs Sequeira are remunerated below the sector average. There was no appropriate benchmark against which to compare Mr Openshaw.

In support of the Board's objective to preserve its full complement of employees, without compromising their remuneration, Mr Herbst and Mr Openshaw have voluntarily foregone increases to their annual remuneration for FY2021.

The Remuneration Committee is, however, of the view that it is not in the best interests of the Company for Mrs Sequeira to forego her annual increase. In this regard, the Remuneration Committee recommended and the Board approved an increase of 12% to Mrs Sequeira's annual remuneration.

Total remuneration outcomes for executive directors and prescribed officers

Director	Annual remuneration	Risk, retirement and medical contributions	Total remuneration	Incentives	TCTC
JC Herbst	R3 736 182	R524 781	R4 260 963	R3 960 000	R8 220 963
AP Openshaw	R2 919 966	R111 819	R3 031 785	–	R3 031 785
SL Sequeira ¹	R1 138 416	–	R1 138 416	R75 000	R1 213 416
Prescribed officers:					
RR Burger ²	R2 262 445	R161 366	R2 423 811	–	R2 423 811
A Lessing ³	R2 196 532	R77 592	R2 274 124	–	R2 274 124
SM Oberholzer ⁴	R1 754 637	R58 920	R1 813 557	–	R1 813 557
CWE Rowan ⁵	R686 011	–	R686 011	–	R686 011

Note: the total annual remuneration includes UIF and Skills Development Levies.

¹ SL Sequeira was appointed as the Chief Financial Officer with effect from 25 March 2019.

² RR Burger, in his capacity as Managing Director of Huge Telecom, is a prescribed officer of the Company.

³ A Lessing, in his capacity as Managing Director of Huge Connect, was a prescribed officer of the Company. He held this position until 31 October 2019. Mr Lessing received personal car insurance through a company insurance scheme, which benefits the employees of Huge Connect.

⁴ SM Oberholzer, in his capacity as Managing Director of Huge Networks, is a prescribed officer of the Company.

⁵ CWE Rowan, in his capacity as Managing Director of Huge Software, was a prescribed officer of the Company. Mr Rowan resigned with effect from 17 February 2020.

Variable remuneration

Following the onset of COVID-19 and the resultant national lockdown, the performance appraisals of executive directors was postponed and will take place at an appropriate time in FY2021. Based on the outcomes of these performance appraisals, an assessment of the financial performance of the Group and prevailing risks related to COVID-19, the Remuneration Committee will make a recommendation to the Board in respect of the payment of incentives to executive directors.

During FY2019, Mr Herbst was awarded an incentive in the form of a cash bonus which amounted to 100% of his annual gross remuneration for that period. Mr Herbst had previously been awarded an incentive in FY2014.

Executive Option Agreements

On 26 February 2020, shareholders approved the implementation of Executive Option Agreements for the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer. The Executive Option Agreements granted the executive directors the option to acquire shares in the Company at a set strike price, in three annual tranches, with each tranche having a five-year vesting period.

Information relating to the financial consequences of the Executive Option Agreements can be found in the Circular to Shareholders dated 29 January 2020 and at <http://hugegroup.com/huge-group-unlocking-business-opportunity-circulars/>

Ex gratia payments to executive directors

No ex gratia payments were made to directors during FY2020.

Non-executive director remuneration

During the reporting period, the following remuneration was paid to non-executive directors in accordance with the approval by shareholders of the special resolution tabled at the AGM held on 29 August 2019:

Director	Total annual retainer paid during FY2020	Total annual attendance fees paid during FY2020	Total fees paid for attendance at special Board meetings ¹	Total
DF da Silva	R720 000	R90 000	R36 000	R846 000
SP Tredoux	R372 000	R72 000	R18 000	R462 000
VM Mokholo	R372 000	R90 000	R18 000	R480 000
DR Gammie	R372 000	R90 000	R18 000	R480 000
CWJ Lyons	R372 000	R90 000	R18 000	R480 000
BC Armstrong	R372 000	R90 000	R18 000	R480 000

Note: These figures exclude VAT, where applicable.

¹ Three special board meetings were held during FY2020.

During FY2020, the Company paid R720 000 in consulting fees to Casa da Luz Proprietary Limited, a professional advisory service represented by Dr da Silva. This consulting arrangement came to completion on 5 May 2020. An amount of R200 000 was also paid to Mr Mokholo in respect of professional advisory services rendered to the Company.

Increase in remuneration payable to non-executive directors

The determination of the fees payable to the Chairman and the non-executive directors takes into account any increase in risk and responsibility that the non-executive directors are required to assume, the annual increase applied to employee remuneration and the outcomes of a benchmarking exercise.

The Remuneration Committee has carried out a benchmarking exercise in respect of the non-executive directors' fees, with reference to the small capitalisation telecommunications sector. The Chairman's fees are lower than the average for this sector, while the non-executive directors' fees are in line with the lower quartile of this sector.

The Remuneration Committee is of the view that going forward, a distinction in fees payable should be made between non-executive directors and the Committee chairmen. Accordingly, the Remuneration Committee has recommended that shareholders approve an increased fee for the Committee chairmen, with the Chairman of the Audit Committee and the Chairman of the Risk Committee receiving proportionately higher fees. Following the onset of COVID-19, the non-executive directors have voluntarily foregone an increase to their fees in respect of FY2021.

The non-executive director remuneration will be tabled at the AGM for the approval of shareholders.

NON-BINDING ADVISORY VOTE

The Remuneration Policy (summarised in this Remuneration Report) and the Remuneration Implementation Report will be presented to shareholders for separate, non-binding advisory votes at the AGM. Should shareholders vote against the Remuneration Policy and the Remuneration Implementation Report by more than 25%, the Remuneration Committee will engage with shareholders.

Subsequent to any shareholder engagement, the Group will include the following detail in its next Remuneration Report:

- The number of votes against the Remuneration Policy and Remuneration Implementation Report
- The subsequent engagement process undertaken with shareholders
- The manner of the engagement process
- Reasonable and material issues raised by shareholders
- Actions implemented by the Company to address the issues raised by shareholders

Interests of directors and prescribed officers

Details of directors' and prescribed officers' contractual interests in Huger are set out on pages 147 to 148 of the AFS.

Details of directors' and prescribed officers' interests in the share capital of Huger are set out on pages 71 to 73 of the Directors' Report.

Social and Ethics

Committee Report to Shareholders

Health

The health of Huger's employees is paramount to the Board and management. The onset of COVID-19 has required a focused effort on ensuring that employees remain healthy and are not unnecessarily exposed to risk. During the national lockdown, Huger's operating companies have been classified as essential service providers required to maintain the country's telecommunications and connectivity. As a result, management have focused on ensuring that employees operating in public are limited to only those employees who are most critical to continue providing the essential services.

During Alert Level 5 of the national lockdown, only 22% of the Group's total employees operated outside the home environment. The balance of employees were provided with suitable business tools, including computer and telephony equipment, to ensure that they were able to continue working effectively and without public exposure. As the country progressed to Alert Level 2, management continued to limit the number of employees operating in public. This will continue to be the practice until such time as the state of national disaster changes which warrants a change in practice.

Internal policies have established strict processes and procedures for employees operating in public, as well as employees returning to work from the home environment. In ensuring that the health of employees operating in public is protected, the Group has acquired *inter alia* masks, hand sanitiser and digital thermometers. Daily health screenings are also undertaken.

The Board and management will continue to monitor the implications of COVID-19 on the health of employees and take such action as is required to ensure employees remain healthy.

Transformation

Huge Connect's transformation initiatives made significant strides in FY2020 when Windfall subscribed for new ordinary shares in Huge Connect, which following its subscription would give it a holding of 16.29% of the ordinary shares in Huge Connect. Windfall is a 100% black empowered company and 60% is held by a black woman.

Huge Telecom and Huge Networks continue to investigate transformation initiatives that will advance the objectives of the Growing Huge Strategy.

Transformation

Improving its B-BBEE profile means that Huge can secure and maintain its license to operate in the telecommunications industry and continue to empower the broader South African economy.



Whistleblowing

During FY2020, the Board adopted a formal Whistleblower Policy to ensure that (i) employees who make protected disclosures in respect of improper conduct are protected and (ii) the alleged improper conduct reported is promptly and thoroughly investigated. The Whistleblower Policy also facilitates disclosures being made on an anonymous basis, with assurance that whistleblowers will be protected from victimisation, retaliation or intimidation.

Steve Tredoux
Chairman
Social and Ethics Committee



Application to King IV

Application of King IV and Section 3.84 of the JSE Listings Requirements in respect of board governance

King IV Principle and/or recommended principle (RP)	JSE Listings Requirements	Principle	Huge Application	Actions or enhancements for the future
Principle 6 RP2 Principle 7 RP6 Principle 8 RP44(c)	3.84(a)	A policy must be in place which evidences the clear balance of power and authority at Board level to ensure that no one director has unfettered powers of decision-making.	The processes and procedures set out in the Board Charter ensure that in undertaking its duties, the Board maintains a balance of power and authority and no one director has unfettered powers of decision-making.	The Board will continue to monitor this requirement and ensure that it remains upheld.
Principle 7 RP31 to 34	3.84(b)	The Company must have appointed a separate CEO and Chairman. The Chairman must be independent, alternatively a lead independent director must be appointed.	The Company has appointed a separate CEO and Chairman. While the Chairman was not independent, a Lead Independent Director had been appointed.	The Board will continue to assess the independence of its leadership on a regular basis.
Principle 8 RP51	3.84(c)(i)	The Company must appoint an Audit Committee.	The Company has appointed an Audit Committee which meets the requirements of the Companies Act and King IV.	The Committee continues to monitor compliance with its roles and responsibilities. Future focus will be given to the advancement of the Company's assurance processes.
Principle 8 RP36(b) RP65	3.84(c)(ii)	The Company must appoint a Remuneration Committee.	The Company has appointed a Remuneration Committee. The Board Chairman is also the Chairman of the Committee, however, the Board is of the view that Dr da Silva is the most suitable member for this role.	The Committee will continue to monitor the implementation of performance measurements and give consideration to suitable incentive schemes.
Principle 8 RP68	3.84(c)(iii)	The Company must appoint a Social and Ethics Committee.	The Company has appointed a Social and Ethics Committee which meets the requirements of the Companies Act and King IV.	The Committee continues to monitor compliance with its roles and responsibilities. Future focus will be given to the advancement of the Company's B-BBEE compliance, and improvements in its racial and gender diversity.
Principle 7 RP20	3.84(d)	A brief CV of each director standing for election or re-election must accompany the Notice of the AGM.	This has been included on pages 38 to 39 of this Integrated Report.	–
Principle 7 RP7(b) RP27 RP30(c)	3.84(e)	The capacity of each director must be categorised as executive, non-executive or independent.	The Board Charter provides for each director to be categorised as executive, non-executive and independent in accordance with the requirements of the Companies Act and King IV.	The Board will continue to consider the balance of executive, non-executive and independent directors.

King IV Principle and/or recommended principle (RP)	JSE Listings Requirements	Principle	Huge Application	Actions or enhancements for the future
Principle 8 RP59(f)	3.84(f) and (g) (i) and (ii)	The Company must appoint an executive financial director and the Audit Committee must confirm that it is satisfied with the expertise and experience of the financial director; and that it is satisfied that the appropriate financial reporting procedures are in place and operating.	The Audit Committee Charter and annual work plan require the Committee to make the requisite assessments on an annual basis.	The Audit Committee will continue to assess the expertise and experience of the financial director and the appropriateness and operation of the financial reporting procedures.
Principle 8 RP59(a)	3.84(g)(iii)	The Company must satisfy itself that the auditor is independent of the Company and must request confirmation of independence from the auditor upon appointment and annually thereafter for every re-appointment.	The Audit Committee Charter requires the Audit Committee to review the independence of the auditor on appointment and on an annual basis, when recommending the re-appointment of the auditor to shareholders.	The Audit Committee will continue to assess the Moore Johannesburg Incorporated.
Principle 10 RP98	3.84(h)	The Board must consider and satisfy itself, on an annual basis, as to the competence, qualifications and experience of the Company Secretary.	The Board Charter requires the Board to consider the competence, qualifications and experience of the Company Secretary on an annual basis.	The Board will continue to assess the performance of the Company Secretary on an annual basis.
Principle 7 RP10 RP11 RP30(b)	3.84(i)	The Board must consider and explain how it has applied the policy on gender diversity in the nomination and appointment of directors and report on progress thereof on agreed voluntary targets.	The Board Charter requires the Board to consider gender diversity in making appointments. In addition, the ICT Sector Charter makes certain compliance requirements in this regard.	This matter is monitored on an ongoing basis by the Nomination Committee and the Social and Ethics Committee. Performance against specific targets will be provided in future reporting.
Principle 7 RP10 RP11 RP30(b)	3.84(j)	The Board must consider and explain how it has applied the policy on racial diversity in the nomination and appointment of directors and report on progress thereof on agreed voluntary targets.	The Board Charter requires the Board to consider racial diversity in making appointments. In addition, the ICT Sector Charter makes certain compliance requirements in this regard.	This matter is monitored on an ongoing basis by the Nomination Committee and the Social and Ethics Committee. Performance against specific targets will be provided in future reporting.
Principle 14 RP37	3.84(k)	The Remuneration Policy and Implementation Report must be tabled for separate, non-binding advisory votes by shareholders at the AGM.	The Remuneration Committee is responsible for the development of the Remuneration Policy and overseeing the implementation thereof. The Remuneration Policy makes provision for Board engagement with shareholders where the Remuneration Policy and Remuneration Implementation Report receives less than 75% approval.	The Remuneration Committee will consider any feedback received in respect of the Remuneration Policy and the Remuneration Implementation Report.

A comprehensive list of the Board's approach to adopting the principles and recommendations of King IV can be found on www.hugegroup.com/huge-group-unlocking-business-opportunity-governance-charters/

Considering the challenging trading conditions characterised by a poor local macroeconomic environment, the fact that the economy has faltered and suitable opportunities for growth have become more challenging, Huge has continued to **deliver satisfactory growth in revenue and earnings.**

Group revenue **increased by 14%** and the Group **generated R178 million** of EBITDA during FY2020.

Group gross profit margins increased by 15% and **successful business combinations were concluded** without outflows of cash resources and/or without the issue of shares.

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CFO Report

Key Performance Highlights

Total revenue increased by
14%
from R433 million to R492 million

Gross profit margin
increased by
15%
from 55% to 63%

EBITDA increased by
33%
from R134 million to
R178 million

Operating profit increased by
25%
from R108 million to
R135 million

Group cash increased from
R24 million to
R40 million

Headline earnings per share
increased by
21%
from 47.02 cents to
57.03 cents

Basic earnings per share
increased by
20%
from 48.05 cents to
57.58 cents



“On the other side of
the storm is the strength
that comes from having
navigated through it.
Raise your sail and begin”
– Gregory S. Williams

Samantha Sequeira
Chief Financial Officer

Operational overview

Considering the challenging trading conditions characterised by a poor local macroeconomic environment, the fact that the economy has faltered and suitable opportunities for growth have become more challenging, Huge has continued to deliver satisfactory growth in revenue and earnings.

Group revenue increased by 14% and the Group generated R178 million of EBITDA during FY2020.

Group gross profit margins, noting the inclusion of depreciation in cost of sales, continue to strengthen as the Group reduces costs relating directly to its revenue generation and this is encouraging. High gross margins are testimony to business models which have the prospect of generating substantial growth because there is scope to increase revenues for marginal sacrifices of margin by taking advantage of the elasticity of demand in the prices at which a company sells its services.

Group operating expenses increased by 25%, two-thirds of which is attributable to the business combinations including mainly Otel and Pansmart. The remaining portion of the increase in Group operating expenses relates firstly to the settlement of a long outstanding dispute with Telemasters Holdings Limited, which together with impairments of assets previously related to this matter, increased operating costs and secondly increased consulting fees and legal fees related to, amongst other things, the various business combinations undertaken by the Group during FY2020. The increases in operating expenses brought about through the business combinations does present a cost efficiency and cost saving opportunity in the short to medium term through a rationalisation of overhead structures. The disproportionate increase in overheads brought about by the business combinations can be justified because they were concluded without outflows of cash resources and/or without the issue of shares.

Fintech Grouping

The Fintech Grouping comprises of Huge Connect and Huge Payments, Huge Payments being one of the new entities acquired during FY2020 which has developed and owns an Intellectual Payment Solutions Application. The Fintech Grouping's revenue gains were modest at 5%, the gross profit margin remained strong and grew from 63% to 66% and is a large cash-generating unit of the Group.

Huge Connect increased the number of card machines connected by 6%, its annual fixed annuity revenue by 5% and is steadily growing its customer base, supporting the organic growth objectives of the Growing Huge Strategy.

Telecom Grouping

While the Telecom Grouping enjoyed a 19% increase in revenue, a large part of the Telecom Grouping's revenue increases came through business combinations which did not come without some short-term costs of having to absorb a proportionately higher base of overheads.

The Telecom Grouping comprises of Huge Telecom, Huge Networks, Huge Media, Huge Messaging, Huge Technologies and through the business combinations entered into during FY2020, Huge Services and Pansmart.

The Telecom Grouping increased its operating profit by 66%, notwithstanding challenges experienced with FST, which is evidence of the performance potential of the Telecom Grouping.

The Telecom Grouping increased its annual fixed annuity revenue by 9% and once the challenges experienced with FST have been overcome, there is huge potential for the Telecom Grouping to outperform expectations.

Corporate Office Grouping

The Corporate Office Grouping comprises of Huge Group itself, Huge Management which is the newly established Treasury company of the Group, Huge Software and The ConnectNet Incentive Trust.

The Corporate Office Grouping remains in its infancy, having only been established in the 2018 reporting period. The Corporate Office Grouping is needed to support the Growing Huge Strategy. It includes Group consulting and professional fees, all Group insurance costs, statutory and listing costs, a proportionate share of audit fees and all Group legal fees. The Corporate Office Grouping also funds all corporate action events. Ultimately, the intention is for the Corporate Office Grouping to be self-funded by fees generated from acquisitions and the oversight of the Group's operating companies.

Capital Structure

The Group continues to enjoy the support of Futuregrowth Asset Management through the ZAR200 Million Term Facility Agreement concluded in December 2018.

As at 29 February 2020, the Group's net debt position is R133 million, while it still has access to R20 million in funding. At 29 February 2020, the Group's Debt to EBITDA ratio is 0.75. In terms of the Facility, the Group's Debt to EBITDA ratio may not exceed 2.5 times. The Company is entitled to make distributions provided that, after taking into account the intended distributions, the Group's Debt to EBITDA ratio is less than 2.5 times.

The Facility provides the Group with access to cash resources at improved interest rates. With R40 million cash reserves and access to the above R20 million funding, the Group is in a favourable position for fuelling sustainable growth which will enable expansions into new services and product offerings.

The effective tax rate applicable to Group profit before tax is circa 19% and it is expected that the Group will continue to enjoy this level of effective tax for the medium term.

Cash flow and cash generation

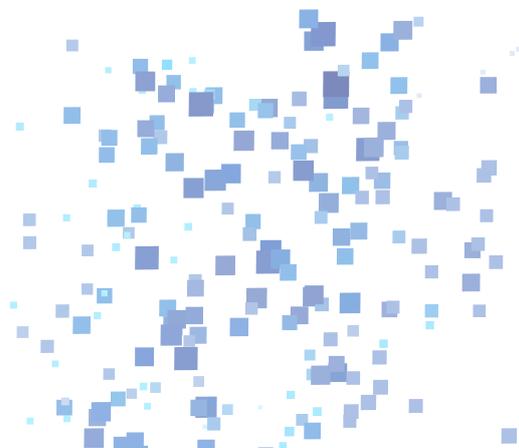
Huge Group generated R95.7 million in cash from operating activities which is an increase of 25% from the prior year, utilised R43 million in investing activities and generated R32 million from financing activities.

The combination of the stronger balance sheet, the termination of onerous contractual commitments and improved financial support, has enhanced the Group's cashflow position.

COVID-19

The Board has assessed the impact of COVID-19 and the subsequent national lockdown on the individual subsidiary companies, as well as the Group as a whole.

A comprehensive and contemporary risk management process has been implemented to identify, evaluate and monitor the implementation of mitigation measures which seek to address any downside risk and leverage any opportunity risk which arises over the short, medium and long-term. Details of the COVID-19 Risk Response can be found on page 30 to 31.



DEFINITIONS

In these Consolidated and Separate Annual Financial Statements, unless it otherwise indicates a contrary intention, an expression which denotes a gender includes the other gender, a natural person includes a juristic person and *vice versa*, the singular includes the plural and *vice versa*, and the expressions in the first column have the meaning stated opposite them in the second column:

A2X Markets	A2X Proprietary Limited, a stock exchange licensed in terms of the Financial Markets Act 19 of 2012, on which the Company has a secondary listing
the Act	the Companies Act 71 of 2008 (as amended)
AFS	Consolidated Annual Financial Statements in the case of the Group, and Separate Annual Financial Statements in the case of the Company
AGM	the annual general meeting of the Company
AltX	the Alternative Exchange of the JSE
B-BBEE	Broad-Based Black Economic Empowerment
the Board	the board of directors of the Company as constituted from time to time
COVID-19	an infectious disease caused by a newly discovered coronavirus and which has been declared a pandemic by the World Health Organisation
CGU	cash generating unit
the Companies Act	the Companies Act 71 of 2008 (as amended)
ConnectNet Broadband Wireless	ConnectNet Broadband Wireless Proprietary Limited (now Huge Connect Proprietary Limited), registration number 2004/005721/07, a 83.71% held subsidiary of Huge
ConnectNet Broadband Wireless Group	ConnectNet Broadband Wireless Proprietary Limited and Sainet Internet Proprietary Limited collectively, prior to the acquisition by Huge with effect from 30 March 2017
The CI Trust	The ConnectNet Incentive Trust, registration number IT000255/2017(D), the beneficiaries of which are certain employees, directors and/or consultants of the ConnectNet Broadband Wireless Group. An entity controlled by Huge
DRBs	Discretionary Renewal Bonuses
EBITDA	earnings before interest, taxation, depreciation and amortisation
EPS	earnings per share
Financial Growth Plan	the financial forecast prepared by the Group reflecting the profit or loss expectations for FY2021
FirstRand Bank	FirstRand Bank Limited, registration number 1929/001225/06
Functional currency	South African Rands
Futuregrowth	Futuregrowth Asset Management Proprietary Limited, registration number 1996/018222/07, financing agent of Huge
FY2019	the financial year commencing 1 March 2018 and ending on 28 February 2019
FY2020	the financial year commencing 1 March 2019 and ending on 29 February 2020
FY2021	the financial year commencing 1 March 2020 and ending on 28 February 2021
Gonondo	Gonondo Telecom Proprietary Limited (now Huge Services Proprietary Limited), registration number 2006/027671/07, previously a 50% held joint venture company, of which 50% was held by Huge Telecom and which became a wholly owned subsidiary company of Huge Telecom during FY2020
Goodwill	the goodwill acquired by Huge on the acquisition of Huge Software, Huge Connect, Huge Networks, Huge Services, Huge Payments, Huge Telecom, Otel and Pansmart
Group	Huge and its subsidiary companies
GSM	Global System for Mobile communication and in the context of this Report, refers to a digital mobile telephone system
HEPS	headline earnings per share
Huge or the Company	Huge Group Limited, registration number 2006/023587/06, a company of which the Shares are listed on the JSE and A2X Markets
Huge Cellular	Huge Cellular Proprietary Limited, registration number 2008/004068/07, a 49% held associate company of Huge Telecom, 51% of the shares having been acquired by the company's B-BBEE partner, Windfall, during FY2019. Prior to the transaction, Huge Cellular was a wholly owned subsidiary company of Huge Telecom
Huge Connect	Huge Connect Proprietary Limited (formerly ConnectNet Broadband Wireless Proprietary Limited), registration number 2004/005721/07, a subsidiary company of Huge, of which 16.29% was acquired by Windfall in a B-BBEE transaction during FY2020. Prior to the transaction, Huge Connect was a wholly owned subsidiary company of Huge
Huge Management	Huge Management Company Proprietary Limited (formerly Huge Mobile Proprietary Limited), registration number 2007/033510/07 and a wholly owned subsidiary company of Huge
Huge Media	Huge Media Proprietary Limited (formerly Eyeballs Mobile Advertising Proprietary Limited), registration number 2007/004818/07, a 96% owned subsidiary company of Huge
Huge Messaging	Huge Messaging Proprietary Limited (formerly Ambient Mobile Proprietary Limited), registration number 2008/001288/07, a wholly owned subsidiary company of Huge
Huge Mobile	Huge Mobile Proprietary Limited (now Huge Management Company Proprietary Limited), registration number 2007/033510/07 and a wholly owned subsidiary company of Huge
Huge Networks	Huge Networks Proprietary Limited (formerly Sainet Internet Proprietary Limited), registration number 2014/009214/07, a 50.03% owned subsidiary company of Huge Telecom, 49.97% of the shares being held by Otel Communications following the conclusion of the Otel Transaction in FY2019. Prior to the transaction, Huge Networks was a wholly owned subsidiary company of Huge Telecom

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DEFINITIONS (continued)

Huge Payments	Huge Payments Proprietary Limited (formerly IntelPay Proprietary Limited), registration number 2014/112952/07, a wholly-owned subsidiary company of Huge, acquired during FY2020
Huge Services	Huge Services Proprietary Limited (formerly Gonondo Telecom Proprietary Limited), registration number 2006/027671/07, previously a 50% held joint venture company, of which 50% was held by Huge Telecom and which became a wholly-owned subsidiary company of Huge Telecom during FY2020
Huge Soho	Huge Soho Proprietary Limited, registration number 2002/022642/07, a 49% held associate company of Huge, 51% of the shares having been acquired by the company's B-BBEE partner, Windfall, during FY2019. Prior to the transaction, Huge Soho was a wholly owned subsidiary company of Huge
Huge Software	Huge Software Proprietary Limited (formerly Acknowledge Systems Proprietary Limited), registration number 2005/042514/07, a 75% subsidiary company of Huge
Huge Technologies	Huge Technologies Proprietary Limited (formerly Huge Software and Technologies Proprietary Limited), registration number 2008/006066/07, a wholly owned subsidiary company of Huge
Huge Telecom	Huge Telecom Proprietary Limited, registration number 1993/003902/07, a wholly owned subsidiary company of Huge
IFRS	International Financial Reporting Standards
IntelPay	IntelPay Proprietary Limited (now Huge Payments Proprietary Limited), registration number 2014/112952/07, a wholly owned subsidiary company of Huge, acquired during FY2020
JSE	the JSE Limited, registration number 2005/022939/06
King IV	King IV Report on Corporate Governance for South Africa, 2016
Listings Requirements	the Listings Requirements of the JSE
Lockdown	the restriction of movement of persons defined by section 8 of Amended Regulations issued in terms of the Disaster Management Act 57 of 2002 and with reference to the definition of Alert Levels contained in Regulation 480 thereof
MNOs	Mobile Network Operators
MOI	Memorandum of Incorporation
Moore Johannesburg	Moore Johannesburg Incorporated (formerly Moore Stephens MWM Incorporated), the independent auditor of the Group from 18 March 2019
NCIB	Nedbank Corporate Investment Bank, a division of Nedbank and the sponsors of Huge
Nedbank	Nedbank Limited, registration number 1951/000009/06
Otel	Otel Business and Otel Communications, collectively
Otel Business	Otel Business Proprietary Limited, registration number 2008/006890/07
Otel Communications	Otel Communications Proprietary Limited, registration number 2015/034240/07
Otel Transaction	the acquisition by Huge Networks of the businesses of Otel
Pansmart	Pansmart Proprietary Limited, registration number 2015/142454/07, a 50.25% held subsidiary company of Huge, following the conclusion of a Sale of Shares Agreement during FY2020. The remaining 49.75% of the shares being held by The Mia Family Trust
PPE	Plant, property and equipment
Report	The Integrated Report including the Annual Financial Statements
Repurchase Programme	a Share Repurchase Programme announced by the Company on 15 January 2020, in terms of which the Company and/or its subsidiaries may repurchase up to 4 million Shares, representing 2.3% of the Company's issued share capital, for an aggregate consideration not exceeding R20 million, pursuant to and in accordance with the authority granted by Shareholders at the Company's annual general meeting held on Thursday, 29 August 2019
RMB	Rand Merchant Bank, registration number 1929/001225/06, and the bankers to Huge
SAICA	South African Institute of Chartered Accountants
Sainet Internet	Sainet Internet Proprietary Limited (now Huge Networks Proprietary Limited), registration number 2014/009214/07, a 50.03% owned subsidiary company of Huge Telecom, 49.97% of the shares being held by Otel Communications following the conclusion of the Otel Transaction in FY2019. Prior to the transaction, Huge Networks was a wholly owned subsidiary company of Huge Telecom
SENS	Stock Exchange News Service
Shares	ordinary par value Shares of R0.0001 each
SOHO	Small Office Home Office
SOHOR	Small Office Home Office Residential
SSFs	Single Stock Futures
Telemasters	Telemasters Holdings Limited, registration number 2006/015734/06
Telkom	Telkom SA SOC Limited, registration number 1991/005476/30
VAT	Value Added Tax
Windfall	Windfall 111 Properties Proprietary Limited, registration number 2013/169340/07, a company controlled by Mr V Mokholo (a related party to Huge given that V Mokholo is a non-executive director of the Company)

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2020

The directors are required in terms of the Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the AFS and related financial information included in this Report. It is their responsibility to ensure that the AFS fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with IFRS. The independent auditor is engaged to express an independent opinion on the AFS.

The AFS are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these requirements, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. These standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties in order to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring that the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise risk by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal financial control provides reasonable assurance that the financial records may be relied on for the preparation of the AFS. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement of loss.

The directors have reviewed the Group's cash flow forecast for the next twelve months from date of approval of this Report and, in the light of this review and the current financial position, are satisfied that the Group has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

The Group's independent auditor is responsible for independently auditing and reporting on the Group's AFS. The AFS have been examined by the Group's independent auditor and the Independent Auditor's Report is presented on pages 75 to 78.

The directors further confirm that the Group is operating in compliance with the provisions of the Companies Act, specifically relating to its incorporation and in conformity with its MOI.

The AFS set out on pages 81 to 157, which have been prepared on a going concern basis, were approved by the Board on 31 August 2020 and were signed on its behalf by:



Duarte da Silva
Chairman



James Herbst
Chief Executive Officer



Samantha Sequeira
Chief Financial Officer

COMPANY SECRETARY CERTIFICATION

Declaration by the company secretary in respect of section 88(2)(e) of the Companies Act

In terms of section 88(2)(e) of the Companies Act, I certify that the Group has lodged with the Commissioner of the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.



Karen Robinson
Company Secretary

31 August 2020

Annual Financial Statements

- OVERVIEW
- STRATEGIC PERFORMANCE
- GOVERNANCE
- ANNUAL FINANCIAL STATEMENTS**
- SHAREHOLDER INFORMATION

CERTIFICATE BY PREPARER OF THE FINANCIAL STATEMENTS

These Consolidated and Separate Annual Financial Statements were compiled internally under the ultimate supervision of Samantha Sequeira CA(SA).



Samantha Sequeira
Chief Financial Officer

31 August 2020

DIRECTORS' REPORT

The directors submit their report for the year-ended 29 February 2020.

1. Nature of business

Huge is a holding company with investments in subsidiary companies operating in the telecommunications, media, technology and software industries. The Company maintains a listing on the Main Board of the JSE and a secondary listing on A2X Markets. The Company provides strategic input and adds value to its subsidiary companies. It has an interactive investment style providing strategic input, direction, and support to create synergies from the underlying operating companies. The Company conducts its business principally within South Africa but also has a presence in sub-Saharan Africa.

Huge has five principal subsidiary companies:

- Huge Connect
- Huge Networks
- Huge Software
- Huge Telecom
- Pansmart

Huge Connect is a connectivity services company with a focus on growing its payment facilitation services. It was established in 2004 and provides connectivity to the card payment terminals of merchants, payment service providers and the commercial banks in South Africa by making use of secure, managed, dual SIM connectivity over GSM data networks. It has over 30 000 merchants as customers. The company has also expanded into other markets, including connectivity for ATMs, integrated points of sale, medical/script verifications, telemetry applications (The Internet of Things (IoT)), micro-lending applications and cash vaults.

Huge Networks is a network service provider and data communications company that markets and sells a variety of products and services, including internet data services, managed network services, branch connectivity, hosting services and website and system development.

Huge Software develops, maintains and supplies the WebAccounting software suite as well as mobile application, Webatar. The software is developed locally and was released to the market in 2005. WebAccounting is multi-lingual and sold internationally. WebAccounting incorporates both online, cloud-hosted and individual company intranet installation options. The software can be accessed from anywhere in the world without having to have the software loaded onto a client's server.

Huge Telecom is a voice connectivity or telephony services business that makes use of GSM networks to provide telephone lines in the form of wireless connections from the customer's premises to the core of a mobile telephone network. Huge Telecom's principal service is substituting fixed-line voice infrastructure, like that provided by a public switched telephone network such as Telkom, with wireless GSM services. Huge Telecom's customer base comprises corporate organisations of any size and residential consumers, who require a fixed location telephony service.

Pansmart is a provider of Panasonic PABXs to the South African market. It was granted a distribution license by Panasonic in 2016 and has since expanded its market share, complemented by a full technical and sales competency.

The remaining subsidiary companies are:

Huge Messaging is a company which develops messaging software and systems for use by the Group companies and for sale to third parties. It has developed and commercialised a Microsoft Outlook plug-in or add-in, called TexSMS, which allows users to generate SMS messages in exactly the same manner as they would generate emails. It has also developed and commercialised the ability for a customer's in-house software application to connect directly to the TexSMS SMS server, allowing SMS messages to be sent in bulk from machine-to-machine.

Huge Media is engaged in the ongoing development and licensing of software for innovative and affordable real time, permission based, high impact and targeted advertising to mobile phones.

Huge Payments is engaging in developing a mobile application payment solution for individuals, small merchants and large retailers. This mobile payment platform generates instant EFT payments through internet banking and allow users to make secure payments.

Huge Services is a cloud telecommunications intelligence and management solutions provider which supplies telecommunications management services to customers throughout South Africa.

Huge Technologies develops billing software and also acquires, develops and manufactures connectivity devices for its own use and for sale to third parties. It owns proprietary billing and rating software, known as the Huge Integrated Value Engine (the HIVE). Huge Technologies licenses HIVE to Huge Telecom and a company based in Namibia.

2. Financial results

The AFS have been prepared in accordance with IFRS as issued by the International Accounting Standards Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, as well as the Companies Act.

Full details of the financial position, results of operations and cash flows of the Group are set out in these Consolidated AFS.

DIRECTORS' REPORT (continued)

3. COVID-19 Assessment

The directors have assessed the impact of COVID-19 and the national lockdown on the individual subsidiary companies in the Group as well as the Group as a whole and although there has been an impact on the Group, the impact has largely been indirect and is not considered to be material at this stage and of a concern to the Group.

The onset of COVID-19 and the South African Government's declaration of a national state of disaster on 15 March 2020 will have a varying impact on all businesses in South Africa. These effects are expected to be wide ranging. In the short-term, the impact of the different levels of lockdown, both locally and globally, the travel restrictions and the restricted trade are likely to become more apparent by the time the Company reports its interim results for the six month period ending on 31 August 2020 (HY2021). The full extent of the longer-term impact on the sustainability of businesses both globally and locally remains to be assessed. Communications and connectivity, including telecommunication services, continue to be fundamental for commercial activity. As telecommunication services have been classified as an essential service necessary in the national and economic response to COVID-19, Huger's principle operating subsidiary companies have been able to continue operating during the national lockdown. Huger has retained and is likely to retain a high level of resilience to the economic consequences of COVID-19, in comparison to other companies in other industries.

A large component of Huger's revenue generating capacity is annuity in nature and has increased significantly over the past few years. This investment in annuity revenue provides a source of stability going forward, particularly as the impact of COVID-19 continues to affect the local and global economy. While the Group has seen a decline in telephone calls in its telephony services businesses since the onset of COVID-19, there has been an increase in data traffic. In addition, customers of Huger who were also classified as essential service providers have increased order quantities to bolster stock levels during the lockdown. This has had a positive impact on the Group's short-term revenue streams, which will be reflected in its HY2021 and FY2021 results.

Huger has leveraged its improved scale in recent years to strengthen its balance sheet. This will provide the Group with the ability to weather trading volatility and the impact of the economic downturn, which is expected to endure for a longer period of time. As part of its formal risk management processes, the Board identified the following factors which mitigate the risks relating to COVID-19 and which are inherent in the Group's various business models. It is expected that these factors will assist the Group in remaining resilient to the impact of COVID-19:

- Decentralised, asset-light business models across all of the operating companies;
- Telecommunication and connectivity products and services classified as essential services;
- Annuity, compounding nature of the businesses and their revenues provides greater security of revenue streams and customer retention;

- Low concentration of the vast majority of the operating companies' customer spend offsets the risks relating to some of the Group's larger customers;
- Diversified, third party sales channels continue to provide access to markets in a quick, efficient and cost-effective manner;
- Flexible and agile management structures means the Group is able to be very responsive to challenges;
- Previous challenges have directed the Group to focus on sustainability and risk management;
- Challenging economic environment in recent years has enabled the operating companies to strengthen internal processes and procedures to address risks relating to a declining customer base;
- Cohesive teams with low employee turnover promote resilience;
- Mature and experienced executive and senior management teams at Board and operating company level.

Initial trends have revealed that the customer real estate has remained robust with a minimal impact being felt on cash flows and with minimal credit losses being experienced. Small volumes of discounts have been requested and payment holidays have been granted, which have not had a material negative impact on cashflows. Although telephone calls made by customers have decreased because customers are no longer based at their office premises, the Group's annuity revenue has been a solid and growing foundation which has allowed Huger to be resilient during this time.

Following the onset of COVID-19, a key objective of the Board has been to preserve its full complement of employees, without compromising their remuneration. In support of this initiative, non-executive directors have made voluntary sacrifices relating to their fees, while the Chief Executive Officer and the Chief Operating Officer have foregone annual increases in their remuneration for FY2021. As the economic impact of lockdown endures, the Remuneration Committee will focus on ensuring that the objectives of the Remuneration Policy remain an important part of the Group's operational activities.

Working from home has provided more insight to remote work policies and has allowed operational processes to be re-evaluated and fine-tuned in line with Government guidelines. All the required guidelines as published by Government were implemented prior to the national lockdown and all of the additional guidelines announced for Alert Levels 2, 3, 4 and 5 have been fully implemented.

The health of Huger's employees is paramount to the Board and management. The onset of COVID-19 has required a focused effort on ensuring that employees remain healthy and are not unnecessarily exposed to risk. Huger's operating companies have been classified as essential service providers who are required to maintain the country's telecommunications and connectivity and, accordingly, management have been focused on ensuring that employees operating in public are limited to only those employees who are most critical to continue providing these essential services.

During Alert Level 5 of the national lockdown, only 22% of the Group's total employees operated outside the home environment. The balance of employees were provided with suitable business tools, including computer and telephony equipment, to ensure that they were able to continue working effectively and without public exposure. As the country progressed to Alert Level 2, management continued to limit the number of employees operating in public. This will continue to be the practice until such time as the state of national disaster changes and warrants a change in practice.

Internal policies have established strict processes and procedures for employees operating in public, as well as employees returning to work from the home environment. In ensuring that the health of employees operating in public is protected, the Group has acquired *inter alia* masks, hand sanitiser and digital thermometers. Daily health screenings are also undertaken.

While the effects of COVID-19 continue to unfold, there remains a degree of economic uncertainty. The Board however remains confident that given the factors set out above, it will reasonably be able to mitigate downside risk to the Group. The Board continues to monitor the effects of COVID-19 on the Group through formal risk management strategies and robust controls, which are reassessed and evaluated on an ongoing basis.

4. Going concern

The Board has undertaken a detailed review of the going concern capability of the Company (and all subsidiary companies of the Company that form the Group) with reference to certain assumptions and plans underlying various cash flow forecasts. In addition, the Board has performed a detailed assessment of the impact of COVID-19 on the going concern ability of the Company and its underlying subsidiary companies, as detailed above, and is satisfied that the Group is reasonably able to mitigate the downside risk of the impact of COVID-19 on its going concern ability. The Board does not foresee a risk to the Group's going concern ability.

The Board has not identified any events or conditions that individually or collectively cast significant doubt on the ability of the Company and the Group to continue as a going concern.

The Board is of the opinion that the business of the Company and the Group will continue to operate as a going concern in the twelve-month period following the date of the approval of these AFS (the **Forecast Period**). In reaching this opinion, the Board has considered the following factors:

- The current cash balances of the Group;
- The access of the Group to lines of credit during the Forecast Period;
- The headroom in the current debt facilities of the Group and the ability of the Group to take on additional debt as a result of this headroom, as well as the appetite of the debt providers to advance further debt during the Forecast Period;
- The continuing increase in monthly annuity sales, together with the resulting revenue increases and profitability improvements during the Forecast Period;
- The operating cash flow generation projections of the Group for the Forecast Period;
- The capital expenditure projections of the Group for the Forecast Period;
- The changes in the working capital requirements of the Group for the Forecast Period;
- The expected further improvement in the Group's profitability as reflected in the Financial Growth Plan for the year that will end on 28 February 2021, which Financial Growth Plan was approved by the Board during February 2020;
- COVID-19 implications on the Group and its subsidiary companies including the impact on going concern.

Based on these facts, the Board believes that the Group is a going concern and will remain a going concern for the twelve-month period that follows the date of approval of these AFS. Accordingly, the Company and the Group continue to adopt the going concern basis of preparing these AFS.

5. Borrowing powers

In terms of the MOI of the Company, the directors may exercise all the powers of the Company to borrow money, as they consider appropriate.

DIRECTORS' REPORT (continued)

6. Interest in subsidiary companies, joint venture and associate companies

The attributable interest of the Company in the net profit (losses) after taxation of each subsidiary company, joint venture and associate company was:

Name of subsidiary, joint venture and associate	Shareholding %	2020	2019
Huge Cellular ¹	49%	(30 259 255)	5 219 781
Huge Connect	84%	45 895 266	41 145 254
Huge Management Company	100%	64 605	(94 504)
Huge Media	96%	4 237 052	868 989
Huge Messaging	100%	1 189 145	658 992
Huge Networks	50%	1 849 349	(1 550 404)
Huge Payments	100%	37 456	–
Huge Services ²	50%	65 972	(37 621)
Huge Software	75%	(759 645)	(36 324)
Huge Soho ¹	49%	51 043	(308 489)
Huge Technologies	100%	16 305 212	9 267 940
Huge Telecom	100%	31 595 808	32 882 975
Pansmart	50%	1 413 065	–
The CI Trust	100%	(6 225 504)	9 174 308

¹ Huge Cellular and Huge Soho are associate companies of the Group.

² Huge Services became a wholly-owned subsidiary company of the Group during FY2020, in FY2019 Huge Services was a joint venture company of the Group and formerly known as Gonondo Telecom Proprietary Limited.

7. Goodwill

Goodwill is tested annually for impairment and has an indefinite useful life.

During the current and prior reporting periods, the Group assessed the recoverable amount of Goodwill and in each year determined that no impairment was required. The Group underwent an analysis on the possible COVID-19 impacts relating to the current reporting period and periods subsequent to the reporting period in reference to the possibility of Goodwill impairment, through these sensitivity analysis, discussions and professional assessments it was determined that no impairment was required.

The directors of Huge continue to assess the industry in which its subsidiary companies operate and the possible changes that may impact the carrying value of Goodwill.

Refer to note 6 in the financial statements for further detail relating to Goodwill.

8. Authorised and issued share capital

Authorised share capital

The authorised share capital of the Company as at 29 February 2020 is 1 000 000 000 Shares.

Issued share capital

The Company listed on the AltX list of the JSE on 7 August 2007. 100 000 000 Shares were in issue at the time of the initial listing. Shortly after its listing, the Company issued another 11 760 000 Shares. During September 2014, the Company undertook a renounceable rights offer for 20 000 000 Shares. This was followed shortly thereafter by an issue of 1 000 000 Shares for cash in terms of a general authority to issue shares for cash.

Since incorporation and up until 29 February 2020, the Company and its subsidiary company, Huge Telecom, repurchased and acquired 31 517 983 Shares. This includes 12 500 Shares which were repurchased by the Company during February 2020, following the announcement of its Repurchase Programme on 15 January 2020 and which were delisted on 30 April 2020. Further repurchases by the Company after 29 February 2020 amounted to 1 614 043 Shares, of which 7 500 were delisted on 30 April 2020 and the remaining Shares will be delisted in due course.

The listing of the Company was moved to the Main Board of the JSE on 1 March 2016. The Company listed on A2X Markets on 10 April 2018.

The number of Shares in issue at 29 February 2020 is 175 627 077 (2019: 175 627 077).

Shares issued

On 20 December 2016, the shareholders of the Company granted approval to the directors of the Company to issue up to 50 000 000 Shares, in terms of a specific authority to issue Shares for cash, at a value of no more than R300 million.

During 2017, 14 650 000 Shares were issued at 615 cents per Share, in terms of the specific issue of Shares for cash approved by shareholders on 20 December 2016. The proceeds of this issue amounted to R90 097 500. Non-public shareholders to whom Shares were issued were Praesidium SA Hedge Fund and Peregrine Equities Proprietary Limited.

During 2018, 24 373 551 Shares were issued at a price of 615 cents per Share, in terms of the specific issue of Shares for cash approved by shareholders on 20 December 2016. The proceeds of this issue amounted to R149 897 339 and from which expenses of R5 624 208 were deducted. Non-public shareholders to whom Shares were issued were Praesidium SA Hedge Fund, Peregrine Equities Proprietary Limited, K2017082648 South Africa Proprietary Limited, K2017038068 South Africa Proprietary Limited, K2017038099 South Africa Proprietary Limited, K2017038086 South Africa Proprietary Limited, DM Holdco Proprietary Limited, RF Mushonga and CNet Empowerment Trust.

A total of 25 208 333 Shares, issued in terms of renounceable letters of allotment which were delivered to ConnectNet Broadband Wireless on 30 March 2017. These Shares were issued at a price of 600 cents per Share, amounting to R151 249 998.

On 6 September 2017, the Company issued 468 750 Shares at 800 cents per Share, amounting to R3 750 000, under the general authority to allot and issue Shares for cash granted by shareholders at the AGM held on 31 August 2017.

On 21 September 2018, the Company issued 25 000 Shares to EM Kerby in terms of an acquisition issue, in respect of the acquisition by Huge Telecom of minority shareholdings in Huge Messaging. These Shares were issued at a price of 900 cents per Share, amounting to R225 000.

The following Shares were issued on the following dates and at the following prices:

Date of issue	Number of Shares issued	Price per Share (in cents)	Proceeds (in Rand)
22 February 2017	4 000 000	615	24 600 000
28 February 2017	10 650 000	615	65 497 500
	14 650 000		90 097 500
07 March 2017	988 000	615	6 076 200
20 March 2017	14 500 000	615	89 175 000
27 March 2017	5 356 598	615	32 943 078
05 April 2017	249 685	615	1 535 563
13 April 2017	2 450 000	615	15 067 500
24 April 2017	829 268	615	5 099 998
	24 373 551		149 897 339
30 March 2017	25 208 333	600	151 249 998
	25 208 333		151 249 998
06 September 2017	468 750	800	3 750 000
	468 750		3 750 000
21 September 2018	25 000	900	225 000
	25 000		225 000
Closing balance FY2019	64 725 634		395 219 837
Closing balance FY2020	64 725 634		395 219 837

DIRECTORS' REPORT (continued)

8. Authorised and issued share capital (continued)

Repurchase by the Company of its Shares and acquisitions by the Company's subsidiary companies of its Shares

At the last AGM of the Company held on 29 August 2019, shareholders gave the Company or any of its subsidiary companies a general authority, in terms of section 48 of the Companies Act and by way of special resolution, to repurchase or acquire the Shares of Hugel.

On 15 January 2020, the Company announced its intention to implement the Repurchase Programme in terms of which the Company and/or its subsidiary companies may repurchase or acquire up to 4 million Shares for an aggregate consideration not exceeding R20 million, pursuant to and in accordance with the authority granted by shareholders at the Company's AGM held on Thursday, 29 August 2019.

This general authority remains valid until the next AGM, which is to be held on 8 October 2020. Shareholders will be requested at that meeting to consider a special resolution to renew this general authority, which will remain valid until the following AGM.

Shares of the Company repurchased by the Company

During FY2020, the Company repurchased 12 500 Shares amounting to R62 500, at an average price of 500 cents (2019: 0 shares).

Since incorporation and up until 29 February 2020, the Company and its subsidiary company, Hugel Telecom, repurchased and acquired 31 517 983 Shares, of which 21 871 057 have been repurchased by the Company. This includes 12 500 Shares which were repurchased by the Company during February 2020 and which were delisted on 30 April 2020. Repurchases by the Company after 29 February 2020, also included in the total Shares repurchased to date, amounted to 1 614 043 Shares amounting to R5 918 625 at an average price per share of 367 cents. 7 500 of these Shares were delisted on 30 April 2020, the remaining Shares will be delisted in due course.

Treasury shares

As at 29 February 2020, the Company had 175 627 077 ordinary Shares in issue, of which 9 646 926 ordinary Shares are held by Hugel Telecom as treasury Shares. 737 989 ordinary Shares are held by The CI Trust, which has been classified in terms of IFRS 10 as an entity controlled by Hugel Connect and therefore by Hugel. As a result of the consolidation of The CI Trust, the investment in Hugel ordinary Shares has been reclassified as treasury Shares. This is set out in note 21 of the AFS. Accordingly, 10 384 915 (2019: 10 852 953) of the issued Share capital of the Company are treasury Shares, constituting 5.9% (2019: 6.2%).

Forward issue of Shares

In terms of an announcement published on SENS on 3 January 2017, shareholders of Hugel were advised that the Company had concluded a subscription agreement, dated 27 December 2016, with Praesidium Capital Management Proprietary Limited, in its capacity as general partner of the SA Hedge Fund en Commandite Partnership (**Praesidium**), in terms of which Praesidium had agreed to subscribe for 17 500 000 Shares, at a subscription price of 850 cents per Share. This subscription agreement terminated during FY2019 as certain conditions had not been met. No Shares were issued in respect of this subscription agreement.

9. Directorate

9.1 Composition of the Board

The Board consists of the following members:

- JC Herbst, Chief Executive Officer (Executive director)
- AP Openshaw, Chief Operating Officer (Executive director)
- SL Sequeira, Chief Financial Officer (Executive director)
- DF da Silva, Chairman (Non-executive director)
- SP Tredoux, Lead Independent Director (Independent non-executive director)
- DR Gammie, Chairman of the Audit Committee (Independent non-executive director)
- VM Mokholo (Non-executive director)
- CWJ Lyons (Independent non-executive director)
- BC Armstrong (Independent non-executive director)

Changes in directorship during the reporting period were made as follows:

- AP Openshaw was appointed as the Chief Operating Officer (Executive director) with effect from 1 March 2019
- SL Sequeira was appointed as the Chief Financial Officer (Executive director) with effect from 25 March 2019

9.2 Rotation of directors

Directors retiring in terms of the Company's MOI, all of whom are eligible and offer themselves for re-election, are BC Armstrong, DF da Silva and CWJ Lyons.

10. Directors' interest in the share capital of the Company

As at 29 February 2020, the following directors held Shares in the issued share capital of the Company:

	Direct	Indirect	Total	%
2020 – Number of Shares held				
JC Herbst ¹	268 370	24 504 958	24 773 328	14.106
CWJ Lyons ²	–	200 000	200 000	0.113
AP Openshaw	50 000	–	50 000	0.029
	318 370	24 704 958	25 023 328	14.248
2019 – Number of Shares held				
JC Herbst ¹	268 370	24 445 549	24 713 919	14.071
CWJ Lyons ²	–	200 000	200 000	0.113
	268 370	24 645 549	24 913 919	14.184

1 The indirect shareholding of JC Herbst is non-beneficial and is held by Eagle Creek Investments 223 Proprietary Limited, Pacific Breeze Trading 417 Proprietary Limited and Silver Meadow Trading Proprietary Limited.

2 The indirect shareholding of CWJ Lyons is a non-beneficiary shareholding.

As at 29 February 2020, the following directors of major subsidiary companies held Shares in the issued share capital of the Company:

	Direct	Indirect	Total	%
2020 Number of Shares held				
A Lessing ³	–	4 719 139	4 719 139	2.687
DD Meintjes ⁴	–	1 751 434	1 751 434	0.997
SM Oberholzer ⁵	–	5 448 907	5 448 907	3.103
K Schmulian ⁶	30 042	1 065 688	1 095 730	0.624
KB Sinclair ⁷	–	4 049 613	4 049 613	2.306
E van Heerden ⁸	2 211	–	2 211	0.002
	32 253	17 034 781	17 067 034	9.719

As at 28 February 2019, the following directors of major subsidiary companies held Shares in the issued share capital of the Company:

	Direct	Indirect	Total	%
2019 Number of Shares held				
A Lessing ³	–	4 694 044	4 694 044	2.673
DD Meintjes ⁴	–	1 751 434	1 751 434	0.997
SM Oberholzer ⁵	–	5 448 907	5 448 907	3.103
K Schmulian ⁶	15 021	1 065 688	1 080 709	0.615
KB Sinclair ⁷	–	4 049 613	4 049 613	2.306
E van Heerden ⁸	1 803	–	1 803	0.001
	16 824	17 009 686	17 026 510	9.695

3 An indirect shareholding of A Lessing, a director of Huge Connect, amounting to 4 689 025 (2019: 4 678 987) shares is held by K2017038068 South Africa Proprietary Limited, while 30 114 (2019: 15 057) Shares are held by an associate, CJ Lessing.

4 The indirect shareholding of DD Meintjes, a director of Huge Connect, is held by DM Holdco Proprietary Limited.

5 The indirect shareholding of SM Oberholzer, a director of Huge Connect and Huge Networks, is held by K2017082648 South Africa Proprietary Limited.

6 The indirect shareholding of K Schmulian, a director of Huge Connect, is held by K2017038099 South Africa Proprietary Limited. On 15 August 2019, Mr Schmulian was awarded 15 021 Shares in terms of The CI Trust.

7 The indirect shareholding of KB Sinclair, a director of Huge Connect, is held by K2017038086 South Africa Proprietary Limited.

8 E van Heerden is a director of Huge Connect. On 15 August 2019, Mrs Van Heerden was awarded 38 408 Shares in terms of The CI Trust. She subsequently sold 38 000 Shares on 20 August 2019.

None of the shareholdings cited above are subject to any pledge or encumbrance.

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DIRECTORS' REPORT (continued)

11. Restricted shares

Shareholder	Subject to 24-month lock-in ¹¹	The CI Trust ¹²	Total
2020 – Number of Shares held			
K2017038068 South Africa Proprietary Limited – A Lessing	4 689 025	–	4 689 025
DM Holdco Proprietary Limited – DD Meintjes	1 751 434	–	1 751 434
K2017082648 South Africa Proprietary Limited – SM Oberholzer	5 448 907	–	5 448 907
K2017038099 South Africa Proprietary Limited – K Schmulian	1 065 688	–	1 065 688
K2017038086 South Africa Proprietary Limited – KB Sinclair	4 049 613	–	4 049 613
	17 004 667	–	17 004 667
Datawireless Proprietary Limited	602 344	–	602 344
K2017038129 South Africa Proprietary Limited	2 770 788	–	2 770 788
K2017038154 South Africa Proprietary Limited	639 413	–	639 413
CNet Empowerment Proprietary Limited	2 724 454	–	2 724 454
The CI Trust – Initial transfer	–	1 466 667	1 466 667
	6 736 999	1 466 667	8 203 666
The CI Trust – 2018 allocation to Share beneficiaries	–	(129 415)	(129 415)
The CI Trust – 2019 allocation to Share beneficiaries	–	(131 226)	(131 226)
The CI Trust – 2020 allocation to Share beneficiaries	–	(468 038)	(468 038)
	23 741 666	737 988	24 479 654

Shareholder	Pledged as security for warranties ¹⁰	Subject to 24-month lock-in ¹¹	The CI Trust ¹²	Total
2019 – Number of Shares held				
K2017038068 South Africa Proprietary Limited – A Lessing	2 937 430	1 751 595	–	4 689 025
DM Holdco Proprietary Limited – DD Meintjes	1 097 182	654 252	–	1 751 434
K2017082648 South Africa Proprietary Limited – SM Oberholzer	3 413 456	2 035 451	–	5 448 907
K2017038099 South Africa Proprietary Limited – K Schmulian	667 598	398 090	–	1 065 688
K2017038086 South Africa Proprietary Limited – KB Sinclair	2 536 871	1 512 742	–	4 049 613
	10 652 537	6 352 130	–	17 004 667
Datawireless Proprietary Limited	377 337	225 007	–	602 344
K2017038129 South Africa Proprietary Limited	1 735 754	1 035 034	–	2 770 788
K2017038154 South Africa Proprietary Limited	400 559	238 854	–	639 413
CNet Empowerment Proprietary Limited	1 706 728	1 017 726	–	2 724 454
The CI Trust – Initial transfer	–	–	1 466 667	1 466 667
	4 220 378	2 516 621	1 466 667	8 203 666
The CI Trust – 2018 allocation to Share beneficiaries	–	–	(129 415)	(129 415)
The CI Trust – 2019 allocation to Share beneficiaries	–	–	(131 226)	(131 226)
	14 872 915	8 868 751	1 206 026	24 947 692

- 10 In terms of the subscription and repurchase agreement entered into between Hugel and ConnectNet Broadband Wireless on or about 30 March 2017, Hugel subscribed for 185 new ordinary shares in ConnectNet Broadband Wireless for a total subscription consideration of R418 million, R266.75 million of which was settled in cash and R151.25 million of which was settled by the issue of renounceable letters of allocation. Subsequent to the subscription, ConnectNet Broadband Wireless repurchased 122 existing ordinary shares in its share capital from the relevant shareholders for a total consideration of R275 million, of which R123.75 million was settled in cash and R151.25 million was settled by the delivery of renounceable letters of allocation in respect of 25 208 333 Shares in Hugel at 600 cents per Share. ConnectNet Broadband Wireless renounced 25 208 333 Shares in Hugel in favour of the relevant shareholders. The relevant shareholders agreed to pledge 14 872 915 Shares in Hugel as security for the payment of any claims instituted by Hugel against the relevant shareholders for, amongst other things, a breach of a profit warranty that the cumulative aggregate operating profit of the ConnectNet Broadband Wireless Group for the reporting periods ended 28 February 2018, 28 February 2019 and 29 February 2020 will be no less than 80% of the cumulative aggregate operating profit target of R239.9 million. On 8 July 2019 the Group published an announcement on SENS that the vendors involved in the above mentioned transaction agreed to extend their lock-in for another two years. In return, the Group waived the profit warranties it held against the vendors.
- 11 In terms of the subscription and repurchase agreement, 10 335 518 Shares issued to the relevant shareholders were the subject of a 24-month lock-in undertaking, which expired on 29 March 2019. Subsequent to the closing of the subscription and repurchase agreement, the relevant shareholders, of their own volition, created a trust to be known as The CI Trust and decided to donate 1 466 667 Hugel Group Shares and R1.2 million in cash to The CI Trust. The donation was not part of the subscription and repurchase agreement and was in no way linked to the subscription and repurchase agreement. However, the Shares that were the subject of the donation were part of the 10 335 518 Shares that were subject to the 24-month lock-in undertaking. The CI Trust was established by the relevant shareholders for the benefit of certain employees, directors and/or consultants of the ConnectNet Broadband Wireless Group to inter alia assist the relevant shareholders in making sure that the ConnectNet Broadband Wireless Group achieved the targets for the profit warranty referred to in footnote 10 above. On 8 July 2019 the Group published an announcement on SENS that the vendors involved in the above mentioned transaction agreed to extend their lock-in for another two years. In return, the Group waived the profit warranties it held against the relevant shareholders.
- 12 During August 2019, 468 038 Shares (2019: 131 226) were transferred by The CI Trust share beneficiaries, being certain existing employees, directors and/or consultants to the ConnectNet Broadband Wireless Group. Of the remaining 737 989 Shares, 624 818 Shares will be allocated to share beneficiaries after 29 February 2020 with the residual balance of 113 169 Shares ceded against the loan between the CI Trust and Hugel. Shares that have been allocated to share beneficiaries are not restricted. Refer to note 22 for additional information.

12. Directors' personal financial interests

The register of personal financial interests of directors, held in terms of section 75(4) of the Companies Act, is available to the public on request at the Company's registered address.

13. Litigation

The Group and Company engage in a certain level of litigation in the ordinary course of business. The directors have considered all pending and current litigation and are of the opinion that, unless specifically provided, none of these will result in a loss to the Group. All significant litigation which the directors believe may result in a possible loss has been disclosed.

14. Dividends

The Board is cognisant that these are very uncertain times. In particular, the Board requires more time to determine whether or not there might be second and third round effects relating to COVID-19 that might have a negative impact on the businesses within the Group and its cashflows which could negatively impact the Company's decision to declare and pay dividends. The Board is of the view that it is prudent to wait for some time to elapse before making a final decision regarding a dividend declaration for the year ended 29 February 2020.

DIVIDENDS DECLARED AND PAID

During FY2020, the Company declared a dividend of 12.5 cents per Share on 31 May 2019 and a dividend of 6.25 cents per Share as an interim dividend which was paid out of retained earnings of the Company.

15. Events after the reporting period

SHARE REPURCHASE PROGRAMME:

Following the announcement on 15 January 2020 and up until 29 February 2020, the Company repurchased 12 500 Hugel Shares amounting to R62 500 at an average price per Share of 500 cents. These Shares were delisted on 30 April 2020.

After 29 February 2020 and up until 18 August 2020, the Company repurchased 1 614 043 Hugel Shares amounting to R5 918 625 at an average price per Share of 367 cents. 7 500 of these Shares were delisted on 30 April 2020, the remaining Shares will be delisted in due course.

DEALINGS IN SECURITIES BY DIRECTORS:

Following the announcement on 1 July 2020, 560 089 Hugel Shares were allocated to, and vested in, share beneficiaries of The CI Trust. The market value per Share is R4.38 and the market value of the transaction amounted to R2 458 175. Clearance to deal was obtained.

PERFORMANCE INCENTIVE:

The payment of performance incentives to executive directors is based on measured and agreed objectives, the detail of which is set out in the Remuneration Report.

COVID-19:

The directors have assessed the impact of COVID-19 and the national lockdown on the individual subsidiary companies in the Group as well as the Group as a whole and although there has been an impact on the Group, the impact has largely been indirect and is not considered to be material at this stage and of a concern to the Group. Further detail provided in paragraph 3 above.

OTHER MATTERS:

The directors are not aware of any other significant matters or circumstances arising after the end of the reporting period, which are will not otherwise be dealt with in the AFS and which affect the financial position of the Group or the results of its operations up to the date of this report.

Annual Financial Statements

DIRECTORS' REPORT (continued)

16. Company Secretary and administration

During the reporting period, the office of the Company Secretary was held by KE Robinson.

Computershare Investor Services Proprietary Limited are the Company's transfer secretaries.

Contact information for the Company Secretary and the transfer secretaries can be found on the inside back cover of this Report.

17. Audit Committee

The directors confirm that the Audit Committee has addressed specific considerations required in terms of section 94(7) of the Companies Act. Further details are contained in the Audit Committee Report on pages 79 to 80 of this Report.

18. Auditors

The Audit Committee appointed Moore Johannesburg as its independent auditor for FY2020 and has recommended that Moore Johannesburg remain in office in accordance with section 90(1) of the Companies Act.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Huge Group Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Huge Group Limited (the Company and where applicable, the Group) set out on pages 81 to 157, which comprise the statement of financial position as at 29 February 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Huge Group Limited as at 29 February 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the company in accordance with sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	Audit response
Assessment of goodwill impairment and the related impairment of the investment in subsidiaries (refer to note 6)	
<p>Refer to the following notes to the consolidated financial statements:</p> <ul style="list-style-type: none"> Accounting Policies: Critical accounting judgements, estimates and assumptions. Note 6: Goodwill. <p>Judgement applied regarding the impairment of goodwill.</p> <p>Due to the number of business combinations that the Group has historically entered into, the Group's net assets include a significant amount of goodwill at the reporting date. The goodwill relates to cash-generating units that are significant to the group's Statement of Financial Position as a whole and subject to potentially sensitive assumptions that could result in an impairment of a relevant cash-generating unit.</p> <p>As required by IAS 36: Impairment of Assets (IAS 36), the directors conducted an annual impairment test on the goodwill balances to assess the recoverability of the carrying value of this goodwill. There is a potential risk that the businesses included in each cash-generating unit may not trade in line with expectations and forecasts, resulting in a potential impairment of the carrying amount of goodwill allocated to the businesses in each cash-generating unit.</p> <p>There are several key assumptions made in determining the inputs into the valuation models which include: future cash flow forecasts specifically for conflict markets where reliable economic data is not available, expense growth rates, operating margins, terminal value growth rates and discount rates (weighted average cost of capital).</p> <p>As a result of the significant judgements the valuation of goodwill is considered to be a key audit matter.</p>	<p>We focused our testing relating to the impairment of goodwill on the key assumptions made by management and the consultant. Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> Confirmed the independence of the consultant. Critically evaluated whether the model used by the consultant in calculating the value in use of the cash-generating units complied with IAS 36 Impairment of Assets. Validated the assumptions used to calculate the discount rates and long-term growth rates. Analysed the future projected cash flows, including the capital expenditure, EBITDA and working capital flows used in the valuation models to determine whether they are reasonable and supportable given the current economic climate and expected future performance of each cash-generating unit. Compared the growth rates used to historical data regarding economic growth rates included in the relevant cash-generating units. Tested the inputs into the cash flow forecast against historical performance and in comparing these to the management's strategic plans in respect of each cash-generating unit. Performed a sensitivity analysis on the key assumptions. Compared the projected cash flows, including the assumptions relating to revenue growth rates, operating margins and commodity prices against historical performance in order to test the accuracy of management's projections. Assessed the related disclosure requirements relating to the calculation around the impairment of goodwill in terms of the IFRS.

Other information

The directors are responsible for the other information. The other information comprises the directors' report, the Audit Committee's report included in the corporate governance section of the Integrated Report, and the Company Secretary Certification as required by the Companies Act, 71 of 2008 of South Africa, which we obtained prior to the date of this report. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements do not cover the other information and we does not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 71 of 2008, and for such internal controls as the directors determine is necessary to enable the preparation of the consolidated and separate financial statements which are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to these risks and

obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going-concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going-concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or company to cease to continue as a going-concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Moore Johannesburg Inc. has been the auditor of Huge Group Limited for two years.



Per: CA Whitefield CA(SA)

Partner

Registered Auditor

31 August 2020

Johannesburg
50 Oxford Road
Parktown
Johannesburg
2193

AUDIT COMMITTEE REPORT

REPORT TO THE SHAREHOLDERS ON THE ACTIVITIES OF THE AUDIT COMMITTEE FOR THE REPORTING PERIOD ENDED 29 FEBRUARY 2020

The Audit Committee has specific statutory responsibilities to shareholders in terms of the Companies Act. In addition to those responsibilities, the Audit Committee assists the Board by advising and making submissions on the financial reporting, oversight of governance, financial risk management processes and internal financial and non-financial controls, independent audit functions and statutory and regulatory compliance.

Statutory duties

In executing its duties during the reporting period, the Audit Committee:

- determined the fees and terms of engagement of, and recommended the re-appointment of Moore Johannesburg for appointment as its independent auditor;
- nominated C Whitefield from Moore Johannesburg for re-appointment as the designated audit partner;
- confirmed its satisfaction that both Moore Johannesburg and Mrs Whitefield remain independent of the Company and meet the requirements of the Companies Act, the Listings Requirements and King IV; and
- is satisfied that while Moore Johannesburg has not performed any non-audit services for the Company, any proposed agreements of this nature require the pre-approval of the Committee.

In compliance with paragraph 3.84(g)(iii) of the Listings Requirements the Audit Committee has, through discussion with Moore Johannesburg considered, *inter alia*, (i) the findings of any and all recent inspections undertaken on Moore Johannesburg by the Independent Regulatory Board of Auditors; (ii) Moore Johannesburg's quality control procedures; and (iii) the outcome and summary of any legal or disciplinary proceedings conducted against Moore Johannesburg, within the past seven years (if any) and instituted in terms of any legislation or professional body to which Moore Johannesburg is accountable.

Delegated duties

Financial statements

The Audit Committee reviewed the Consolidated and Separate Annual Financial Statements, Summarised Consolidated and Separate Annual Financial Statements, preliminary announcements, Short-Form Announcements and accompanying reports to shareholders and other announcements made in respect of the Company's results during the reporting period.

Integrated reporting

The Audit Committee reviewed the disclosure contained in this Integrated Report and the disclosures relating to sustainability. The Audit Committee is satisfied that the information contained in the Integrated Report is reliable and does not conflict with the financial information. The Audit Committee recommended the Integrated Report to the Board for approval.

Internal audit

Due to the historical nature of the Company's legal structure, assets, size and its stage of development, the Audit Committee is of the view that an internal audit function is presently not required. However, this requirement is monitored by the Audit Committee on a regular basis.

Risk management

Whilst the Board has delegated responsibility for risk management to the Risk Committee, the Audit Committee remains responsible for the following areas of risk management:

- Financial risks
- Financial reporting risks
- Internal financial controls
- Fraud risks as they relate to financial reporting
- IT governance

Independent audit

The Audit Committee evaluated and reported on the independence of the independent auditor and reviewed the quality and efficacy of the independent audit process. Accordingly, the Audit Committee recommends to shareholders that Moore Johannesburg be appointed as the Company's independent auditor and that Mrs Whitefield be appointed as the designated audit partner.

The Audit Committee has also determined the fees and terms of engagement of the independent auditor and is satisfied that it has complied with the Companies Act and other relevant legislation. Huge first appointed Moore Johannesburg as the Company's independent auditor on 18 March 2019. Mrs Whitefield was appointed as the designated audit partner with effect from 15 August 2019, following the resignation of Mrs Schalekamp, who left the employ of Moore Johannesburg.

Chief Financial Officer

The Audit Committee has assessed and is satisfied with the appropriateness of the skills, experience and expertise of Mrs Sequeira as the Chief Financial Officer and confirms same to shareholders.

Financial function

The Audit Committee has reviewed and is satisfied with the expertise, resources and experience of the Company's finance function.

Oversight of risk management

The Chairman of the Audit Committee also chairs the Risk Committee. Members of the Board attend the meetings of both the Audit Committee and the Risk Committee, by invitation. This provides the Audit Committee with the ability to interact closely with the functions performed by the Risk Committee to ensure that there is an adequate understanding of the risk management processes.

AUDIT COMMITTEE REPORT (continued)

- **Internal financial controls**

The Audit Committee has reviewed the efficacy of the Company's system of internal financial controls, including assurance received from management and the independent auditor. The Audit Committee has reviewed the material issues raised during the independent audit process.

Based on the processes and assurances obtained, the Audit Committee is of the view that the internal financial controls are effective.

- **Key areas from the year-end audit report**

The key audit matters from the year-end audit report are outlined on page 76.

- **Combined assurance**

The Company continues to work on improving its combined assurance mechanisms, taking cognisance of the recommendations of King IV in respect of the five lines of assurance.

The Company has regard to the following five lines of assurance:

First line:	Line management is responsible for monitoring and managing risk and opportunity
Second line:	Risk management functions in each subsidiary company, including those at Group level, review and consider risk and opportunity
Third line:	the Company utilises the services of various external consultants to assist with managing risk in respect of revenue recognition and regulatory compliance
Fourth line:	the independent auditor considers and reviews risk management processes implemented by the Company and the Group and elevates any areas which may require further attention
Fifth line:	the Risk Committee and the Audit Committee provide the Board with advice and recommendations in respect of risk management and opportunities

- **IT Governance**

The Audit Committee is responsible for ensuring that a suitable governance framework is in place to oversee and manage information and technology risks. The Audit Committee reviews the relevant policies which are implemented in the subsidiary companies, including the internal control frameworks adopted in this regard. The Board receives independent assurance on the effectiveness of the aforementioned matters from the Audit Committee and the independent auditor. The Audit Committee is cognisant of the ongoing increase in risks related to information and technology, as well as the announcement of the effective date of the Protection of Personal Information Act 4 of 2013. The Audit Committee will report on developments and improvements in the Group's IT governance processes going forward.

- **Regulatory compliance**

The Audit Committee has complied with all its applicable legal and regulatory responsibilities. The Audit Committee has reviewed the AFS, prior to approval, both with management and in a separate forum with the independent auditor. The Audit Committee is satisfied with the appropriateness of the accounting policies and considers the AFS to be a fair presentation of the financial performance, financial position and cash flows of the Company and the Group for the year ended 29 February 2020.



Dennis Gammie
Chairman of the Audit Committee

31 August 2020

STATEMENT OF FINANCIAL POSITION

as at 29 February 2020

Figures in Rand	Note(s)	Group		Company	
		2020	2019	2020	2019
Assets					
Non-current assets					
Property, plant and equipment	4	272 983 290	226 682 402	–	104 599
Right-of-use assets	5	16 830 373	–	4 201 525	–
Goodwill	6	607 694 289	595 350 156	–	–
Intangible assets	7	22 519 563	13 431 319	–	–
Investments in subsidiary companies	8	–	–	208 383 021	523 158 195
Investment in joint venture company	9	–	597 022	–	–
Investment in associate companies	10	25 011	9 800	29 911	4 900
Loans to associate companies	11	70 703 558	62 400 648	1 206 542	–
Loans to group companies	11	–	–	133 000 062	–
Loans receivable	12	335 848	8 453 809	–	–
Contract assets	13	4 901 206	14 912 254	–	–
Investments at fair value	14	403 640	45 005 610	457 478 640	45 005 610
Deferred tax	15	29 552 068	20 431 608	11 975 732	3 447 941
Finance lease receivables	16	–	1 777 008	–	–
		1 025 948 846	989 051 636	816 275 433	571 721 245
Current assets					
Inventories	17	60 038 814	18 799 675	–	–
Loans to associate companies	11	–	4 207 507	–	1 207 507
Loans to group companies	11	–	–	36 997 477	124 461 925
Loans to shareholders	18	–	13 034	–	13 034
Loans receivable	12	204 483	10 200	–	5 100
Contract assets	13	2 168 408	–	–	–
Trade and other receivables	19	69 257 281	65 093 452	4 413 799	22 447 625
Finance lease receivables	16	–	608 060	–	–
Current tax receivable	36	4 223 530	1 891 440	–	–
Cash and cash equivalents	20	40 152 606	23 958 494	19 550 522	2 296 665
		176 045 122	114 581 862	60 961 798	150 431 856
Total assets		1 201 993 968	1 103 633 498	877 237 231	722 153 101

Annual Financial Statements

STATEMENT OF FINANCIAL POSITION (continued)

as at 29 February 2020

Figures in Rand	Note(s)	Group		Company	
		2020	2019	2020	2019
Equity and Liabilities					
Equity					
<i>Equity attributable to holders of parent</i>					
Share capital	21	611 884 120	608 789 128	618 848 610	619 631 110
Share-based payment reserve	22	3 905 915	4 141 848	–	–
Donation trust reserve ¹	38	–	–	(14 470 932)	(14 470 932)
Change in control reserve ²	37	52 474 210	(4 760 650)	–	–
Accumulated profit (loss)		273 101 806	209 003 529	124 243 203	(41 113 762)
		941 366 051	817 173 855	728 620 881	564 046 416
Non-controlling interest	23	(60 253 065)	5 666 888	–	–
		881 112 986	822 840 743	728 620 881	564 046 416
Liabilities					
Non-current liabilities					
Interest-bearing liabilities	24	120 936 298	96 535 713	90 936 298	94 434 486
Deferred Income	25	–	6 397 634	–	–
Loans payable	12	18 258 204	–	–	–
Lease liabilities	5	14 509 005	–	3 649 698	–
Finance lease liabilities	5	–	4 455 210	–	–
Deferred tax	15	43 181 093	37 539 046	1 176 427	–
		196 884 600	144 927 603	95 762 423	94 434 486
Current liabilities					
Loans from group companies	11	–	–	–	13 693 203
Deferred income	25	6 092 003	10 479 312	–	–
Loans payable	12	600 000	–	–	–
Interest-bearing liabilities	24	51 583 574	73 988 757	51 583 574	43 387 162
Current tax payable	36	8 292 088	6 246 177	–	–
Lease liabilities	5	6 307 544	–	873 720	–
Finance lease liabilities	5	–	3 175 177	–	–
Trade and other payables	26	50 229 924	39 224 802	396 633	6 588 750
Bank overdraft	20	891 249	2 750 927	–	3 084
		123 996 382	135 865 152	52 853 927	63 672 199
Total liabilities		320 880 982	280 792 755	148 616 350	158 106 685
Total equity and liabilities		1 201 993 968	1 103 633 498	877 237 231	722 153 101

1 This reserve relates to The CI Trust donation made in FY2018 which reduced the purchase consideration of the Huge Connect and therefore the associated Goodwill. Refer to note 38 (prior period restatement) for further details.

2 This reserve relates to business combinations where there is a change in the degree of control i.e. there is a change in shareholding but control is not lost. Refer to note 37 (business combinations) under heading 'Changes in degree of control over existing subsidiary companies' for further details.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 29 February 2020

Figures in Rand	Note(s)	Group		Company	
		2020	2019	2020	2019
Revenue	27	492 144 782	432 661 778	–	–
Cost of sales	28	(183 908 789)	(196 834 530)	–	–
Gross profit		308 235 993	235 827 248	–	–
Other income	29	10 418 252	2 975 823	379 389	34 705 473
Selling and administration expenses		(63 824 045)	(50 777 714)	(526 367)	(11 225 057)
Depreciation on right-of-use assets	5	(6 865 550)	–	(1 050 381)	–
Employee costs		(96 061 016)	(78 264 377)	–	(14 956 032)
Movement in credit loss allowance ¹	41	(17 121 368)	(2 196 632)	–	–
Operating profit	30	134 782 266	107 564 348	(1 197 359)	8 524 384
Finance income	31	3 717 046	3 504 648	6 719 462	3 310 440
Dividends received	31	–	–	515 075 000	28 000 000
Profit/(loss) from equity accounted investments		20 111	(18 811)	29 911	–
Gain/(loss) on sale of investment ²	37	–	1 530 392	–	(35 394 991)
Profit on sale of property, plant and equipment		1 575 202	–	–	–
Impairment of investment in subsidiary ³	37	–	–	(314 875 274)	–
Impairment of investment in joint venture company		(458 811)	–	–	–
Reversal of impairment on investment in subsidiary company ²		–	–	–	36 633 120
Reversal of impairment on other financial assets		–	508 792	–	–
Finance costs	32	(19 432 428)	(15 338 833)	(14 388 084)	(11 747 930)
Finance costs on lease liabilities	5&32	(2 140 617)	–	(427 976)	–
Profit before taxation		118 062 769	97 750 536	190 935 680	29 325 023
Income tax (expense)/income	33	(22 739 080)	(21 715 702)	7 351 365	1 159 194
Profit for the year		95 323 689	76 034 834	198 287 045	30 484 217
Total comprehensive income for the year		95 323 689	76 034 834	198 287 045	30 484 217
Total comprehensive income attributable to:					
Owners of the parent		95 022 679	79 121 837	198 287 045	30 484 217
Non-controlling interest	23	301 010	(3 087 003)	–	–
		95 323 689	76 034 834	198 287 045	30 484 217
Earnings per share					
Per share information					
Basic earnings per share	34	57.58	48.05	–	–
Diluted earnings per share	34	57.42	47.81	–	–

- The substantial increase in the movement in credit loss allowances was as a result of an employee fraud that took place in Huge Connect. During the prior reporting period high-end mobile devices were purchased by Huge Connect which were to be leased to a company which would utilise these devices in their Uber vehicles. During the current reporting period it was identified that this customer order and contract was an elaborate fraud and the mobile devices were ultimately stolen. Immediately upon identifying the fraud, management implemented the necessary legal and assurance mechanisms to mitigate its damages. The debtors balance was fully provided, resulting in the increase in movement in credit losses of R17 million. Subsequent to the current reporting period, the Group's commercial insurance scheme compensated the company to the full extent of its insured risk of R5 million. The Board is confident that the remaining loss is fully recoverable through other avenues and management is actively engaging in pursuing such avenues.
- The loss on sale of investment in a subsidiary company as well as the reversal of impairment on investment in subsidiary company relates to the sale of 51% of Huge Soho in FY2019. The 100% investment in Huge Soho, previously held, amounted to R69 411 943 in FY2019 and a corresponding provision for impairment of the investment, previously held in Huge Soho, amounted to R69 411 943 in FY2019. Refer to note 37 for additional information relating to this business combination.
- The impairment of investment in subsidiary companies relates to the sale of 16.29% of Huge Connect to Windfall during the current reporting period. Refer to note 37 for further details relating to the issue of preference shares, impairment of ordinary equity and change in control reserve adjustments relating to this transaction.

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STATEMENT OF CHANGES IN EQUITY

for the year ended 29 February 2020

Figures in Rand	Share capital	Share premium	Total share capital	Share-based payment reserve	Change in control reserve	Trust donation reserve	Accumulated profit/(loss)	Equity attributable to holders of the parent	Non-controlling interest	Total equity
Group										
Prior year adjustment ⁶	-	-	-	-	-	(14 470 932)	-	(14 470 932)	-	(14 470 932)
Balance at 1 March 2018	16 596	618 755 484	618 772 080	-	-	(14 470 932)	128 773 534	733 074 682	(3 015 552)	730 059 130
Profit for the year	-	-	-	-	-	-	79 121 837	79 121 837	(3 087 003)	76 034 834
Issue of shares ¹	2	224 997	224 999	-	-	-	-	224 999	-	224 999
Capital raising expenses ¹	-	(729 000)	(729 000)	-	-	-	-	(729 000)	-	(729 000)
Elimination of treasury shares	(121)	(12 374 577)	(12 374 698)	-	-	14 470 932	-	2 096 234	-	2 096 234
Share-based payments raised	-	-	-	7 037 595	-	-	-	7 037 595	-	7 037 595
Distribution of treasury shares previously held ³	-	2 895 747	2 895 747	(2 895 747)	-	-	-	-	-	-
Common control transaction	-	-	-	-	(4 760 650)	-	-	(4 760 650)	-	(4 760 650)
Derecognition of non-controlling interest	-	-	-	-	-	-	(133 261)	(133 261)	133 261	-
Business Combinations	-	-	-	-	-	-	1 241 419	1 241 419	11 636 182	12 877 601
Balance at 28 February 2019	16 477	608 772 651	608 789 128	4 141 848	(4 760 650)	-	209 003 529	817 173 855	5 666 888	822 840 743
Profit for the year	-	-	-	-	-	-	95 022 679	95 022 679	301 010	95 323 689
Issue of shares	-	180 000	180 000	-	-	-	-	180 000	-	180 000
Capital raising expenses	-	(720 000)	(720 000)	-	-	-	-	(720 000)	-	(720 000)
Share buy-back ²	-	(62 500)	(62 500)	-	-	-	-	(62 500)	-	(62 500)
Share-based payments raised	-	-	-	3 461 559	-	-	-	3 461 559	-	3 461 559
Distribution of treasury shares previously held ³	-	3 697 492	3 697 492	(3 697 492)	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	(30 924 402)	(30 924 402)	-	(30 924 402)
Business Combinations ⁴	-	-	-	-	57 234 860	-	-	57 234 860	(57 234 860)	-
Business Combinations ⁵	-	-	-	-	-	-	-	-	(8 986 103)	(8 986 103)
Balance at 29 February 2020	16 477	611 867 643	611 884 120	3 905 915	52 474 210	-	273 101 806	941 366 051	(60 253 065)	881 112 986
Notes(s)	21	21	21	22	37	38		23		

Figures in Rand	Share capital	Share premium	Total share capital	Trust donation reserve	Accumulated profit/(loss)	Total equity
Company						
Prior year adjustment ⁶	-	-	-	(14 470 932)	-	(14 470 932)
Balance at 1 March 2018	17 561	620 117 550	620 135 111	(14 470 932)	(71 597 979)	534 066 200
Profit for the year	-	-	-	-	30 484 217	30 484 217
Issue of shares ¹	2	224 997	224 999	-	-	224 999
Capital raising expenses ¹	-	(729 000)	(729 000)	-	-	(729 000)
Balance at 28 February 2019	17 563	619 613 547	619 631 110	(14 470 932)	(41 113 762)	564 046 416
Profit for the year	-	-	-	-	198 287 045	198 287 045
Dividends	-	-	-	-	(32 930 080)	(32 930 080)
Capital raising expense	-	(720 000)	(720 000)	-	-	(720 000)
Share buy-back	-	(62 500)	(62 500)	-	-	(62 500)
Balance at 29 February 2020	17 563	618 831 047	618 848 610	(14 470 932)	124 243 203	728 620 881
Notes(s)	21	21	21	38		

- Issue of Shares presented in FY2019 was the net balance of the Share issue and capital raising expenses as per note 21. This has been adjusted to be separately disclosed.
- Following the announcement on SENS on 15 January 2020, the Company repurchased 12 500 Huge Shares up to the end of FY2020 and this amounted to R62 500 at an average price per share of 500 cents. Subsequent to the end of FY2020, the Company purchased an additional 1 614 043 Huge Shares and this amounted to R5 918 625 at an average price per share of 367 cents.
- The distribution of treasury Shares between share premium and the share-based payment reserve relates to 258 840 Huge Shares which were held as an investment by The CI Trust and which were distributed by The CI Trust to its share beneficiaries during FY2019 amounting to R2 895 747. A total of 728 678 Huge Shares have been distributed by The CI Trust to its share beneficiaries up to the end of FY2020 amounting to R6 593 240 split between the respective years.
- The movement in the change in control reserve relates to a business combination involving Huge, Huge Connect and Windfall 111 Properties Proprietary Limited (**Windfall**) and the change in the degree of Huge's control over Huge Connect in favour of Windfall (the **Huge Connect Business Combination**). Windfall subscribed for new ordinary shares in Huge Connect and after its subscription, 16.296% of the ordinary shares of Huge Connect in issue are held by it. The equity attributable to the holders of the parent has been adjusted for Windfall's non-controlling interest. Additional information on business combinations can be found in note 37.
- The non-controlling interest in Pansmart was raised in a business combination in which Huge subscribed for 101 new ordinary shares in Pansmart for a purchase consideration of R100, such that after the subscription Huge became the holder of 50.3% of the ordinary shares of Pansmart in issue (the **Pansmart Business Combination**). Additional information on business combinations can be found in note 37.
- This prior period adjustment relates to The CI Trust donation made in FY2018 which reduced the purchase consideration of Huge Connect. Refer to note 38 (prior period restatement) for further details.

STATEMENT OF CASH FLOWS

for the year ended 29 February 2020

Figures in Rand	Note(s)	Group		Company	
		2020	2019	2020	2019
Cash flows from operating activities					
Cash generated from/(used in) operations	35	130 443 510	96 538 723	11 931 253	(5 113 484)
Finance income	31	3 717 046	3 504 648	1 757 969	3 310 440
Dividends received	31	–	–	58 000 000	28 000 000
Finance costs	32	(16 847 459)	(15 338 833)	(11 803 120)	(11 747 930)
Finance costs on lease liabilities	32	(2 140 618)	864 081	(427 976)	–
Tax (paid)/received	36	(19 383 264)	(25 864 633)	–	–
Net cash from/(used in) operating activities		95 789 215	59 703 986	59 458 126	14 449 026
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(70 742 207)	(110 945 740)	(127 026)	(120 239)
Proceeds from disposal of property, plant and equipment		1 938 131	36 574 827	–	–
Purchase of intangible assets	7	(5 992 393)	(4 114 636)	–	–
Business Combinations	37	(12 340 043)	(4 218 348)	(100 100)	1 390 516
Change in degree of control	37	–	(4 760 650)	–	–
Purchase of investments in subsidiaries		–	–	–	(2 535 650)
Purchase of investments in associates		–	(4 751)	–	(4 900)
Loans advanced to group companies		–	10 000	(54 267 318)	(44 514 134)
Withdrawal/(purchase) of investments at fair value	14	44 601 970	(45 005 610)	44 601 970	(45 005 610)
Advances of loans receivable at amortised cost	12	(530 391)	(968 086)	6 065	(5 100)
Repayment/(advance) of loans to shareholder	18	13 035	(13 034)	13 034	(13 034)
Share buy-back	21	(62 500)	–	(62 500)	–
Net cash used in investing activities		(43 114 398)	(133 446 028)	(9 935 875)	(90 808 151)
Cash flows from financing activities					
Proceeds from share issue		–	–	–	(504 001)
Donation of treasury shares	21	–	2 096 231	–	–
Capital raising expenses		(720 000)	(729 000)	(720 000)	–
Proceeds from interest-bearing liabilities	24	42 113 255	144 690 460	42 113 255	64 529 311
Repayment of interest-bearing liabilities	24	(40 000 000)	(80 066 297)	(40 000 000)	–
Dividends paid		(30 924 401)	–	(32 930 077)	–
Payment of lease liabilities	5	(6 146 765)	(2 620 142)	(728 488)	–
Funds received for vehicle finance		1 056 884	3 681 600	–	–
Finance costs in instalment sales		–	(864 079)	–	–
Business Combinations	37	–	(173 787)	–	–
Proceeds/(repayment) of loans from group companies	11	–	–	–	2 477 890
Net cash from/(used in) financing activities		(34 621 027)	66 014 986	(32 265 310)	66 503 200
Total cash movement for the year		18 053 790	(7 727 056)	17 256 941	(9 855 925)
Cash at the beginning of the year		21 207 567	28 934 623	2 293 581	12 149 506
Total cash at end of the year	20	39 261 357	21 207 567	19 550 522	2 293 581

ACCOUNTING POLICIES

1. Presentation of Consolidated and Separate Annual Financial Statements

The AFS have been prepared in accordance with IFRS, IFRIC, its interpretations as adopted by the IASB, the Financial Reporting Guides (SAICA-APC), the Listings Requirements, the Financial Reporting Pronouncements issued by the Financial Reporting Standards Council and in the manner required by the Companies Act. The AFS have been prepared on the historical-cost basis, and incorporate the principal accounting policies set out below. The AFS are presented in the functional currency of the Company in South African Rands.

These accounting policies are consistent with the previous period with the exception of the adoption of IFRS 16 Leases (IFRS 16) with effect from 1 March 2019. A number of other new standards and/or interpretations are effective from 1 March 2019, but they have no material effect on the Group or Company's financial statements.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Basis of preparation

The AFS have been prepared on the going-concern basis, which assumes that the Company and its subsidiary companies will continue in operational existence for the foreseeable future.

1.1 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components.

Each operating segment's results are reviewed regularly by the Executive Committee, under the authority delegated by the Board (which is the Chief Operating Decision-Maker or **CODM**) to make decisions about resources to be allocated to each segment and to assess each segment's performance, and for which discrete financial information is available.

The basis of segment reporting has been set out in note 3.

1.2 Consolidation

Basis of consolidation

The Group financial statements incorporate the financial statements of Huge Group Limited and all its subsidiary companies and controlled structured entities for the reporting date 29 February 2020 on the basis outlined below.

The Group controls an entity when it is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether control exists, the Group considers all existing substantive rights that result in the current ability to direct relevant activities.

These AFS incorporate the financial statements of the Company, all of its subsidiary companies and a joint venture company. The AFS present the results of the Company and its subsidiary companies (the **Group**) as if they formed a single entity. Intercompany transactions and balances between Group companies are eliminated in full.

Subsidiary companies

Subsidiary companies are entities controlled by the Company. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group (**acquisition date**) and are deconsolidated from the date that control ceases (**disposal date**).

The accounting policies of the subsidiary companies have been changed where necessary to align them with the accounting policies adopted by the Company. Losses applicable to non-controlling interests in a subsidiary company are allocated to the non-controlling interests, even if doing so causes the non-controlling interests to have a deficit balance. Investments in subsidiary companies are carried at cost less accumulated impairment losses in the separate AFS of the Company.

Further details on Investments in subsidiary companies can be found in note 8.

Joint arrangements

A joint arrangement entity is an arrangement where two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The parties of the joint arrangement have joint control of the arrangement and have rights to the net assets of the arrangements. The arrangement is therefore a joint venture. The Group's interest in its joint venture company is accounted for using the equity method of accounting, whereby the interest in the jointly controlled arrangement is recorded initially at the cost of the investment, including transaction costs, and is adjusted thereafter for post-acquisition changes in the Group's share of net assets of the joint venture company. The profit and loss reflects the Group's share of the results of operations of the joint venture.

Further details on the investment in joint venture company can be found in note 9.

Associate companies

An associate is an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but where it is not able to control or share joint control of these policies.

The Group accounts for its interest in associate companies using the equity method of accounting, whereby the interests in the associate companies are recorded initially at the cost of the investment, including transaction costs, and are adjusted thereafter for post-acquisition changes in the Group's share of net assets of the associate companies. The profit and loss reflects the Group's share of the results of operations of the associate companies.

Further details on investments in associate companies can be found in note 10.

Details of consolidations

A listing of the Company's principal subsidiary companies, joint venture company and associate companies are set out in notes 8, 9 and 10 of these AFS.

Goodwill

Goodwill is determined as the fair value of the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the investee. When the excess is negative, a gain on bargain purchase is recognised immediately in profit or loss.

On disposal of a subsidiary company, the attributable amount of goodwill is included in the determination of the profit or loss.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Further details on goodwill can be found in note 6.

Business combinations

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business Combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held For Sale and Discontinued Operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

In terms of the guidance provided by IFRS 15 Revenue from Contracts with Customers, a payment received from the seller of a business in a business combination is recognised as a reduction of the transaction price and the investment, unless the payments received from the seller is in exchange for a distinct good or service that the seller receives from the Group, in a similar way in which the consideration payable to a customer is recognised as a reduction of the transaction price and revenue, unless the payment made to the customer is in exchange for a distinct good or service that the customer transfers to the entity.

On acquisition, the acquiree's assets and liabilities are reassessed in terms of classification and are reclassified where the classification is inappropriate for Group purposes. This excludes lease agreements and insurance contracts, whose classification remains the same as those on their inception date.

Non-controlling interests in the acquiree are measured on an acquisition-by-acquisition basis either at fair value or at the non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This treatment applies to non-controlling interests which are present ownership interests, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by an IFRS.

ACCOUNTING POLICIES (continued)

1. Presentation of Consolidated and Separate Annual Financial Statements

(continued)

Business combinations (continued)

In cases where the Group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The change in the measurement of fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Further details on Business combinations can be found in note 37.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the AFS, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those applied in the prior reporting period, with the exception of the judgements and estimates related to the adoption of IFRS 16 Leases.

Management makes certain estimates and assumptions regarding the future. Estimates and judgements are evaluated continually based on historical experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed below.

Significant judgements

Leases – Renewal and termination options

The Group applies judgement in determining the lease term by considering all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option and whether it is reasonably likely that options will be exercised by considering factors such as how far in the future an option occurs, the Group's business planning cycle and past history of terminating/not renewing leases. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The average lease term for recognised leases is 3 years. Refer to note 5 for further details.

Estimates and assumptions

Trade receivables, loans, receivables and contract assets

Under IFRS 9 the Group calculates its allowance for credit losses as expected credit losses (**ECLs**) for financial assets measured at amortised cost and contract assets (Discretionary Renewal Bonuses). ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the original effective interest rate (EIR) of the financial asset. To calculate ECLs the Group segments its trade receivables by risk types i.e. active, disconnected, payment plan, handover pending and suspended. The Group applies the simplified approach to determine the ECL for trade receivables, loans receivable and contract assets. This results in calculating lifetime expected credit losses for trade receivables, loans receivable and contract assets. ECLs for trade receivables is calculated using a provision matrix. Refer to note 41 for more detail about ECLs and how these are calculated.

Further details can be found in notes 11, 12, 13, 18 and 19.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises a tax liability for all items for which audit adjustments have become necessary. Where the final tax outcome of these matters is different from the amounts that were recorded initially, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future tax benefit related to deferred tax assets to the extent that it is probable that temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period may be impacted.

Future taxable profits are determined based on business plans for individual subsidiary companies in the Group and the probable reversal of taxable temporary differences in future. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves. Refer to notes 15 and 33.

Determination of possible impairment of goodwill

The Group determines annually whether goodwill has been impaired. This requires an estimation of the value in use of the CGUs to which goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of these cash flows. The Group assesses the above and uses an expert in these assessments. Goodwill impairments cannot be reversed. Based on the calculations performed, there are no indications that goodwill has been impaired at year-end. Refer to note 6.

Determination of impairment of intangible assets

Management is required to make judgements concerning the cause, timing and amount of the possible impairment of such assets. In the identification of impairment indicators, management considers the impact of changes in current market conditions, technological obsolescence, the cost of capital and other circumstances that could indicate that impairment exists. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

Where impairment indicators exist, determination of the recoverable amount requires management to make assumptions to determine the fair value less costs to sell and value in use. Fair value less costs to sell is based on the best information available to management that reflects the amount that the Company could obtain, at the year-end, from the disposal of the asset in an arm's length transaction with a market participant in its principal market, after deducting the costs of disposal. Value in use is based on key assumptions on which management has based its determination, which include projected revenues, gross margins, capital expenditure, expected customer bases and market share.

Further details can be found in note 7.

1.4 Significant accounting policies

The financial statements have been prepared in accordance with the accounting policies adopted in the previous reporting period, except for the adoption of the new and amended standards. Disclosure has only been provided for new standards and interpretations which became effective for the current period where the adoption had a material impact on the Group.

The Group adopted IFRS 16 Leases (**IFRS 16**) in the current year.

The Group has adopted IFRS 16 from 1 March 2019 and elected the modified retrospective approach. The Group has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the adoption of IFRS 16 are therefore recognised in the opening statement of financial position on 1 March 2019.

Adoption of IFRS 16 Leases

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying asset and lease liabilities representing its obligation to make lease payments. After the adoption of IFRS 16, the Group recognised a depreciation expense on the right-of-use assets and an interest expense accruing on the lease liabilities and no longer recognise an operating lease expense for these leases. Cash generated from operations includes the interest portion of the lease liability payments and the capital portion of the lease liability repayments, included in cash used in financing activities. Lessor accounting remains similar to previous accounting policies.

Leasing activities and significant accounting policies

The Group's leases include network infrastructure (including towers/hi-sites), premises, office and IT equipment. Rental contracts are typically made for fixed periods varying between 2 to 5 years but may have renewal periods as described below.

The following accounting policies are applicable to revenue recognition and the related disclosures following the adoption of the new standard:

From 1 March 2019, the Group recognises right-of-use assets and lease liabilities at the lease commencement date for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets (e.g. premises and IT equipment) and for short-term leases, i.e. leases

ACCOUNTING POLICIES (continued)

1. Presentation of Consolidated and Separate Annual Financial Statements

(continued)

1.4 Significant accounting policies (continued)

Leasing activities and significant accounting policies (continued)

that at commencement date have lease terms of 12 months or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

At the inception of a contract, the Group assesses whether the contract is, or contains a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assessed whether:

- The contract involves the use of an identified asset – this may be specified explicitly or may be implicit and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has the substantive right to substitute the asset, then the asset is not an identified asset;
- The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use;
- The Group has the right to direct the use of the asset, i.e. the Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. There are rare cases when the right may be pre-determined. The Group has the right to direct the use of the asset if either: the Group has the right to operate the asset or the Group designed the asset in a way that predetermines how and for what purpose it will be used.

The right-of-use asset is initially measured at cost, comprising the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any incentives received;
- Any initial direct costs;
- Decommissioning costs.

The right-of-use asset is subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The right-of-use assets are depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured as the present value of the lease payments that are not paid at the commencement date, discounted at the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate, being the rate that the lessee would have to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the Group uses the incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments (including in-substance fixed payments), less any incentives receivable;
- Variable lease payments that are based on an index or rate, measured using the index or rate as at the lease commencement date;
- Lease payments in an optional renewal period if the Group is reasonably certain to exercise that option;
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. Interest costs are charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability at each period. It is remeasured when there is a change in future lease payments arising from a change in index or rate, a change in the estimate of the amount payable under a residual value guarantee, or as appropriate changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Renewal and termination options

A number of lease contracts include the option to renew the lease for a further period or terminate the lease earlier. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group applies judgement in assessing whether it is reasonably likely that options will be exercised. Factors considered include how far in the future an option occurs, the Group's business planning cycle of three to five years and the past history of terminating/not renewing leases.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects the assessment and is within the control of the lessee.

A number of leases entitle both the Group and the lessor to terminate the lease without a termination penalty. In determining whether the Group has an economic incentive to not exercise the termination option, the Group considers the broader economics of the contract and not only contractual termination payments.

Lease and non-lease components

A number of lease contracts include both lease and non-lease components. The Group has elected the practical expedient to account for non-lease components as part of its lease liabilities and right-of-use assets.

Transition

At transition, for leases classified as operating leases under IAS 17 (**IAS 17**), lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate, for the remaining lease terms, as at 1 March 2019. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

When measuring the lease liabilities, the Group discounted the lease payments using the incremental borrowing rate at 1 March 2019. The weighted average rate applied is 10.8%.

The Group used the following practical expedients as permitted by the standard, when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Accounted for leases with a remaining lease term of less than 12 months as at 1 March 2019 as short-term leases;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application;
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease; and
- Relied on previous assessments on whether leases are onerous contracts as opposed to performing an impairment review on 1 March 2019.

The Group has also elected not to reassess whether a contract is, or contains, a lease, at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made in applying IAS 17 and IFRIC 7 Determining whether an Arrangement Contains a Lease (**IFRIC 4**).

The Group classified a number of leases of vehicles as finance leases under IAS 17. For finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 March 2019 were determined as the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

Impacts on financial statements

On transition to IFRS 16, the Group recognised right-of-use assets and lease liabilities of R9 356 963. The Group held finance lease liabilities, already reported under IAS 17, to the amount of R5 567 367.

Figures in Rand

	1 March 2019
Operating lease commitment at 1 March 2019	15 512 935
Discounted using the incremental borrowing rate at 1 March 2019	13 837 538
Less: Recognition exemption for short-term leases	(355 734)
Add: Existing finance lease liabilities previously reported under IAS 17	7 630 387
Add: Extension and termination options reasonably certain to be exercised	4 332 387
Less: Leases which were contracted for before year-end but commenced after year end	(10 498 549)
Lease liabilities recognised at 1 March 2019	14 946 029

ACCOUNTING POLICIES (continued)

1. Presentation of Consolidated and Separate Annual Financial Statements

(continued)

1.4 Significant accounting policies (continued)

Leasing activities and significant accounting policies (continued)

As a result of applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised R16 830 373 of right-of-use assets and R20 816 549 of lease liabilities as at 29 February 2020 relating to operating leases that transitioned to IFRS 16.

Also, in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of the operating lease expenses of R8 519 745 that would have been recognised under IAS 17. During the reporting period ended 29 February 2020, the Group recognised R6 865 550 of depreciation charges and R2 140 618 of interest costs from these leases. Refer to notes 30 and 32.

Earnings per share decreased by 0.29 cents per share for the reporting period as a result of the adoption of IFRS 16. Due to the impact of reducing finance charges over the life of the lease, the impact of adopting IFRS 16 is initially dilutive, before being accretive in later periods.

Cash from operating activities includes interest paid on lease liabilities of R2 140 618 and cash used in financing activities includes R6 146 765 for the capital portion of lease liability repayments. The cash flows were previously recognised as net cash generated from operations.

Refer to note 5 for further information relating to the impact on the financial statements and note 35 for further information relating to cashflows.

Policy applicable before 1 March 2019

As a lessee, until 1 March 2019, the Group classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Assets held under finance leases were capitalised at the lower of the fair value of the leased asset and the estimated present value of the minimum lease payments at the inception of the lease. The corresponding liability to the lessor, net of finance charges, was included in the statement of financial position under non-current/current liabilities. Each lease payment was allocated between the liability and finance charges.

Finance charges, which represented the difference between the total lease commitments and fair value of the assets acquired, were charged to profit or loss over the term of the relevant lease so

as to produce a constant periodic rate of interest on the remaining balance of the obligation for each accounting period.

Inventories

Inventories comprise stock held by Huge Software, Huge Connect, Huge Networks, Pansmart and Huge Telecom and consists of telephone line work-in-progress and equipment as well as merchandise not yet deployed and installed at customers' premises.

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business after the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value is recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Refer to note 17 for further detail.

1.5 Revenue from contracts with customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The Group principally generates revenue from the supply of fixed voice and data services to SME customers. The Group also sells fixed line customer premises equipment and services for both voice and data needs as well as software license offerings. The equipment and services are sold both on their own in separate identified contracts with customers and together as a bundled package of goods and/or services.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or services to a customer.

For bundled packages, the Group accounts for individual products and services separately if they are distinct – i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it. The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Group sells devices and network services separately.

The main categories of revenue and the basis of recognition are as follows:

Network services

The Group provides telecommunication services, including fixed voice and data services. Network services (comprising data, voice and SMS) are considered to represent separate performance obligations as all are distinctly supplied within the customer contracts and charged accordingly. As Huga does not own its own network, voice, data and SMS are not seen as a simple digital signal on a network like it would be if one owned the network. The transmission of voice, data and SMS are billed separately and are considered separate performance obligations.

Customers pay monthly instalments over the contractual period.

The Group recognises revenue from these services as they are provided. Revenue is recognised based on actual units of network services provided during the reporting period. The customer receives and uses the benefits of these services simultaneously. Units of network services outside of fixed customer contracts are recognised as the service is provided.

Devices

The Group sells a range of network devices. The Group recognises revenue when customers obtain control of network devices, being when the customers take possession of the devices. For network devices sold separately as well as Panasonic devices, customers pay in full at the time of sale.

Capitalisation and customer acquisition costs

With the adoption of IFRS 15 in the prior reporting period, Discretionary Renewal Bonuses (DRB's) paid to the Business Partners at the commencement date of revenue contracts renewed between Huga Telecom or Huga Connect and their customers where the duration and benefit of such contracts extend into future reporting periods, are now classified as contract assets. Refer to note 13 for further details. The Group expects that incremental customer acquisition costs for renewing contracts are recoverable. These costs include Business Partners' commission on fixed line network contracts. The Group has therefore capitalised these costs as contract costs. Capitalised contract costs are amortised on a systematic basis over the average customer contract term and included in selling, distribution and marketing expenses in profit or loss. The average contract term is 27 months.

In terms of a practical expedient, the Group has elected to recognise the incremental costs of obtaining contracts as a selling, distribution and marketing expense in profit or loss, when incurred, if the amortisation period of the assets that the Group otherwise would have recognised is 12 months or less.

Contract costs are assessed for impairment in terms of IAS 36 Impairment of Assets when there is an indication of impairment.

Significant financing component:

The Group assessed customer contracts at inception to determine whether a significant financing component exists. If the financing component is less than 5% of the total transaction price allocated to the customer premise equipment, it is deemed not to be significant and the finance component will not be recognised separately. The financing element is assessed on a contract-by-contract basis.

Refer to note 27 for further details.

1.6 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Intangible assets are carried at cost less accumulated amortisation and any impairment costs.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Customer premises equipment	10 years
Furniture and fixtures	Six years
Motor vehicles	Four years
Leasehold improvements	Lease period
Computer equipment	Three years

The residual value, useful life and depreciation method of each asset is reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss.

ACCOUNTING POLICIES (continued)

1. Presentation of Consolidated and Separate Annual Financial Statements

(continued)

1.6 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Refer to note 4 for additional details.

1.7 Intangible assets

Intangible assets are recognised when:

- it is probable that future economic benefits associated with the item will flow to the Company; and
- the cost of the item can be measured reliably.

Router Development Technology

The cost model has been applied to the Router Development Technology expenditure, and the asset is carried at cost less any accumulated amortisation and accumulated impairment. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefits. Impairment tests are carried out on intangible assets that are not yet available for use annually or more frequently when an indication of impairment arises during the reporting year.

No research costs have been capitalised to Router Development Technology.

Refer to note 7 for additional details.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits; and
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and the expenditure attributable to the asset during its development can be measured reliably.

Patents

Patents are recognised initially at cost. Patents are carried subsequently at cost less accumulated amortisation.

Amortisation is calculated using the straight-line method to allocate the cost of a patent over its estimated useful life of 20 years.

The patents are currently in a pending status and subject to annual fees. Once the patent has been granted, it will be valid for 20 years from the date of first registration.

Subsequent expenditure on software, which is internally generated and software which is purchased

Subsequent expenditure is capitalised only when it meets the recognition criteria of an intangible asset. All other expenditure is expensed when incurred.

Software internally generated and/or purchased is carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for software is reviewed every period-end.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Useful life
Patents	20 years from date of first granting of patent
Router Development Technology	10 years
Software, internally generated	10 years
Software, purchased	Three years
Other intangible assets	Three years

1.8 Financial Instruments

Financial instruments held by the Group are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the Group, as applicable, are as follows:

Financial assets:

- Amortised cost, when the contractual terms of the instrument gives rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows; or
- Fair value through profit or loss

Financial liabilities:

Financial liabilities include trade and other payables, loans payable, finance lease liabilities and other financial liabilities, and bank overdrafts. Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

Initial recognition and measurement

Trade and other receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financial component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Derecognition

Derecognition of a financial asset occurs when the Group no longer controls the contractual rights relating to the financial instrument in question, which is normally the case when the financial instrument is sold, or all the cash flows attributable to the financial instrument are passed through to an independent third party.

The Group derecognises a financial liability when its contractual obligations are extinguished, cancelled or have expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between

the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Financial assets

On initial recognition, a financial asset is classified and measured at amortised cost or fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group does not own any equity investments, however, the Group did own Discovery Endowments which are other financial assets recognised and measured at fair value through profit or loss.

Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets, i.e., non-recourse features.

ACCOUNTING POLICIES (continued)

1. Presentation of Consolidated and Separate Annual Financial Statements

(continued)

1.8 Financial instruments (continued)

Subsequent measurement and gains and losses

Financial assets

Financial assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities

Financial liabilities include trade and other payables, loans payable, finance lease liabilities and other financial liabilities, and bank overdrafts. Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

Impairment

The Group recognises loss allowances for Expected Credit Losses (**ECL's**) on its financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due; and
- The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be Baa3 or higher per Rating Agency Moody's Investors service or BBB- or higher per Rating Agency Standard & Poor's.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

All income and expenses relating to financial assets that are recognised in profit or loss are presented as part of finance costs, finance income or financial items, with the exception of the impairment of trade receivables which is presented within other expenses.

Measurement of expected credit losses

ECLs are a probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls, i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive.

ECLs are discounted at the effective interest rate of the financial asset.

Write-off policy

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of a write-off based on whether there is a reasonable expectation of recovery or the Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Refer to note 41 for further details on financial instruments and risk management.

Credit risk

Details of credit risk are included in the trade and other receivables note 19 and the financial instruments and risk management note 41.

Bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

1.9 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Refer to note 36 for further details.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all temporary differences between the accounting treatment and tax treatment of items, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which, at the time of the transaction, is not a business combination and affects neither accounting profit/(loss) nor taxable income (tax loss).

A deferred tax asset is recognised for all temporary differences between the accounting treatment and tax treatment of items to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, is not a business combination and affects neither accounting profit/(loss) nor taxable profit (tax loss).

A deferred tax asset is recognised for tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax for the period is recognised in profit or loss. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off tax assets against tax liabilities and provided that the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax is provided for on temporary differences between the carrying values and the tax base of assets and liabilities.

Refer to note 15 for further details.

1.10 Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset other than goodwill may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

The recoverable amount of an asset or a CGU is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

The Group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss on assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

1.11 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Share premium includes any premium received on the issue of share capital and premiums paid on the repurchase of share capital. Any transaction cost associated with the issuing of shares is deducted from share premium, net of any related income tax benefit.

Shares of the Company acquired by the Company are cancelled once bought back by the holding company.

Retained earnings include all current and prior period retained profits.

Refer to note 21 for further detail.

Treasury shares

Shares in Huge held by a subsidiary company or Huge itself are treated as treasury shares on consolidation. These shares are treated as a deduction from the issued and weighted average numbers of shares in issue, and the cost price of the shares is deducted from share capital and share premium in the statement of financial position on consolidation. Dividends received on treasury shares are eliminated on consolidation.

Refer to note 21 for further detail.

ACCOUNTING POLICIES (continued)

1. Presentation of Consolidated and Separate Annual Financial Statements

(continued)

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid annual leave and sick leave, bonuses, and non-monetary benefits such as medical care) is recognised in the period in which the service is rendered and is not discounted.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Share-based payment

Equity settled share based payment transactions:

The cumulative expense recognised in terms of the Group's share-based payment schemes reflects the extent, in the opinion of management, to which the vesting period has expired and the number of rights to equity instruments granted that will ultimately vest. At the end of each reporting date the unvested rights are adjusted by the number forfeited during the period to reflect the actual number of instruments outstanding. Management is of the opinion that this represents the most accurate estimate of the number of instruments that will ultimately vest. The fair value attached to share options granted is on the market value of the share on grant date.

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase of share-based payment reserve in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of shares for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date.

The fair value of shares granted by the Group to employees for no consideration is recognised as an expense over a relevant service period and vesting period. The fair value is measured at the grant date of the shares and is recognised in equity in a share-based payment reserve. Where the granting of shares arises from a business combination and the shares are recognised as a

reduction of the transaction price in the business combination (please refer to note 6: Goodwill) a negative reserve (the **Donation Trust Reserve**) is established in equity and represents an accelerated reversal of the transfer which would take place from the share based payment reserve when the shares in question have vested.

Refer to note 22 for share-based payment details and note 6 for goodwill.

1.13 Earnings and headline earnings per share

The Group presents EPS, diluted EPS and HEPS data in relation to its shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number shares in issue during the period, adjusted for treasury shares held. Diluted EPS is determined by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of shares in issue adjusted for treasury shares held and for the effects of all potential shares to be issued in the future.

The calculation of HEPS is based on the net profit attributable to equity holders of the parent, after excluding all items of a non-trading nature as well as remeasurements of assets and liabilities, divided by the weighted average number of shares in issue during the year. The presentation of headline earnings is not an IFRS requirement but is required by the JSE and Circular 1 of 2019. An itemised reconciliation of the adjustments to net profit attributable to equity holders of the parent is provided in note 34.

1.14 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Refer to note 32 for further detail.

1.15 Other income

Interest received is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the Company's right to receive payment has been established.

Refer to note 29 and 31 for further detail.

2. New Standards and Interpretations

Standards and interpretations not yet effective

The Group has assessed all standards and interpretations in issue but not yet effective and has assessed that they would not have a material impact on the financial statements when adopted. The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 March 2020 or later periods:

Standard	Effective date
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
Definition of a Business (Amendments to IFRS 3)	1 January 2020
Classification of liabilities (Amendments to IAS 1)	1 January 2022

3. Segment reporting

The directors have considered IFRS 8 Operating Segments and are of the opinion, based on the information provided to the executive committee, being the Chief Operating Decision-Maker, under the authority delegated by the Board, that the current operations of the Group can be split into three main operating segments, namely a Corporate Office Grouping, a Telecom Grouping and a Financial Technology (**Fintech**) Grouping. The summarised information included below is in line with the requirements of IFRS 8. The revenue generated from the products and services provided by the various Group companies to all customers is done so on a countrywide basis, with no geographical differentiation.

Operating segments

In terms of Huger's Segment Report, the **Telecom Grouping** comprises the following companies:

- 96% held Huger Media, the holding company of which is Huger;
- 100% held Huger Messaging, the holding company of which is Huger;
- 50.03% held Huger Networks, the holding company of which is Huger Telecom;
- 100% held Huger Services (formerly Gonondo Telecom Proprietary Limited), the holding company of which is Huger Telecom (effective date of this transaction was 16 September 2019);
- 100% held Huger Technologies, the holding company of which is Huger;
- 100% held Huger Telecom, the holding company of which is Huger;
- 50.25% held Pansmart, the holding company of which is Huger (effective date of this transaction was 13 May 2019).

In terms of Huger's Segment Report, the **Fintech Grouping** comprises the following companies:

- 83.704% held Huger Connect, the holding company of which is Huger (effective date of this transaction was 29 February 2020);
- 100% held Huger Payments (formerly IntelPay Proprietary Limited), the holding company of which is Huger (effective date of this transaction was 1 April 2019).

In terms of Huger's Segment Report, the **Corporate Office Grouping** comprises the following companies:

- Huger itself;
- 75% held Huger Software, the holding company of which is Huger;
- 100% held The CI Trust, the beneficiaries of which are certain employees, directors and/or consultants of the ConnectNet Broadband Wireless Group, which comprises Huger Connect and Huger Networks;
- 100% held Huger Management (formerly Huger Mobile), the holding company of which is Huger.

Changes to the operating segments

For the reporting period ending 29 February 2020, Huger Management (previously Huger Mobile) forms part of the Corporate Office Grouping. For the reporting period ending 28 February 2019, Huger Management formed part of the Telecom Grouping. The results of Huger Management are not regarded as material in the reporting periods ending 29 February 2020 and 28 February 2019. The changes to the operating segments did not require any restatement of segment information due to immateriality.

As a result of business combinations concluded during the current reporting period involving Huger Payments, Huger Services and Pansmart, Huger Services and Pansmart were included in the Telecom Grouping and Huger Payments was included in the Fintech Grouping. Refer to note 37 for business combination details.

Geographic areas

The Group has operations physically located in five local regions, which are Gauteng, Western Cape, Eastern Cape, North West and Free State. The Fintech and Telecom Groupings operate outside of South Africa expanding operations into Africa namely: Botswana, Namibia, Zambia, Eswatini and Lesotho.

Annual Financial Statements

ACCOUNTING POLICIES (continued)

3. Segment reporting (continued)

Services

The Group provides the following services: voice connectivity services, messaging services, Fintech, ISP services, software licensing, telephone management services and supply of Panasonic voice, video and CCTV products. Refer to note 27 for further detail.

The total assets and liabilities of each reportable segment are not regularly provided to the executive committee, being the Chief Operating Decision-Maker, under the authority delegated by the Board. The executive committee reviews the Group statement of financial position.

There are no customers in any segment of the Group to whom sales equal or exceed ten percent of total revenue. There is no inter-segment revenue.

2020	Total	Telecom Grouping	Fintech Grouping	Corporate Office Grouping
Revenue	492 144 782	321 930 272	167 651 793	2 562 717
Cost of sales	(183 908 789)	(126 224 294)	(57 100 868)	(583 627)
Gross profit	308 235 993	195 705 978	110 550 925	1 979 090
Other income	10 418 252	9 568 977	653 919	195 356
Selling and administration expenses	(63 824 045)	(31 971 399)	(12 032 381)	(19 820 265)
Depreciation on right-of-use assets	(6 865 550)	(2 857 318)	(2 957 851)	(1 050 381)
Employee costs	(96 061 016)	(54 677 036)	(20 922 576)	(20 461 404)
Movement in credit loss allowances ¹	(17 121 368)	(1 292 693)	(15 839 848)	11 173
Operating profit/(loss)	134 782 266	114 476 509	59 452 188	(39 146 431)
Investment income	3 717 046	892 644	1 017 784	1 806 618
Profit/(loss) from equity accounted investments	20 111	(4 900)	–	25 011
Profit on sale of property, plant and equipment	1 575 202	34 782	1 540 420	–
Impairment on investment in joint venture company	(458 811)	(458 811)	–	–
Finance costs	(19 432 428)	(4 942 216)	(102 054)	(14 388 158)
Finance costs on lease liabilities	(2 140 617)	(1 116 392)	(596 247)	(427 978)
Profit/(loss) before taxation	118 062 769	108 881 616	61 312 091	(52 130 938)

¹ The substantial increase in the movement in credit loss allowances was as a result of an employee fraud that took place in Huge Connect. During the prior reporting period high-end mobile devices were purchased by Huge Connect which were to be leased to a company which would utilise these devices in their Uber vehicles. During the current reporting period it was identified that this customer order and contract was an elaborate fraud and the mobile devices were ultimately stolen. Immediately upon identifying the fraud, management implemented the necessary legal and assurance mechanisms to mitigate its damages. The debtors balance was fully provided, resulting in the increase in movement in credit losses of R17 million. Subsequent to the current reporting period, the Group's commercial insurance scheme compensated the company to the full extent of its insured risk of R5 million. The Board is confident that the remaining loss is fully recoverable through other avenues and management is actively engaging in pursuing such avenues.

Assets and liabilities – 2020	Total	Telecom Grouping	Fintech Grouping	Corporate Office Grouping
Non-current assets	1 025 948 846	303 554 423	115 007 422	607 387 001
Current assets	176 045 122	105 166 702	48 059 296	22 819 124
	1 201 993 968	408 721 125	163 066 718	630 206 125
Non-current liabilities	(196 884 600)	(82 109 666)	(30 948 834)	(83 826 100)
Current liabilities	(123 996 382)	(40 919 283)	(25 099 916)	(57 977 183)
	(320 880 982)	(123 028 949)	(56 048 750)	(141 803 283)

2019	Total	Telecom Grouping	Fintech Grouping	Corporate Office Grouping
Revenue	432 661 778	269 953 614	160 353 817	2 354 347
Cost of sales	(196 834 530)	(136 397 752)	(60 040 218)	(396 560)
Gross profit	235 827 248	133 555 862	100 313 599	1 957 787
Other income	2 975 823	1 966 986	1 008 837	–
Selling and administration expenses	(50 777 714)	(24 560 243)	(14 833 938)	(11 383 533)
Employee costs	(78 264 377)	(39 775 880)	(21 800 489)	(16 688 008)
Movement in credit loss allowances	(2 196 632)	(2 173 892)	–	(22 740)
Operating profit/(loss)	107 564 348	69 012 833	64 688 009	(26 136 494)
Investment Income	3 504 648	1 072 408	1 641 641	790 599
Loss from equity accounted investments	(18 811)	(18 811)	–	–
Gain/(loss) on sale of investment	1 530 392	(12 673)	–	1 543 065
Reversal of impairment on other financial assets	508 792	508 792	–	–
Finance costs	(15 338 833)	(5 210 279)	(16 632)	(10 111 922)
Profit/(loss) before taxation	97 750 536	65 352 270	66 313 018	(33 914 753)

Assets and liabilities – 2019	Total	Telecom Grouping	Fintech Grouping ¹	Corporate Office Grouping
Non-current assets	989 051 636	479 603 059	459 320 356	50 128 221
Current assets	114 581 862	51 118 968	40 667 758	22 795 136
	1 103 633 498	530 722 027	499 988 114	72 923 357
Non-current liabilities	(144 927 603)	(25 158 397)	(24 750 102)	(95 019 104)
Current liabilities	(135 865 152)	(72 649 261)	(21 872 277)	(41 343 614)
	(280 792 755)	(97 807 658)	(46 622 379)	(136 362 718)

¹ As a result of the prior period restatement disclosed in note 38, the Fintech Grouping assets and liabilities were restated accordingly.

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4. Property, plant and equipment

Group	2020			2019		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Customer premises equipment	335 077 846	(77 152 081)	257 925 765	281 558 458	(65 610 362)	215 948 096
Furniture and fixtures	6 696 476	(3 560 520)	3 135 956	4 509 022	(2 883 788)	1 625 234
Motor vehicles	9 530 229	(5 493 634)	4 036 595	11 009 903	(5 770 449)	5 239 454
Computer equipment	21 160 926	(13 275 952)	7 884 974	17 075 075	(13 205 457)	3 869 618
Leasehold improvements	1 692 423	(1 692 423)	–	1 396 310	(1 396 310)	–
Total	374 157 900	(101 174 610)	272 983 290	315 548 768	(88 866 366)	226 682 402

Company	2020			2019		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Computer equipment	–	–	–	120 239	(15 640)	104 599
Total	–	–	–	120 239	(15 640)	104 599

Reconciliation of property, plant and equipment – Group – 2020

	Opening balance	Transfer to right-of-use asset at adoption of IFRS 16 ¹	Additions	Additions from business combinations	Transfer from right-of-use assets ²	Disposals	Depreciation	Total
Customer premises equipment	215 948 096	(314 548)	62 564 010	–	314 548	(208 135)	(20 378 206)	257 925 765
Furniture and fixtures	1 625 234	–	2 398 052	148 261	–	–	(1 035 591)	3 135 956
Motor vehicles	5 239 454	(4 777 868)	931 363	–	3 818 680	–	(1 175 034)	4 036 595
Computer equipment	3 869 618	–	4 848 782	43 418	–	(154 793)	(722 051)	7 884 974
Leasehold improvements	–	–	–	74 028	–	–	(74 028)	–
	226 682 402	(5 092 416)	70 742 207	265 707	4 133 228	(362 928)	(23 384 910)	272 983 290

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1 The transfer of motor vehicles and IT equipment was as a result of the adoption of IFRS 16 where assets held in plant, property and equipment with corresponding lease liabilities attached were reallocated to right-of-use assets linking to the lease liabilities at adoption date.

2 The transfer of motor vehicles from right-of-use assets to plant, property and equipment is as a result of lease obligations being fully settled during the current reporting period and therefore the asset is the property of Huge.

Reconciliation of property, plant and equipment – Group – 2019

	Opening balance	Additions	Additions from business combinations	Transfer to contract assets	Disposals	Depreciation	Total
Customer premises equipment	171 533 480	105 895 496	–	(3 922 382)	(35 628 546)	(21 929 952)	215 948 096
Furniture and fixtures	446 477	403 544	1 046 010	–	(29 772)	(241 025)	1 625 234
Motor vehicles	4 010 623	1 955 279	675 367	–	–	(1 401 815)	5 239 454
Computer equipment	2 678 418	2 691 421	242 336	–	(109 487)	(1 633 070)	3 869 618
	178 668 998	110 945 740	1 963 713	(3 922 382)	(35 767 805)	(25 205 862)	226 682 402

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – Company – 2020

	Opening balance	Additions	Disposals	Depreciation	Total
Computer equipment	104 599	–	(104 599)	–	–
	104 599	–	(104 599)	–	–

Reconciliation of property, plant and equipment – Company – 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Computer equipment	–	120 239	–	(15 640)	104 599
	–	120 239	–	(15 640)	104 599

Encumbered assets

Four (2019: nil) light commercial vehicles with a carrying value of R706 676 serve as security for finance lease sale agreements concluded with Wesbank, a division of FirstRand Bank. Refer to note 5.

2019: Two light commercial vehicles with a carrying value of R411 128 served as security for the finance lease sale agreements concluded with Nedbank Limited. Refer to note 5.

5. Right-of-use assets/Lease liabilities

The recognised right-of-use assets relate to the following types of assets:

Figures in Rand	Group		Company	
	29 February 2020 R'000	1 March 2019 ¹ R'000	29 February 2020 R'000	1 March 2019 R'000
Equipment	95 209	1 388 005	–	–
Premises	14 609 579	7 567 996	4 201 525	5 256 305
Network infrastructure	187 526	400 962	–	–
Leases previously accounted for as operating leases	14 892 314	9 356 963	4 201 525	5 256 305
IT equipment	978 871	314 548	–	–
Motor vehicles	959 188	5 252 819	–	–
Leases previously accounted for as finance leases	1 938 059	5 567 367	–	–
Total right-of-use assets	16 830 373	14 924 330	4 201 525	5 256 305
Current liability	6 307 544	5 385 287	873 720	732 887
Non-current liability	14 509 005	9 539 043	3 649 698	4 523 418
Total Lease liabilities	20 816 549	14 924 330	4 523 418	5 256 305

¹ In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as "finance leases" under IAS 17 Leases (IAS 17). The assets were presented in property, plant and equipment and liabilities as a part of finance lease liabilities. For an explanation of adjustments recognised on adoption of IFRS 16 on 1 March 2019, refer to Accounting Policies.

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5. Right of use asset/Lease liabilities (continued)

Reconciliation of right-of-use asset – Group – 2020

	Opening balance	Additions through business combinations	Additions	Transfer to property, plant and equipment ¹	Depreciation	Carrying value
Equipment	1 388 005	–	72 746	–	(386 671)	1 074 080
Premises	7 567 996	1 767 834	11 064 241	–	(5 790 492)	14 609 579
Network infrastructure	400 962	–	–	–	(213 436)	187 526
IT equipment	314 548	–	–	(314 548)	–	–
Motor vehicles	5 252 819	–	–	(3 818 680)	(474 951)	959 188
Total	14 924 330	1 767 834	11 136 987	(4 133 228)	(6 865 550)	16 830 373

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1 The transfer of IT equipment and motor vehicles from right-of-use assets to property, plant and equipment is as a result of lease obligations being fully settled during the current reporting period and therefore the asset is the property of Huga.

Reconciliation of right-of-use asset – Company – 2020

	Opening balance	Depreciation	Carrying value
Premises	5 251 906	(1 050 381)	4 201 525
Total	5 251 906	(1 050 381)	4 201 525

Amounts recognised in the Statement of Profit or Loss and Other Comprehensive Income - 2020

	Group	Company
The Statement of Profit or Loss and Other Comprehensive Income shows the following amounts relating to leases:		
Equipment	386 671	–
Premises	5 790 492	1 050 381
Network infrastructure	213 436	–
IT equipment	–	–
Motor vehicles	474 951	–
Depreciation charge of right-of-use assets	6 865 550	1 050 381
Interest expense (included in finance costs)	2 140 617	427 976
Expense relating to short-term leases (included under operating expenses)	6 581 738	9 616 948

Operating lease commitments – Lessee

At 28 February 2019, the Group and Company had outstanding commitments under non-cancellable operating leases which fall due as follows:

	Group	Company
Minimum lease payments due	2019	2019
– within one year	6 840 443	1 161 234
– in second to fifth year inclusive	8 672 491	1 226 964
	15 512 934	2 388 198

Lease payments not recognised as a liability

The Company has elected not to recognise a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

5. Right of use asset/Lease liabilities (continued)

The expense relating to payments not included in the measurement of the lease liability is as follows:

	Group	
	2020	2019
Short-term leases	6 281 611	9 427 149
Leases of low value assets	300 127	189 799
	6 581 738	9 616 948

At 29 February 2020, the Company was committed to short-term leases and the total commitment at that date was R537 459.

	Group	
	2020	2019
Finance lease commitments		
Minimum instalment payments due		
– within one year inclusive	8 790 676	3 999 582
– in second to fifth year inclusive	15 342 680	5 692 726
	24 133 356	9 692 308
<i>Less: Future finance charges</i>	(3 316 807)	(2 061 921)
Present value of minimum instalment payments	20 816 549	7 630 387
Present value of minimum instalment payments due		
– within one year	6 307 544	3 175 177
– in second to fifth year	14 509 005	4 455 210
	20 816 549	7 630 387
Non-current liabilities	14 509 005	4 455 210
Current liabilities	6 307 544	3 175 177
	20 816 549	7 630 387

6. Goodwill

Group	2020			2019		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Goodwill	607 792 063	(97 774)	607 694 289	595 447 930	(97 774)	595 350 156

Reconciliation of goodwill – Group – 2020	Additions		Total
	Opening Balance	through business combinations	
Goodwill	595 350 156	12 344 133	607 694 289

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Reconciliation of goodwill – Group – 2019	Additions		Total
	Opening Balance	through business combinations	
Goodwill	578 972 320	16 377 836	595 350 156

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NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

6. Goodwill (continued)

Goodwill	2020	2019
Consisting of:		
Huge Telecom	215 153 482	215 153 482
Pansmart	9 075 964	–
Huge Networks	30 196 325	30 196 325
Huge Telecom CGU	254 425 771	245 349 807
Huge Connect	345 537 298	345 537 298
Huge Payments	3 268 169	–
Huge Connect CGU	348 805 467	345 537 298
Huge Software	4 463 051	4 463 051
Huge Software CGU	4 463 051	4 463 051
Total Goodwill	607 694 289	595 350 156

Huge Telecom Cash Generating Unit

The goodwill balance of the Huge Telecom CGU as at 29 February 2020 amounted to R254 425 771. This goodwill balance is the sum of the goodwill of R215 153 483 that arose from the Huge Telecom acquisition on 9 July 2007 and the Huge Soho acquisition on 13 August 2007, the goodwill of R30 196 325 that arose from the Huge Networks acquisition on 30 March 2017 and the goodwill of R9 075 964 that arose from the Pansmart acquisition on 13 May 2019.

The goodwill that arose on the Huge Networks acquisition arose from two transaction involving Huge Networks, namely:

- the March 2017 intra-group acquisition of Sainet Internet by Huge Telecom. In terms of this agreement, Huge Networks became a wholly-owned subsidiary company of Huge Telecom; and
- the acquisition by Huge Networks of the businesses of Otel Business and Otel Communications in February 2019 (the **Otel Transaction**). Huge Telecom's shareholding in Huge Networks was diluted from 100% to 50.03% as a result of the Otel Transaction.

On 28 February 2014, the assets of Huge Telecom were transferred to Huge Technologies and accordingly Huge Technologies forms part of the Huge Telecom CGU for Goodwill Impairment Review purposes.

Up to 28 February 2018, the Huge Telecom business unit comprised of stand-alone subsidiary companies Huge Telecom, Huge Technologies, Huge Cellular and Huge Soho. On 27 February 2019, Huge concluded a B-BBEE transaction with Windfall, which resulted in a dilution of its shareholding in both Huge Cellular and Huge Soho. Huge's shareholding in Huge Cellular and Huge Soho decreased from 100% to 49% and as such there was a loss of control. Huge Cellular and Huge Soho subsequently no longer form part of the Huge Telecom CGU. At 28 February 2019, the Huge Telecom CGU consisted of Huge Telecom and Huge Technologies.

Huge announced the closing of the Otel Transaction on 14 March 2019 on the JSE's Stock Exchange News Service. The rationale for the acquisition, in support of the recognition of goodwill, is summarised in the following quantitative and qualitative factors:

- Otel Communications and Otel Business have the potential to increase Group revenues by more than 9,4%, the Telecom Grouping segment revenues by more than 14% and the Huge Networks' revenue by 95%;
- It allows for network synergies and efficiencies;
- It will allow Huge Networks access to new customer segments;
- Huge will acquire the potential to scale its operations, grow its customer base and expand its national footprint;
- The VoIP and related products and services acquired will allow Huge Networks to become a more substantial provider of end-to-end ICT services;
- It will provide Huge with increased network capacity and connectivity options;
- It will provide Huge with skilled and experienced staff;
- Huge Networks will acquire specialised software systems and benefit from the already implemented internal structures and processes which will establish a platform for accelerating growth while containing costs; and
- It was more cost effective to acquire Otel than to acquire and customise a third-party product with the same functionality as the Radiant billing engine owned by Otel.

6. Goodwill (continued)

Huge Group acquired 50.25% of Pansmart on 13 May 2019 with the objective of augmenting the business of Huge Telecom by consolidating part of the industry vertical in which Huge Telecom operates so that it can supply PABX equipment to its existing customers as well as to new customers.

The goodwill that arose on the Pansmart acquisition is supported by the following quantitative and qualitative factors which Huge considered in support of the acquisition:

- The acquisition of Pansmart is an opportunity for Huge Telecom to grow its market share and Pansmart will drive Huge Telecom connectivity with each sale;
- The Panasonic brand of PABXs is well respected in the market and it is one of the last hybrid systems in the market which has embedded analogue voice parts;
- The Panasonic price point is extremely competitive in the SME market; and
- It will allow Huge access to new customer segments. Huge historically has not offered PABX products or services, while many of the competitors of Huge Telecom, Huge Connect and Huge Networks do so. The relationships that Huge has with its Business Partners will enable shifting some of these Business Partners from other PABX brands to Panasonic.

During FY2020 Huge Telecom acquired the remaining 50% interest in Huge Services (formerly Gonondo and previously held as a joint venture). No goodwill arose on this transaction.

At 29 February 2020, Huge Telecom, Huge Technologies, Pansmart and Huge Networks collectively form the Huge Telecom CGU.

Huge Networks, previously a stand-alone CGU was incorporated into the Huge Telecom CGU. Huge Telecoms holds 50,03% share in Huge Networks.

The Group has assessed the recoverable amount of goodwill and determined that no impairment was required.

The valuation of the goodwill attributable to the Huge Telecom CGU was undertaken by Managhan SA Proprietary Limited and calculated to be R766 399 732 (2019: R427 999 878 in respect of the Huge Telecom CGU plus R69 181 630 in respect of the Huge Networks CGU). Huge's share of the goodwill attributable to the Huge Telecom CGU is R487 893 593 (2019: R288 707 476 in respect of the Huge Telecom CGU plus R33 572 336 in respect of the Huge Networks CGU).

A goodwill impairment review was undertaken in accordance with IFRS 3 and IAS 36, by:

- assessing the recoverable amount by determining the value-in-use amount and comparing this to the carrying amount;
- assessing the reasonability of management's cash flow forecasts through discussions with management, including discussions about the processes undertaken to develop the budgets and the forecasts as well as the assumptions utilised in compiling the budgets and forecasts;
- determining the recoverable amount or value-in-use by discounting the future cash flows generated by the Huge Telecom CGU; and
- conducting a sensitivity analysis over the value-in-use calculations, by varying the assumptions used (the revenue growth rate, the sustainable gross profit margins and the weighted average cost of capital) and assessing the sensitivity of the values to changes in these assumptions.

The assumptions used in computing the value-in-use are based on estimates provided by management, which take account of future expectations related to changes in the market in which the businesses in the Huge Telecom CGU operate. The weighted average cost of capital (**WACC**) is represented by a pre-tax discount rate which is based on a risk-free rate of return, adjusted by a premium applicable to the businesses and the market in which they operate as well as a beta to reflect an appropriate level of volatility relative to the market. The assumptions that were used include:

- a projected revenue growth rate of 21.9% for the budget year 28 February 2021 (2019: 5.8% Huge Telecoms CGU only) and an average growth rate of 7.9% for the forecast period beyond the budget year (2019: 15.32% Huge Telecoms CGU only);
- a gross profit margin of 57.1% for the years 28 February 2021 to 28 February 2025 (2019: 55.0% Huge Telecoms CGU only);
- a WACC represented by a pre-tax discount rate of 16.96% (2019: 16.62%); and
- a terminal growth rate of 2.05% (2019: 2.97%).

The Huge Telecom CGU's strategy for the forecast period beyond the budget year is to grow its revenue through customer. This has a compounding effect on line rental income in the years following customer growth. A drive to increase Business Partner activations is a priority for forecast period. These new line installations will generate higher annuity line rental income.

The gross profit margin increases in the current financial year are supported by the reduction in network associated costs and other cost efficiency measures that were implemented.

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6. Goodwill (continued)

Whilst the value-in-use calculation demonstrates no impairment at year-end, the calculation is sensitive to the following inputs (assuming all others remain constant):

- an increase in the WACC;
- a decrease in the forecast gross profit percentage;
- a decrease in the expected revenue growth rates over the five-year forecast period; and
- a decrease in the terminal growth rate.

At this stage, no tested changes would have resulted in an impairment.

The directors of Huge continue to assess the industry and the possible changes that may impact the carrying value of goodwill.

Huge Connect and Huge Networks

Goodwill arose on the acquisition of Huge Connect (formerly ConnectNet Broadband Wireless) and Huge Networks (formerly Sainet Internet) on 30 March 2017. At the time of the acquisition of Huge Connect and Huge Networks, Huge Networks was a wholly owned subsidiary of Huge Connect. The goodwill that arose on the acquisition of Huge Connect and Huge Networks amounted to R359 355 790. The goodwill attributable to Huge Connect was R345 537 298 and the goodwill attributable to Huge Networks was R13 818 492.

On 30 March 2017, Huge Connect sold its shares in Huge Networks to Huge Telecom in terms of a Sale of Shares Agreement.

Huge Connect and Huge Networks were measured and viewed as separate CGUs from 2019, with Huge Networks forming part of the Huge Telecom CGU and Huge Connect forming a separate CGU. Therefore independent, separate assessments were concluded in respect of the recoverable amounts of the goodwill attributable to Huge Connect and Huge Networks.

Huge Connect Cash Generating Unit

During the current reporting period, Huge Connect entered into an agreement with Windfall, an associate of VM Mokholo, who is a non-executive director of the Company and a related party to Huge. Various transaction agreements were concluded, including a Preference Share Subscription Agreement between Huge and Huge Connect, an Ordinary Share Subscription Agreement between Huge Connect and Windfall and a Shareholders Agreement between Huge, Windfall and Huge Connect.

Huge Connect declared an ordinary dividend of R457 075 000 to the holders of the ordinary shares in Huge Connect. In terms of the Preference Share Subscription Agreement, Huge subscribed for 1 000 preference shares in Huge Connect for a subscription price of R457 075 000. The obligation of the preference share subscription price was discharged *in toto* by set-off against the obligation of Huge Connect to effect payment of the ordinary dividend. Thereafter, in terms of the Ordinary Subscription Agreement, Windfall subscribed for 36 ordinary no par value shares in the issued ordinary capital of Huge Connect, which resulted in Windfall owning 16.29% of the issued ordinary share capital of Huge Connect. The agreements became unconditional on 28 February 2020.

At the time that Huge acquired Huge Connect, the Huge Connect CGU comprised Huge Networks and Huge Payments (formerly IntelPay). Huge Connect did not own Huge Payments at the time but it did have the option to do so. On 5 April 2019 Huge acquired IntelPay and changed its name to Huge Payments. Huge Payments cannot operate without the development knowledge of Huge Connect, which created the coding and product, and therefore must form part of the Huge Connect CGU.

The goodwill related to the IntelPay Transaction amounted to R3 268 169. Following its acquisition by Huge, Huge Payments has been included as part of the Huge Connect CGU.

The total goodwill for the Huge Connect CGU at 29 February 2020 amounts to R348 805 467, of which R345 537 298 arose on the Huge Connect acquisition in March 2017 and R3 268 169 arose on the Huge Payments acquisition in May 2019.

The value of Huge Payments to Huge, is described in Huge's rationale for the acquisition. The following quantitative and qualitative factors have been taken into account:

- The partly developed software has the potential to be a highly profitable product once completed;
- Huge Connect has the in-house development expertise and funding that is required to complete the software development for proper commercialisation;
- It is more cost effective to acquire Huge Payments and complete the development than to re-develop the application in-house to the current level of completion;
- As the sole shareholder, Huge will be better positioned to secure and utilise the assessed losses in Huge Payments; and
- The investment in Huge Payments will add to Huge's product diversity.

During the current reporting period, Huge assessed the recoverable amount of goodwill and determined that no impairment was required.

6. Goodwill (continued)

The recoverable amount or value-in-use was determined by discounting the future cash flows generated by the Huge Connect CGU. The value of the goodwill attributable to the Huge Connect CGU, based on the valuation performed by Managhan SA Proprietary Limited, is R473 228 465 (2019: R509 855 256).

The assumptions used in computing the value-in-use are based on estimates provided by management, which take account of future expectations related to changes in the market in which the businesses in the Huge Connect CGU operate.

The WACC is represented by a pre-tax discount rate which is based on a risk-free rate of return, adjusted by a premium applicable to the businesses and the market in which they operate as well as a beta to reflect an appropriate level of volatility relative to the market. The assumptions that were used include:

- a projected revenue growth rate of 13% for the budget year to 28 February 2021 (2019: 28.6%), and an average projected growth rate of 10% for the forecast period beyond the budget year from 1 March 2021 to 28 February 2025 (2019: 8%);
- a gross profit margin of 70% for the forecast period from 1 March 2020 to 28 February 2025 (2019: 64%);
- a WACC represented by a pre-tax discount rate of 16.96% (2019: 17.58%); and
- a terminal growth rate of 2.05% (2019: 2.97%).

Whilst-the-value in use calculation demonstrates no impairment at year-end, the calculation is sensitive to the following inputs (assuming all others remain constant):

- an increase in the WACC;
- a decrease in the forecast gross profit percentage;
- a decrease in the expected revenue growth rates over the five-year forecast period; and
- a decrease in the terminal growth rate.

At this stage, no tested changes would have resulted in an impairment.

The directors of Huge continue to assess the industry and the possible changes that may impact the carrying value of goodwill.

Huge Software Cash Generating Unit

The goodwill arose on the acquisition of Huge Software on 30 June 2017. This business is measured and viewed as a single CGU.

During the current reporting period, the Group assessed the recoverable amount of goodwill and determined that no impairment was required.

The recoverable amount or value-in-use was determined by discounting the future cash flows generated by this CGU, which consists only of Huge Software. The value of the goodwill of this CGU was based on a valuation performed by Managhan SA Proprietary Limited and amounts to R7 185 965 (2019: R8 187 012). Huge's 75% share in the goodwill of this CGU is R5 389 473 (2019: R6 140 259).

The assumptions used in computing the value-in-use are based on estimates provided by management, which take account of future expectations related to changes in the market in which the businesses of the Huge Software CGU operate.

The weighted average cost of capital (WACC) is represented by a pre-tax discount rate which is based on a risk-free rate of return, adjusted by a premium applicable to the businesses and the market in which they operate as well as a beta to reflect an appropriate level of volatility relative to the market. The assumptions that were used include:

- a projected revenue growth rate of 4% for the budget year to 28 February 2021 (2019: 27.7%), and an average projected growth rate of 21% for the forecast period beyond the budget year from 1 March 2021 to 28 February 2025 (2019: 32%);
- an average gross profit margin of 88% for the years 28 February 2021 to 28 February 2025 (2019: 86.4%);
- a WACC represented by a pre-tax discount rate of 20.83% (2019: 19.64%); and
- a terminal growth rate of 2.05% (2019: 2.97%).

Whilst the value-in-use calculation demonstrates no impairment at year-end, the calculation is sensitive to the following inputs (assuming all others remain constant):

- an increase in the WACC;
- a decrease in the forecast gross profit percentage;
- a decrease in the expected revenue growth rates over the five-year forecast period; and
- a decrease in the terminal growth rate.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

6. Goodwill (continued)

The qualitative factors that were summarised in the Purchase Price Allocation Report were:

- This proprietary intellectual property is integrated with HIVE, Huge Telecom's billing and rating engine and thus critical for Huge Telecom's back office operations;
- It was more cost effective to acquire a shareholding in Huge Software than acquiring and customising a third-party accounting software product;
- However, Huge Software has under invested in its software assets and requires funding to create an asset that is capable of market penetration. Huge acquired Huge Software for its potential and to increase its scale by providing funding assistance; and
- Huge will benefit from the improved operational performance of an integrated platform.

The goodwill relating to the Huge Software CGU is the excess over the purchase price paid by Huge for its 75% shareholding. A review of the goodwill relating to Huge's acquisition of Huge Software was undertaken and it was determined that the goodwill was not required to be impaired because of the following factors:

- The historical cash flows of Huge Software were limited as a result of the limited access to customers and the sub-scale size of Huge Software;
- Huge Software was previously under-funded; and
- The future cash flows of Huge Software are able to increase substantially because (i) Huge will ensure that other subsidiary companies and future companies that are acquired, make use of the Huge Software accounting software product, WebAccounting.

At this stage, no tested changes would have resulted in an impairment.

The directors of Huge continue to assess the industry and the possible changes that may impact the carrying value of goodwill.

7. Intangible assets

Group	2020			2019		
	Cost	Accumulated amortisation and impairment losses	Carrying value	Cost	Accumulated amortisation and impairment losses	Carrying value
Router Development Technology	3 193 549	(729 442)	2 464 107	3 072 249	(459 148)	2 613 101
Software, internally generated	39 074 436	(20 513 642)	18 560 794	27 872 115	(20 999 974)	6 872 141
Software, purchased	3 174 448	(2 412 654)	761 794	4 825 180	(1 172 055)	3 653 125
Patents	808 571	(274 522)	534 049	728 002	(435 050)	292 952
Other intangible assets	285 076	(86 257)	198 819	–	–	–
Total	46 536 080	(24 016 517)	22 519 563	36 497 546	(23 066 227)	13 431 319

Company	2020			2019		
	Cost	Accumulated amortisation	Carrying Value	Cost	Accumulated amortisation	Carrying Value
Software, internally generated	–	–	–	13 925	(13 925)	–
Total	–	–	–	13 925	(13 925)	–

7. Intangible assets (continued)

Reconciliation of intangible assets – Group – 2020	Additions				Total
	Opening balance	Additions	from business combinations	Amortisation	
Router Development Technology	2 613 101	121 300	–	(270 294)	2 464 107
Software, internally generated	6 872 141	4 468 818	5 309 208	(1 564 448)	15 085 719
Software, purchased	3 653 125	876 102	–	(292 359)	4 236 868
Patents	292 952	241 097	–	–	534 049
Other intangible assets	–	285 076	–	(86 256)	198 820
Total	13 431 319	5 992 393	5 309 208	(2 213 357)	22 519 563

Note

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Reconciliation of intangible assets – Group – 2019	Additions				Total
	Opening balance	Additions	from business combinations	Amortisation	
Router Development Technology	2 696 210	201 500	–	(284 609)	2 613 101
Computer software, internally generated	4 951 809	2 855 978	–	(935 646)	6 872 141
Computer software, purchased	837 212	958 656	2 023 000	(165 743)	3 653 125
Patents	194 450	98 502	–	–	292 952
Total	8 679 681	4 114 636	2 023 000	(1 385 998)	13 431 319

Note

37

Router Development Technology

During the prior reporting periods, Huge Technologies acquired certain intellectual property to facilitate the development of the Group's own router equipment. The development costs incurred during the year amount to R121 300 (2019: R201 500) and is included under additions.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

8. Investments in subsidiary companies

Name of company	Held by	% holding 2020	% holding 2019	Carrying value 2020	Carrying amount 2019
Huge Software	Huge	75.0	75.0	3 750 000	3 750 000
Huge Management	Huge	100.0	100.0	10 151	10 151
Huge Messaging	Huge	100.0	100.0	2 525 499	2 525 499
Huge Media ¹	Huge	96.0	96.0	6 115 193	6 115 194
Huge Connect ²	Huge	83.7	100.0	88 653 792	403 529 066
Huge Networks	Huge Telecom	50.0	50.0	–	–
Huge Technologies	Huge	100.0	100.0	100	100
Huge Services ³	Huge Telecom	100.0	–	–	–
Huge Telecom	Huge	100.0	100.0	113 343 379	113 343 379
Huge Payments ⁴	Huge	100.0	–	100 000	–
Pansmart ⁵	Huge	50.3	–	100	–
The CI Trust ⁶	Huge	100.0	100.0	–	–
				214 498 214	529 273 389
Provision for impairment of investment in Huge Media ¹				(6 115 194)	(6 115 194)
Net carrying amount				208 383 021	523 158 195

1 The investment in Huge Media was impaired by R6 115 194 in the 2018 reporting period, as a result of the uncertainty of the recoverability of the carrying amount of this investment. No further impairment has been raised.

2 The investment in Huge Connect was impaired by R314 875 274 at the end of the current reporting period as a result of the payment of ordinary dividends of R457 000 000 and the sale of 16.29% of Huge Connect to Windfall. Huge Connect issued 1 000 Preference shares to Huge to the value of R457 000 000. The remaining investment in the ordinary shares of Huge Connect fairly valued equated to R88 653 792 resulting in the impairment of the ordinary shares (post the dividend received of R 457 000 000) of R314 875 274. Huge, the Company, holds a Preference Share Financial Asset of R457 000 000 measured in accordance with IFRS 9. The total investment (Preference and Ordinary) in Huge Connect amounts to R545 653 792. Refer to note 37 for additional information relating to this business combination.

3 On 1 October 2019, Huge Telecom, which held 50% of Huge Services (formerly Gonondo) a jointly controlled entity of Huge Telecom, terminated the Joint Venture Agreement with Adapt IT Proprietary Limited and entered into a Sale of Shares Agreement in terms of which it acquired the remaining 50% of Huge Services. Huge Services became a wholly-owned subsidiary company of Huge Telecom during FY2020. Refer to note 37 for further detail.

4 On 27 March 2019, Huge entered into a Sale of Shares and Claims Agreement in terms of which it acquired 100% of the issued share capital and shareholder claims of Huge Payments (formerly IntelPay) for R100 000. Huge Payments became a wholly-owned subsidiary company of Huge. Refer to note 37 for further detail.

5 On 13 May 2019, Huge concluded agreements involving Pansmart resulting in the acquisition of a 50.25% stake in Pansmart. The purchase consideration for the 50.25% was R100 and 50% of the shareholder claims on loan account which amounted to R13 151 309. Refer to note 37 for further detail.

6 A substantial amount of information relating to the consolidation of The CI Trust can be found in the AFS of Huge for the financial year ended 28 February 2019. Due to the detail of that information, it has not been duplicated in these AFS.

The above mentioned subsidiary companies are incorporated and have their effective place of business in South Africa. The carrying amounts of Investments in subsidiary companies are shown net of impairments.

9. Investments in joint venture company

By the Group

Name of company	Held by	% ownership interest 2020	% ownership interest 2019	Carrying amount 2020	Carrying amount 2019
Huge Services	Huge Telecom	–	50	–	597 022

The abovementioned joint venture company was incorporated and had its effective place of business in South Africa. The information presented below represents 100% of Huge Services results while it was an associate. The financial period of the joint venture and company was aligned with that of the Group.

Huge Telecom entered into a Sale of Shares Agreement with Adapt IT Proprietary Limited in respect of the acquisition of 50% of the issued share capital in Huge Services (formerly Gonondo). Prior to the conclusion of the Sale of Shares Agreement, Huge Services had been the subject of a joint venture between Huge Telecom and Adapt IT Proprietary Limited. The Sale of Shares Agreement became unconditional on 16 September 2019. Refer to note 37 for further detail.

Carrying amount

The movement in the carrying amount of the investment in the joint venture company is as follows:

Figures in Rand	Group	
	2020	2019
Opening balance	597 022	615 833
Share of retained earnings	–	(18 811)
Gain on bargain purchase	138 212	–
Impairment of joint venture	(458 811)	–
Transfer to investment in subsidiary company ¹	(276 422)	–
Carrying amount	–	597 022

¹ Refer to note 8

The Group's share of earnings in the joint venture company is made up as follows:

Loss from joint venture company	Group	
	2020	2019
Share of retained earnings from the joint venture company	–	(18 811)

Summarised Statement of Financial Position	Group	
	2020	2019
Current assets	–	317 511
Current liabilities	–	(27 613)
Equity	–	289 898
Statement of Profit or Loss		
Revenue	–	355 524
Other expenses	–	(402 336)
Finance income	–	9 191
Loss for the year	–	(37 621)
Statement of Cash flows		
Cash flows from operating activities	–	(271 088)
Net cash flow	–	(271 088)

Joint venture risks:

There are no material risk concerns to note in relation to the joint venture company.

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NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

10. Investments in associate companies

By the Group

Name of company	Held by	% holding 2020	% holding 2019	Carrying value 2020	Carrying value 2019
Huge Cellular	Huge Telecom	49.0	49.0	–	4 900
Huge Soho	Huge	49.0	49.0	25 011	4 900
				25 011	9 800

The investments in Huge Cellular and Huge Soho are recognised at their fair value, which equates to the purchase consideration differential of the remaining shares held by Huge. As the investments in associates are equity accounted, the share of profits from the associates earned are included in the investment value. As Huge Cellular incurred losses exceeding the investment value, the investment is held at nil until such time as profits exceed accumulated losses.

By the Company

Name of company	Held by	% holding 2020	% holding 2019	Carrying value 2020	Carrying value 2019
Huge Soho	Huge	49.0	49.0	29 911	4 900
				29 911	4 900

The associate companies are incorporated and have their effective place of business in South Africa. The information presented below represents 100% of the associate's results.

Summarised Statement of Profit or Loss	Huge Soho		Huge Cellular	
	2020	2019	2020	2019
Revenue	3 380 676	176 579	30 059 001	68 724 547
Other income and expenses	(3 309 783)	(605 963)	(71 461 898)	(61 892 702)
Profit/(loss) before tax	70 893	(429 384)	(41 402 897)	6 831 845
Income tax expense	(19 850)	120 895	11 143 641	(1 612 063)
Profit/(loss) from continuing operations	51 043	(308 489)	(30 259 256)	5 219 782

Summarised Statement of Financial Position	Huge Soho		Huge Cellular	
	2020	2019	2020	2019
Non-current assets	227 494	247 345	23 774 691	–
Current assets	770 264	1 506 901	31 652 955	79 980 390
Total assets	997 758	1 754 246	55 427 646	79 980 390
Non-current liabilities	–	–	7 845 719	–
Current liabilities	2 479 780	3 287 311	77 841 181	79 980 385
Total liabilities	2 479 780	(3 287 311)	85 686 900	79 980 385
Total net (liability) asset	(1 482 022)	(1 533 065)	(30 259 254)	5

Associate risks:

There are no material risk concerns to note in relation to the associate companies.

11. Loans to/(from) associate/Group companies

Group companies	Group		Company	
	2020	2019	2020	2019
Huge Telecom ¹	–	–	38 760 856	86 425 960
Huge Networks ¹	–	–	7 469 293	–
Huge Technologies ¹	–	–	36 457 848	33 842 944
The CI Trust ²	–	–	–	1 134 000
Huge Media ¹	–	–	21 238 535	21 238 535
Huge Management ¹	–	–	72 168 104	539 629
Huge Connect ³	–	–	–	(13 693 203)
Huge Software ¹	–	–	–	2 519 392
Pansmart ⁴	–	–	15 141 438	–
	–	–	191 236 074	132 007 257
Impairment of Huge Media ⁵	–	–	(21 238 535)	(21 238 535)
	–	–	169 997 539	110 768 722
Non-current assets	–	–	133 000 062	–
Current assets	–	–	36 997 477	124 461 925
Current liabilities	–	–	–	(13 693 203)
Total group company loans	–	–	169 997 539	110 768 722
Associate companies				
Huge Cellular ⁶	68 297 016	64 200 648	–	–
Huge Soho ⁶	2 406 542	2 407 507	1 206 542	1 207 507
	70 703 558	66 608 155	1 206 542	1 207 507
Non-current asset	70 703 558	62 400 648	1 206 542	–
Current assets	–	4 207 507	–	1 207 507
Total associate company loans	70 703 558	66 608 155	1 206 542	1 207 507

1 The loans are unsecured and interest-free. There are no fixed terms of repayment.

2 The loan to The CI Trust is unsecured, shall be repayable by the borrower when it is commercially convenient for the borrower to do so provided that the borrower will make the final repayment of the loan outstanding before the 29th anniversary of the advance date and interest is levied at a rate equal to the prime rate, capitalised monthly.

3 The loan was repayable on the first business day of March, June, September and December of each year starting on 1 March 2019. The repayment amount is the amount equal to the lesser of R1 million or the balance on the outstanding loan. The loan was subject to interest at prime plus 2%. The loan was fully repaid during the current reporting period.

4 The loan is unsecured and split between two advances. The initial loan was advanced at acquisition (the capital amounting to R13 151 309) where interest is charged at JIBAR plus 4%. This loan has preferential rights to repayment above all other loans owing by Pansmart. The subsequent advance (capital amounting to R750 000) incurs interest at JIBAR plus 7%. The loans have no fixed terms of repayment.

5 The provision for impairment of loans of loans owing by Huge Media were not adjusted during the current reporting period (the adjustment in the provision in FY2019 amounted to R5 000).

6 The loans are unsecured and interest-free. There are no fixed terms of repayment.

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NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

12. Loans receivable/(payable)

	Group		Company	
	2020	2019	2020	2019
Huge Payments ¹	–	8 453 809	–	–
Windfall ²	–	10 200	–	5 100
Otel Communications ³	540 331	–	–	–
Loans receivable	540 331	8 464 009	–	5 100
J Ingram ⁴	(450 000)	–	–	–
GB Shiers ⁴	(450 000)	–	–	–
M Driesel ⁵	(1 630 947)	–	–	–
MIA Telecomms Proprietary Limited ⁵	(14 311 866)	–	–	–
MIA Networking Centre Proprietary Limited ⁵	(801 156)	–	–	–
CRS Corporate Rental Solutions Proprietary Limited ⁵	(1 214 235)	–	–	–
Loans payable	(18 858 204)	–	–	–

	Group		Company	
	2020	2019	2020	2019
Non-current and current portion				
Non-current assets	335 848	8 453 809	–	–
Current assets	204 483	10 200	–	5 100
Total assets	540 331	8 464 009	–	5 100
Non-current liabilities	(18 258 204)	–	–	–
Current liabilities	(600 000)	–	–	–
Total liabilities	(18 858 204)	–	–	–

1 Huge Payments

The loan is unsecured, bears interest at prime plus 2% and has been subordinated by Huge Connect in favour of the other creditors of Huge Payments. The loan was dischargeable by way of a conversion of the loan (the Loan Outstandings) into ordinary no par value shares in Huge Payments on any date selected by Huge Connect in its sole discretion between 31 March 2018 and 31 March 2019 (the Available Conversion Dates). Huge Connect did not select a date between the Available Conversion Dates and as such the loan was required to be converted to ordinary no par value shares in Huge Payments on 31 March 2019 (the Conversion Date) based on a conversion formula. The balance of Loan Outstandings on 31 March 2019 was R8 453 809. In terms of the agreement governing the loan, Huge Connect was entitled and remains entitled to subscribe for as many no par value shares in Huge Payments for no consideration (the Conversion Shares) as would give it a shareholding in Huge Payments post its subscription of 43%. Huge Connect has, at the date of this report, not subscribed for the Conversion Shares. In terms of the agreement governing the loan, the Loan Outstandings were required to be repaid within 12 months of the Conversion Date. No payments have been made by Huge Payments.

Subsequent to 28 February 2019, Huge acquired 100% of the issued share capital of Huge Payments and shareholder claims in accordance with a Sale of Shares and Claim Agreement. Huge acquired the 100% issued share capital for a value of R100 000. The acquisition of Huge Payments took effect 27 March 2019. The loan has therefore moved from Loans receivable to Loans to Group Companies (refer to note 11).

2 Windfall

The loan was unsecured, interest free and paid in full during the current reporting period.

The loan arose as result of the acquisition by Windfall of 51% of Huge Soho from Huge and 51% of Huge Cellular from Huge Telecom during the prior reporting period.

3 Otel Communications

The loan is secured, bears interest at a rate of JIBAR plus 7% and is repayable in equal monthly instalments over a period of 36 months.

Huge Telecom entered into a loan and pledge agreement with Otel Communications which became effective on 16 August 2019. All shares held by Otel Communications in Huge Networks (consisting of 49.97%) have been ceded to Huge Telecom until such time as the loan is repaid in full.

4 J Ingram and GB Shiers

The J Ingram and GB Shiers loans are unsecured, bear no interest and are repayable over 36 months in equal instalments of R25 000. The loans were reclassified to loans payable in the current year because no interest is charged and therefore they are more correctly presented under loans payable rather than interest-bearing liabilities. Refer to note 24 for prior year details where each loan balance was R750 000.

5 Mia Telecomms and Mia Networking Centre Loans

The loans are unsecured, bear interest at JIBAR plus 7% and have no fixed terms of repayment. The loans existed on acquisition of Pansmart on 13 May 2019 and all loans have been subordinated by the MIA Group in favour of all other creditors of Pansmart. Refer to the business combinations note (note 37) for further details.

13. Contract assets

Group	2020			2019		
	Cost	Accumulated amortisation and impairment losses	Carrying value	Cost	Accumulated amortisation and impairment losses	Carrying value
Discretionary renewal bonuses ¹	18 799 869	(11 730 255)	7 069 614	15 589 440	(677 186)	14 912 254
Total	18 799 869	(11 730 255)	7 069 614	15 589 440	(677 186)	14 912 254

	Group		Company	
	2020	2019	2020	2019
Non-current assets	4 901 206	14 912 254	–	–
Current assets	2 168 408	–	–	–
Total	7 069 614	14 912 254	–	–

Reconciliation of contract assets – Group – 2020	Opening balance	Additions	Amortisation ²	Total
	Discretionary renewal bonuses ¹	14 912 254	3 210 429	(11 053 069)
	14 912 254	3 210 429	(11 053 069)	7 069 614

Reconciliation of contract assets – Group – 2019	Opening balance	Additions	Transfer from PPE ³	Amortisation	Total
	Discretionary renewal bonuses ¹	–	11 667 058	3 922 382	(677 186)
	–	11 667 058	3 922 382	(677 186)	14 912 254

1 The contract asset consists of discretionary renewal bonuses (DRBs) paid to Business Partners on the renewal of customer contracts. The average customer contract period is 27 months, over which the contract asset is amortised. The DRB is recognised as a contract asset as it represents the incremental costs of obtaining contracts with customers. The contract asset is only recognised if the Group expects to recover the costs through revenue generation from the customer contract signed on the renewal.

2 Management elected to accelerate the amortisation on the contract asset balance in the current reporting period.

3 The transfer of contract assets from property, plant and equipment in the prior reporting period related to DRBs that were capitalised to property, plant and equipment. At the adoption of IFRS 15, the DRBs were assessed as customer acquisition costs and therefore were transferred from customer premises equipment to contract assets, which are amortised over the contract lifetime, being on average 27 months.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

14. Investments at fair value

	Group		Company	
	2020	2019	2020	2019
Discovery Invest Endowment Plan ¹	403 640	45 005 610	403 640	45 005 610
Preference Shares ²	–	–	457 075 000	–
	403 640	45 005 610	457 478 640	45 005 610

Investments at fair value measured through profit/loss including:

- Huge invested R45 000 000 in a Discovery Invest Endowment Plan, consisting of 10 Money Market Funds (CLASS A) of R4 500 000 each, on 14 February 2019 (without Life Assured) with an initial investment term of five years. In terms of the current legislative restrictions (March 2018), one withdrawal is permitted during the first five years of the policy. Any withdrawal in the first five years may not exceed the total contributions to date accumulated at 5% per year compound interest. After five years, Huge may make withdrawals from the investment as required. At the end of the investment term, the funds may be withdrawn in a tax-free lump sum or it may be decided that the capital remains invested with Discovery and regular withdrawals are made available. Huge withdrew R44 601 970 of the Discovery Invest Endowment Plan during the current reporting period.
- On 6 March 2020, Huge Connect concluded a related party transaction in which Windfall acquired 16.29% of the ordinary shares of Huge Connect. As part of the same transaction, Huge subscribed for 1 000 preference shares in Huge Connect for a subscription price of R457 075 000. Huge Connect declared an ordinary dividend of R457 075 000 and the obligation of Huge Connect to effect payment of the ordinary dividend was discharged in toto by set-off against the obligation of Huge to effect payment of the preference shares subscription price. Huge Connect issued 11% cumulative, non-redeemable preference shares with discretionary dividends that are subject to the availability of distributable reserves. The directors of Huge Connect decide at each period end whether and the extent to which a dividend will be paid on the preference shares. The terms of the instrument include a dividend stopper. The payment of dividends on the preference shares is entirely at Huge Connect's discretion. For this reason, Huge Connect continues to have an unconditional right to avoid the outflow of cash (or other financial asset) and therefore the preference shares are classified as equity in the separate financial statements of Huge Connect.

15. Deferred tax

	Group		Company	
	2020	2019	2020	2019
Deferred tax asset	29 552 068	20 431 608	11 975 732	3 447 941
Deferred tax liability	(43 181 093)	(37 539 046)	(1 176 427)	–
	(13 629 025)	(17 107 438)	10 799 305	3 447 941

Recognition of deferred tax asset

A deferred tax asset has been raised on assessed tax losses based on conservative forecasts of future taxable income. The directors are satisfied that the deferred tax assets will be recovered based on business plans, budgets and forecasts of the respective entities.

Numerous discussions and assessments have been performed by the directors in assessing the implications of COVID-19 on the individual subsidiary companies within the Group as well as the Group as a whole. The future economic activities and profit generation of the Group's subsidiary companies, although affected by COVID-19, are not believed to be materially impacted. As the Group's subsidiary companies meet the definition of essential services in terms of national regulation, each subsidiary company within the Group is effectively trading and will continue to be effectively trading in the future.

15. Deferred tax (continued)

Reconciliation of deferred tax balances

	Group		Company	
	2020	2019	2020	2019
At beginning of year	(21 086 238)	(17 864 826)	3 447 941	2 288 747
Included in income tax	336 804	(2 974 061)	7 351 364	1 406 539
Prior period restatement ¹	–	3 978 794	–	–
Acquired through business combinations ²	7 120 409	(247 345)	–	(247 345)
	(13 629 025)	(17 107 438)	10 799 305	3 447 941
Composition of deferred tax				
Accrual for credit notes	–	64 914	–	–
Accrual for leave pay	1 766 400	1 581 595	–	230 568
Allowance for credit losses	3 789 011	586 845	–	–
Treasury shares held by The CI Trust	–	(1 029 340)	–	–
Deferred expenditure	(694 255)	–	–	–
Right-of-use assets	250 980	–	90 130	–
Prepayments	(312 469)	(269 699)	–	–
Deferred income	1 593 298	3 978 794	–	–
Income received in advance	112 463	164 333	–	–
Provisions ³	(1 458 955)	111 543	–	–
Property, plant and equipment	(33 809 597)	(28 073 900)	–	–
Intangible assets	(1 706 579)	–	–	–
Contract assets	(1 285 237)	(1 255 535)	–	–
Tax losses available for set-off against future taxable income	18 125 916	7 033 012	10 709 175	3 217 373
	(13 629 025)	(17 107 438)	10 799 305	3 447 941

¹ Refer to note 38 for further details relating to the prior period restatement. Deferred tax on Deferred Income was adjusted for.

² Refer to note 37 for further details relating to business combinations.

³ The movement in provisions relates to the profit warranty claim Huge Telecom has over Otel Communications in relation to Huge Networks post the Otel Transaction.

16. Finance lease receivables

	Group	
	2020	2019
Present value of minimum instalment payments due		
– within one year	–	608 060
– in second to fifth year	–	1 777 008
	–	2 385 068
Non-current assets	–	1 777 008
Current assets	–	608 060
	–	2 385 068

Finance lease receivables related to the present value of financed deals due from customers. These assets were secured over sureties signed by the customers of which the average term was 36 months and incurred interest at 15%. The average monthly instalment was R72 578. The finance lease receivables were settled in full during the current reporting period.

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17. Inventories

	Group	
	2020	2019
Telephone lines ¹	24 573 646	–
Router equipment	10 710 460	1 962 536
Merchandise	5 752 282	547 098
Devices ²	18 879 851	16 290 041
Data	1 502 569	–
	61 418 808	18 799 675
Merchandise (impairment provision) ³	(1 379 994)	–
	60 038 814	18 799 675

1 Telephone lines relates to the capitalisation of costs through work-in-progress associated with the development and build of telephone lines for resale.

2 Devices recognised as a result of a prior period restatement in the separate annual financial statements of Huge Connect identified during the current reporting period. Refer to note 38 for further detail.

3 A provision for inventory impairment was raised on slow moving Panasonic merchandise held by Pansmart.

18. Loans to shareholders

	Group		Company	
	2020	2019	2020	2019
JC Herbst ¹	–	13 034	–	13 034
	–	13 034	–	13 034
Current assets	–	13 034	–	13 034
	–	13 034	–	13 034

1 The loan was unsecured, was subject to interest at a rate of 4% above the prime overdraft rate and was repaid in full during the current reporting period.

19. Trade and other receivables

	Group		Company	
	2020	2019	2020	2019
Financial instruments:				
Trade receivables ¹	67 099 251	54 094 947	3 553 471	18 427 620
Loss allowance ²	(22 778 643)	(2 946 160)	–	–
Trade receivables at amortised cost	44 320 608	51 148 787	3 553 471	18 427 620
Contractual asset	–	244 456	–	–
Deposits	435 310	4 206 872	–	–
Profit warranty accrual ³	5 210 553	–	–	–
Other receivables	1 100 082	25 634	–	–
Credit note accrual ⁴	6 824 534	–	–	–
Insurance receivable	500 000	–	–	–
Amounts subject to legal dispute	–	4 020 004	–	4 020 005
Non-financial instruments:				
Prepayments	2 099 841	1 634 147	–	–
VAT	8 766 353	3 813 552	860 328	–
	69 257 281	65 093 452	4 413 799	22 447 625

1 No loss allowance has been raised on the Company's trade receivables as this relates to intercompany receivables which have been assessed in accordance with IFRS 9 and no provision for credit losses is required.

2 Refer to note 41 - Financial instruments and risk management for the loss allowance computation and measurement relating to fair value.

3 In terms of the Otel Communications Sale of Business Agreement, Otel Communications warranted to Huge Telecom that the profit of Huge Networks for FY2020 would not be less than the stipulated profit threshold. The stipulated profit threshold was not attained and as a result a claim has been raised in the current reporting period.

4 The credit note accrual relates to an MTN billing adjustment which has been corrected subsequent to year end, relating to fair value.

19. Trade and other receivables (continued)

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

	Group		Company	
	2020	2019	2020	2019
At amortised cost	58 391 087	59 645 753	3 553 471	22 447 625
Non-financial instruments	10 866 194	5 447 699	860 328	–
	69 257 281	65 093 452	4 413 799	22 447 625

Trade and other receivables pledged as security

Huge Telecom has ceded, as security, all its rights, title and interest in and to the Huge Telecom book debts of R30 000 000 (2019: R30 000 000) to FirstRand Bank (refer to note 20).

20. Cash and cash equivalents

	Group		Company	
	2020	2019	2020	2019
Cash on hand	70 421	33 205	–	–
Bank balances	38 793 443	21 902 727	19 550 522	2 296 665
Short-term deposits	1 288 742	2 022 562	–	–
Bank overdraft	(891 249)	(2 750 927)	–	(3 084)
	39 261 357	21 207 567	19 550 522	2 293 581
Current assets	40 152 606	23 958 494	19 550 522	2 296 665
Current liabilities	(891 249)	(2 750 927)	–	(3 084)
	39 261 357	21 207 567	19 550 522	2 293 581

FirstRand Bank, a division of Rand Merchant Bank, acts as bankers to the following companies within the Group by providing these companies with current account facilities:

- Huge
- Huge Cellular
- Huge Connect
- Huge Management
- Huge Media
- Huge Messaging
- Huge Networks
- Huge Services
- Huge Software
- Huge Telecom

Nedbank acts as banker, and provides current account facilities, to:

- Huge Messaging

Absa acts as banker, and provides current account facilities, to:

- Huge Connect
- Huge Networks

Huge Telecom Overdraft facility

Huge Telecom has concluded an agreement with FirstRand Bank, a division of Rand Merchant Bank, for the provision of the following additional banking facilities which is subject to annual review and where amounts owing are repayable on demand:

- Overdraft Facility of R8 000 000;
- Short-term Direct Facility of R420 000 which is an auto card demand facility;
- Long-term Contingent Facility of R180 000 which is a demand facility where individual guarantees may not exceed 36 months;

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20. Cash and cash equivalents (continued)

- Short-term Contingent Facility of R108 000 which is a demand facility where individual guarantees may not exceed 12 months, alternatively, individual guarantees must provide for notice of cancellation by the Bank with the notice period not exceeding three months; and
- Settlement Facility of R3 008 000 which is a demand facility.

The Overdraft Facility is subject to the following material terms and covenants:

Collateral

- an unlimited cession *in securitatem debiti* given in favour of the Bank by the Borrower of any and all rights which the Borrower has against its debtors from time to time;
- a limited cross suretyship for the joint and several obligations of, and by, and between, the companies listed below, provided that such cross suretyship be limited to R15 709 000, now and/or in future towards the Bank:
 - Huge Telecom
 - Huge
- Utilisation of the facility may not exceed 50% of the value of the borrower's good ceded debtors;
- The Borrower undertakes to maintain a minimum adjusted shareholder interest of R20 000 000; and
- The Borrower undertakes to maintain a minimum EBITDA of R10 000 000.

Huge Connect short-term deposit material terms

- Total cash and cash equivalents of Huge Connect pledged as security for guarantees issued to suppliers. Guarantees issued by ABSA Bank Limited were provided to Inani Property Holdings Proprietary Limited (formerly ERIS Property Group Proprietary Limited). An amount of R688 742 (2019: R624 000) has been ceded to Absa Bank Limited as security for the guarantees issued. These guarantees will only be paid if Huge Connect does not settle its rental obligation to Inani Property Holdings Proprietary Limited. The guarantees are limited to R688 742.
- The remaining balance of the short-term deposit account R600 000 has been ceded to BankServ as security for Huge Connect's debit order service. The guarantee is limited to R600 000.

21. Share capital

	Group		Company	
	2020	2019	2020	2019
1 000 000 000 Authorised Shares	100 000	100 000	100 000	100 000
Reconciliation of number of shares in issue				
Issued shares	175 627 007	175 627 007	175 602 077	175 602 077
Shares held by Huge Telecom as treasury shares	(9 646 926)	(9 646 926)	–	–
Shares held by The CI Trust as treasury shares	(737 989)	(1 206 027)	–	–
Shares held by Huge as treasury shares (share buy-back) ¹	(12 500)	–	(12 500)	–
	165 229 592	164 774 054	175 589 577	175 602 077

Issued share capital	Group			Company	
	Number of shares	Share capital	Share premium	Share capital	Share premium
Opening balance at 1 March 2016	101 254 517	10 125	229 313 266	11 090	230 675 332
14 650 000 shares issued at R6.15 per share	14 650 000	1 465	90 096 035	1 465	90 096 035
Opening balance at 1 March 2017	115 904 517	11 590	319 409 301	12 555	320 771 367
24 373 551 shares issued at R6.15 per share	24 373 551	2 437	149 894 901	2 437	149 894 901
25 208 333 shares issued at R6.00 per share	25 208 333	2 522	151 247 478	2 522	151 247 478
468 750 shares issued at R8.00 per share	468 750	47	3 749 953	47	3 749 953
Capital raising expenses	–	–	(5 546 149)	–	(5 546 149)
Closing balance at 28 February 2018	165 955 151	16 596	618 755 484	17 561	620 117 550
25 000 shares issued at R9.00 per share	25 000	2	224 999	2	224 997
Capital raising expenses	–	–	(729 000)	–	(729 000)
Treasury shares held by The CI Trust	(1 206 027)	(121)	(12 374 579)	–	–
Distribution of treasury shares previously held by The CI Trust ³	–	–	2 895 747	–	–
Closing balance at 28 February 2019	164 774 124	16 477	608 772 651	17 563	619 613 547
Shares acquired by Windfall	–	–	180 000	–	–
Capital raising expenses	–	–	(720 000)	–	(720 000)
Share buy-back ¹	–	–	(62 500)	–	(62 500)
Distribution of treasury shares previously held by The CI Trust ³	–	–	3 697 492	–	–
Closing balance at 29 February 2020	164 774 124	16 477	611 867 643	17 563	618 831 047
Treasury shares					
Opening balance at 1 March 2017	9 646 926	965	(64 946)	–	–
Closing balance at 28 February 2018	9 646 926	965	(64 946)	–	–
Treasury shares held by The CI Trust	1 206 027	121	12 374 577	–	–
Closing balance at 28 February 2019	10 852 953	1 086	12 309 631	–	–
The CI Trust vested shares ²	(468 038)	–	–	–	–
Share buy-back ¹	12 500	–	(62 500)	–	–
Closing balance at 29 February 2020	10 397 415	1 086	12 247 131	–	–

1 Shares held by Hugel are in terms of the Repurchase Programme (details provided in paragraph 8 of the Directors' Report). The 12 500 Shares are held for delisting at year end and were delisted subsequent to year end.

2 Refer to note 22 for further detail relating to the treasury shares held in relation to The CI Trust.

3 The distribution of treasury shares relates to 468 038 Hugel Shares which were held as an investment by The CI Trust and which were distributed by The CI Trust to its share beneficiaries during FY2021. A total of 728 678 Hugel Shares have been distributed by The CI Trust to its share beneficiaries up to the end of FY2020.

Total share capital	Group		Company	
	2020	2019	2020	2019
Issued shares	16 477	16 477	17 563	17 563
Share premium	611 867 643	608 772 651	618 831 047	619 613 547
	611 884 120	608 789 128	618 848 610	619 631 110

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22. Share-based payment reserve

Employee share-based transactions

	Group 2020	2019
Total share-based payment reserve	3 905 915	4 141 848

In terms of the Subscription and Repurchase Agreement entered into between Huge and ConnectNet Broadband Wireless on 30 March 2017, Huge agreed to the transfer of 1 466 667 of the Shares issued to the relevant shareholders, to The CI Trust.

The CI Trust was established by the relevant shareholders for the purposes of creating incentives for certain employees, directors and/or consultants of ConnectNet Broadband Wireless and Sainet Internet to *inter alia* assist those companies to achieve the profit warranties given by the relevant shareholders in the Subscription and Repurchase Agreement.

The allocation of these Shares to share beneficiaries is governed by The CI Trust Deed.

During August 2019, 468 038 Shares (August 2018: 131 226 and June 2017: 129 415) were transferred by The CI Trust to share beneficiaries, being certain existing employees, directors and/or consultants to ConnectNet Broadband Wireless and Sainet Internet, at a grant price of R6.30 (2019: R9.74 and 2018: R8.90).

Of the remaining 737 989 Shares (2019: 1 206 027 and 2018: 1 337 253), 624 818 Shares will be allocated to the share beneficiaries after 29 February 2020, with the residual 113 169 Shares ceded as security for the loan between Huge and The CI Trust.

During FY2020, no Shares (2019: 113 169) that had vested in the share beneficiaries were settled alternatively in cash. During FY2019, cash settlements were paid to share beneficiaries *in lieu* of Shares, which equaled the number of Shares at a price of R9.50 per Share. This resulted in a cash outflow from The CI Trust of R1 075 106.

Shares that have been allocated to share beneficiaries are not restricted.

Shares held by The CI Trust and not yet issued to the share beneficiaries at the end of the reporting period are shown as treasury shares in the AFS. At 29 February 2020, 737 989 Shares (2019: 1 206 027 and 2018: 1 337 253) were held by The CI Trust. Refer to note 21 for further detail.

	2020	2019
Number of shares issued under the plan to participating employees on 8 August 2019 ¹	468 038	244 395

¹ During the prior reporting period 131 226 Shares were transferred to the share beneficiaries. During the prior reporting period 113 169 Shares were retained and cash payments were made and received as an alternative. No Shares were substituted with cash in the current year.

Expense arising from share-based payment transactions

Total expenses of R3 461 559 (2019: R7 037 595) related to equity-settled share based payment transactions were recognised in 2020 and 2019 respectively.

Executive Share Option Agreements

The Company concluded Executive Option Agreements (the **Option Agreements**) with JC Herbst (the Chief Executive Officer), AP Openshaw (the Chief Operating Officer) and SL Sequeira (the Chief Financial Officer) on 29 August 2019 (the **Effective Date**) and the Option Agreements were approved by the Shareholders of Huge on 26 February 2020 (the **Grant Date**). As the options contemplated in the Option Agreements (the **Options**) were approved three days prior to the end of the current reporting period the computed share-based payment for the current reporting period of R345 115 was quantitatively immaterial. However, all of the qualitative factors are disclosed below.

The Option Agreements contemplate the granting by the Company of a right to subscribe for Huge Shares at a strike price equal to the 30-day volume-weighted average price (**VWAP**) of a Huge Share on the Effective Date, which is R5.21 per share (the **Strike Price**).

The Option Agreement concluded with JC Herbst contemplates the granting by the Company of a right to subscribe for 7 500 000 Huge Shares at the Strike Price with a market value of R39.825 million.

The Option Agreement concluded with AP Openshaw contemplates the granting by the Company of a right to subscribe for 7 500 000 Huge Shares at the Strike Price with a market value of R39.825 million.

The Option Agreement concluded with SL Sequeira contemplates the granting by the Company of a right to subscribe for 750 000 Huge Shares at the Strike Price with a market value of R3.9825 million.

A valuation of the Options was performed at 29 August 2019, using the Binomial Option Pricing Model.

22. Share-based payment reserve (continued)

The following internal and external key value drivers (inputs for the Binomial Option Pricing Model) were taken into account:

- The price of a Huge Share on the Effective Date was R5.65;
- The exercise price of the Huge Shares underlying the Options is R5.31 per share;
- The Options vest in three equal tranches on 1 March 2020, 1 March 2021 and 1 March 2022;
- The Options are capable of being exercised over a period of five years from the date on which each tranche vests;
- The number of steps for each Option is 1 000;
- A risk-free rate based on the yield of the R186 Government Bond, being 8.19% on 29 August 2019 was used;
- The historic annual volatility of a Huge Share based on the most recent 12-month period of 42.59% was referenced to the standard deviation of the daily closing share price movements. The historic volatility of a Huge Share over the most recent 12-month period is considered the most appropriate benchmark in determining the possible magnitude of future stock price movements as this period excludes large corporate activity such as the acquisition of Huge Connect in March 2017; and
- The Company's average historic dividend yield is 2.35%.

In undertaking the valuation of the Options above, a core valuation was determined as follows:

- First tranche of the Option: R2.52 per Share;
- Second tranche of the Option: R2.67 per Share; and
- Third tranche of the Option: R2.80 per Share.

23. Non-controlling interest

	Huge Networks	Huge Media	Huge Messaging	Huge Mobile	Huge Software	Pansmart	Huge Connect	Total
Non-controlling shareholding	0.00%	4.00%	49.80%	50.30%	25.00%	0.00%	0.00%	
Balance as at 28 February 2018	–	(2 371 178)	536 175	(950 079)	(230 470)	–	–	(3 015 552)
Non-controlling shareholding	49.70%	4.00%	0.00%	0.00%	25.00%	0.00%	0.00%	
Share of profit (loss) for the year	(3 393 325)	34 760	328 178	(47 535)	(9 081)	–	–	(3 087 003)
Change in ownership – loss of control	–	–	(864 353)	997 614	–	–	–	133 261
Change in ownership – control retained	11 636 182	–	–	–	–	–	–	11 636 182
Balance at 28 February 2019	8 242 857	(2 336 418)	–	–	(239 551)	–	–	5 666 888
Non-controlling shareholding	49.70%	4.00%	0.00%	0.00%	25.00%	49.97%	16.29%	
Share of profit (loss) for the year	462 337	162 703	–	–	(142 433)	(181 597)	–	301 010
Business combination – control acquired ¹	–	–	–	–	–	(8 986 103)	–	(8 986 103)
Change in ownership – control retained ²	–	–	–	–	–	–	(57 234 860)	(57 234 860)
Balance at 29 February 2020	8 705 194	(2 173 715)	–	–	(381 984)	(9 167 700)	(57 234 860)	(60 253 065)

¹ Refer to note 37 for more detail relating to the business combinations concluded during the current and prior reporting periods.

² The movement in the non-controlling interest relates to a business combination involving Huge, Huge Connect and Windfall and the change in the degree of Huge's control over Huge Connect in favour of Windfall (the Huge Connect Business Combination). Windfall subscribed for new ordinary shares in Huge Connect and after its subscription, 16.296% of the ordinary shares of Huge Connect are held by it. The equity attributable to the holders of the parent has been adjusted for Windfall's non-controlling interest. Additional information on business combinations can be found in note 37.

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23. Non-controlling interest (continued)

The below information represents 100% of the subsidiary companies' results that are not wholly-owned by Huge.

Summary of Group's interest in the subsidiary companies

Statement of financial position	Huge Networks		Huge Media		Huge Connect
	2020	2019	2020	2019	2020
Non-current assets	31 562 443	25 520 278	762 262	2 026 637	103 365 189
Current assets	18 731 411	12 699 735	14 574 314	8 658 534	57 080 166
Non-current liabilities	(22 557 251)	(3 240 920)	(21 388 069)	–	(28 799 137)
Current liabilities	(9 702 754)	(12 390 591)	(895 226)	(21 868 952)	(21 521 950)
Equity	18 033 849	22 588 502	(6 946 719)	(11 183 781)	110 124 268
Statement of comprehensive income					
Revenue	96 768 135	43 898 459	6 000 000	–	167 700 037
Cost of sales	(57 778 966)	(28 809 728)	–	–	(59 934 957)
Other income	436 690	52 820	–	1 500 000	2 194 340
Other expenses	(34 898 516)	(17 713 955)	(107 933)	(205 885)	(52 260 114)
Finance costs	(1 648 386)	(2 270)	–	(11 446)	(610 348)
Investment income	576 610	443 511	–	–	2 659 152
Income tax expense	(1 606 217)	580 758	(1 655 015)	(413 680)	(13 852 843)
Profit/(loss) for the year	1 849 350	(1 550 405)	4 237 052	868 989	45 895 267
Statement of cash flows					
Cash flows from operating activities	(12 591 076)	4 788 318	241 546	93 160	55 636 632
Cash flows from investing activities	(4 435 869)	(17 762 110)	(241 546)	(98 502)	9 547 833
Cash flows from financing activities	18 408 687	10 276 387	–	5 000	(60 293 862)
Net cash outflow	1 381 742	(2 697 405)	–	(342)	4 890 603

Statement of financial position	Huge Messaging	Huge Mobile	Huge Software		Pansmart
	2019	2019	2020	2019	2020
Non-current assets	507 558	–	3 571 939	2 016 310	9 312 208
Current assets	760 734	18 619	758 344	658 430	9 904 033
Non-current liabilities	–	–	(5 161 172)	(2 519 392)	(36 116 432)
Current liabilities	(2 075 024)	(583 195)	(886 970)	(1 113 562)	(1 888 183)
Equity	(806 732)	(564 576)	(1 717 859)	(958 214)	(18 788 374)
Statement of comprehensive income					
Revenue	3 007 998	7 821	3 108 475	2 876 086	17 860 888
Cost of sales	(2 319 351)	(4 015)	(583 627)	(396 560)	(13 724 315)
Other income	622 487	–	69 363	–	2 883 440
Other expenses	(892 305)	(92 036)	(3 112 670)	(2 755 085)	(10 457 194)
Finance costs	(208 035)	–	(317 372)	(170 945)	(2 430 738)
Investment income	40	–	434	261	184
Income tax expense	(62 976)	–	75 753	409 918	7 280 801
Profit/(loss) for the year	147 858	(88 230)	(759 644)	(36 325)	1 413 066
Statement of cash flows					
Cash flows from operating activities	1 040 219	(21 631)	(675 485)	(236 572)	(9 160 420)
Cash flows from investing activities	–	–	(1 038 839)	(906 750)	(10 118)
Cash flows from financing activities	(1 011 923)	15 000	1 923 308	1 256 171	9 096 059
Net cash outflow	28 296	(6 631)	208 984	112 849	(74 479)

24. Interest-bearing liabilities held at amortised cost

	Group		Company	
	2020	2019	2020	2019
Futuregrowth – Held through Huge	142 519 872	137 821 648	142 519 872	137 821 648
The loan bears interest compounded quarterly at three-month JIBAR plus 4%. A portion of the capital is repayable every quarter until the final repayment date being the 5th anniversary of the first utilisation date.				
Covenants:				
1. Debt to EBITDA Ratio shall be between 0 and 2.5 times;				
2. EBITDA to Debt Interest Ratio shall not be less than 3 times;				
3. EBITDA to Debt Service Ratio shall not less than 1.5 times;				
4. Group Debt to Group EBITDA Ratio shall be between 0 and 2.5 times;				
5. Huge's Debt to Subsidiaries Debt Ratio shall not be less than:				
a. 86.96%; 13.04% in the period between Signature Date and 29 November 2019;				
b. 90%; 10% in the period between 29 November 2019 and the final repayment date; and				
6. A Security Cover Ratio which is equal to or greater than 3.				
Futuregrowth – Held through Huge Technologies	30 000 000	30 000 000	–	–
The loan bears interest compounded quarterly at three-month JIBAR plus 4.5%. The loan is repayable by 29 November 2021.				
Covenant:				
1. Debt to EBITDA Ratio shall be between 0 and 4 times;				
2. EBITDA to Debt Interest Ratio not less than 4 times;				
3. Group Debt to Group EBITDA Ratio shall be between 0 and 2.5 times; and				
4. Group Debt Interest to Group EBITDA Ratio shall not be less than 3 times.				
M Jankovic – Held through Huge Networks	–	191 227	–	–
The above loan is unsecured, bears interest at 12% per annum and is repayable on demand, subject to the availability of funds. These terms are revised from time to time.				
Nedbank Limited – Held through Huge Networks	–	1 010 000	–	–
Liability under term loan at an effective interest rate of 11.50% per annum, repayable in monthly instalments of R43 700. The last instalment is due 1 June 2021.				
Unwire Communications – Held through Huge Connect	–	1 595	–	–
The above loan is unsecured, interest free and repayable in May 2019.				
J Ingram¹ – Held through Huge Telecom	–	750 000	–	–
GB Shiers¹ – Held through Huge Telecom	–	750 000	–	–
	172 519 872	170 524 470	–	137 821 648

¹ The J Ingram and GB Shiers loans are unsecured, bear no interest and are repayable over 36 months in equal instalments of R25 000. The loans have been reclassified to loans payable in the current year due to the fact that no interest is being charged. Therefore, the loans are more correctly presented under loans payable rather than Interest-bearing liabilities. Refer to note 12 for further detail. The amounts have been assessed and are not material quantitatively or qualitatively and therefore no prior year restatement is necessary.

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24. Interest-bearing liabilities held at amortised cost (continued)

	Group		Company	
	2020	2019	2020	2019
Non-current liabilities				
At amortised cost	120 936 298	96 535 713	90 936 298	94 434 486
	120 936 298	96 535 713	90 936 298	94 434 486
Current liabilities				
At amortised cost	51 583 574	73 988 757	51 583 574	43 387 162
	51 583 574	73 988 757	51 583 574	43 387 162
Total Liabilities	172 519 872	170 524 470	142 519 872	137 821 648

Futuregrowth Term Facility Agreement – Held through Huge

On 14 December 2018, Huge concluded a Term Facility Agreement with Futuregrowth for R200 million (the Facility). The Facility replaced the R90 million Term Facility Agreement concluded as part of the acquisition of ConnectNet Broadband Wireless and Sainet Internet and provides Huge with access to additional funds to fulfil its growth aspirations. Huge has the ability to draw down on the Facility as and when its needs require. The principal amounts outstanding are payable in quarterly tranches of R10 million, with the final quarterly tranche due for payment in December 2023. Interest on the Facility is payable on a quarterly basis.

The Facility provides for various Group's subsidiary companies, associate companies and joint venture companies (the **Obligors**) to provide various guarantees, cessions, pledges and subordinations.

The Obligors irrevocably and unconditionally undertake to pay to Futuregrowth all amounts which Huge and any other Obligor is obliged to pay to Futuregrowth in terms of the Facility, to the extent to which Huge or any other Obligor fails to pay those amounts.

In terms of the cession between Futuregrowth and Huge, Huge cedes in *securitatem debiti* and pledges to Futuregrowth as continuing covering security for the fulfilment of its obligations under the Facility, all of its right, title and interest in and to all of the shares held by Huge in and claims held by Huge against the Obligors.

In terms of a Subordination Agreement between Futuregrowth, Huge and the Obligors, Huge and each of the Obligors, where applicable, irrevocably and unconditionally subordinate all of their claims in favour of Futuregrowth's claims against Huge arising from or related to the Facility.

Futuregrowth and Huge have agreed to terminate the Borrower Debt to Subsidiary Debt ratio, and replace it with an a positive or negative undertaking that Huge will not create any further obligations in each of the Obligors without Futuregrowth's written consent.

On 29 November 2019, Huge Technologies concluded an Addendum to the R30 million Term Facility Agreement with Futuregrowth. The parties amended the final repayment date to 29 November 2021 and agreed to increase the lending margin from JIBAR + 400 bps to JIBAR + 450 bps, nominal annual, compounded quarterly.

25. Deferred Income

Deferred income is accounted for in accordance with the accounting policy disclosed in paragraph 1.5 Revenue from Contracts with Customers.

	Group		Company	
	2020	2019	2020	2019
Non-current liabilities	–	6 397 634	–	–
Current liabilities	6 092 003	10 479 312	–	–
	6 092 003	16 876 946	–	–

This contract liability relates to income from an agreement entered into in the prior reporting period by Huge Connect as compensation for the use and supply of Telkom sim cards and data packages to a Huge Connect customer operating a taxi-hailing service. The amounts are amortised to the Statement of Profit or Loss on a monthly basis in accordance with the term of the customer contract, being three years. This related to a prior period restatement which is referred to in note 38.

26. Trade and other payables

	Group		Company	
	2020	2019	2020	2019
Financial Instruments:				
Trade payables	30 088 303	17 480 289	396 633	4 610 203
Income received in advance	499 809	–	–	–
Payroll accruals	1 935 223	5 181 369	–	115 416
Accrued leave pay	6 874 110	5 906 399	–	708 041
Accrued Business Partner fees	–	3 548 640	–	–
Other accruals	3 652 705	–	–	–
Deposits received	814 692	718 610	–	–
Non-financial instruments:				
VAT	6 365 082	6 368 336	–	1 155 090
Operating lease payables	–	21 159	–	–
	50 229 924	39 224 802	396 633	6 588 750
Financial Instruments	43 864 842	32 835 307	396 633	5 433 660
Non-financial instruments	6 365 082	6 389 495	–	1 155 090
Total trade and other payables	50 229 924	39 224 802	396 633	6 588 750

27. Revenue

Disaggregation of revenue

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets, major products and service lines and timing of revenue recognition. The table includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Fintech Grouping		Corporate Office		Telecom Grouping		Total Operating Segments	
	2020	2019	2020	2019	2020	2019	2020	2019
South Africa	158 175 545	145 667 777	2 562 717	2 353 894	321 693 387	269 572 996	482 431 649	417 594 667
Africa	9 476 248	14 685 752	–	–	236 885	381 359	9 713 133	15 067 111
	167 651 793	160 353 529	2 562 717	2 353 894	321 930 272	269 954 355	492 144 781	432 661 778
Major goods/service lines								
Network devices	1 813 570	1 456 636	–	–	15 063 844	70 868 508	16 877 414	72 325 144
Network services ¹	165 838 223	158 896 893	–	–	292 481 421	199 085 847	458 319 644	357 982 740
Software licence fees	–	–	2 562 717	2 353 894	529 688	–	3 092 405	2 353 894
Communication equipment	–	–	–	–	13 855 319	–	13 855 319	–
	167 651 793	160 353 529	2 562 717	2 353 894	321 930 272	269 954 355	492 144 782	432 661 778
Timing of revenue recognition								
Goods transferred at a point in time	1 813 570	1 456 636	–	–	29 448 851	692 460	31 262 421	2 149 096
Services transferred over time	165 838 223	158 896 893	2 562 717	2 353 894	292 481 421	269 261 895	460 882 361	430 512 682
	167 651 793	160 353 529	2 562 717	2 353 894	321 930 272	269 954 355	492 144 782	432 661 778

1 The service line Network services can be broken down further into the following revenue streams:

	2020	2019
Network services		
Voice connectivity services	220 483 024	150 424 500
Payment connectivity services	165 838 223	158 355 525
Data connectivity services	68 165 767	43 898 459
Messaging services	2 783 882	3 946 712
Telephone management services	1 048 748	1 357 544
Total	458 319 644	357 982 740

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28. Cost of sales

	Group		Company	
	2020	2019	2020	2019
Voice connectivity services	33 154 214	63 791 592	–	–
Business Partner fees	26 464 573	28 021 625	–	–
Router equipment depreciation	9 472 209	12 434 194	–	–
Contract asset amortisation ¹	8 603 068	–	–	–
Payment connectivity services	55 480 070	60 040 218	–	–
Data connectivity services	46 697 880	28 809 728	–	–
Messaging services	268 249	2 116 698	–	–
Telephone management services	732 393	1 224 915	–	–
Software licence fees	583 627	395 560	–	–
Electronic equipment ²	18 158 154	–	–	–
Capitalisation to work-in-progress ³	(15 705 648)	–	–	–
	183 908 789	196 834 530	–	–

1 Amortisation of contract assets is recognised under cost of sales due to the connection to IFRS 15 Revenue from Contracts with Customers. Refer to note 13 for additional information.

2 Electronic equipment is as a result of the Pansmart acquisition during the current reporting period.

3 During the current reporting period, router equipment held by the Group was capitalised to work-in-progress. This routing equipment is used in the manufacture of telephone lines. In the current year, this is a credit to cost of sales.

29. Other income

	Group		Company	
	2020	2019	2020	2019
Profit on sale of property, plant and equipment	1 575 203	807 022	–	–
Administration fees received	–	110 250	–	27 914 748
Insurance proceeds	536 356	190 215	–	–
Arrangement fee ¹	–	–	–	6 790 725
Rental income	381 457	52 538	–	–
Loans written off	–	839 800	–	–
Learnership and SETA	1 237 950	–	–	–
Other income	657 327	167 470	379 389	–
Credit losses recovered	819 406	808 528	–	–
Profit warranty claim ²	5 210 553	–	–	–
	10 418 252	2 975 823	379 389	34 705 473

1 In terms of the provisions of the agreements relating to the Otel Transaction, Huga was entitled to an arrangement fee (referred to in note 37).

2 In terms of the provisions of the agreements relating to the Otel Transactions, Otel Communications has given Huga Telecom a profit warranty. In terms of the profit warranty, Otel Communications has warranted that the Huga Networks 2020 Profit (as this term is defined) will not be less than a stipulated profit threshold. The profit warranty claim represents Huga Telecom's claim against Otel Communications because the Huga Networks 2020 Profit was less than the stipulated profit threshold.

30. Operating profit

Operating profit for the year is stated after accounting for the following:

	Group		Company	
	2020	2019	2020	2019
Short-term lease charges				
Premises				
Straight-line basis	5 076 473	9 427 149	–	1 095 504
Equipment				
Straight-line basis	1 505 265	189 799	–	–
	6 581 738	9 616 948	–	1 095 504
Depreciation of property, plant and equipment ¹	23 384 910	25 205 862	–	15 640
Depreciation of right-of-use assets ²	6 865 550	–	1 050 381	–
Depreciation of contract assets ³	11 053 069	677 186	–	–
Amortisation of intangible assets ⁴	2 213 357	1 385 998	–	–
Total depreciation and amortisation	43 516 886	27 269 046	1 050 381	15 640
Impairment of investment in joint venture company	458 841	–	–	–
Supplier settlement	4 020 004	–	–	–
Reversal of impairment of other financial assets	–	(508 792)	–	–
Gain on sale of property, plant and equipment	(1 575 202)	(807 022)	–	–
Gain/(loss) on sale of investment in subsidiary ⁵	–	(1 530 392)	–	35 394 991
Reversal of impairment on investment in subsidiary company ⁵	–	–	–	(36 633 120)
Profit on exchange differences	198 853	245 722	–	–
Statutory and listing fees	1 868 108	854 179	379 389	850 490
Legal expenses	3 964 560	4 298 047	–	2 340 593
Consulting and professional fees	7 935 223	4 625 795	–	3 096 834
Credit losses written off	3 480 683	1 969 787	–	–
	20 351 070	9 147 324	379 389	5 049 788
Employee costs				
Salaries, wages, bonuses and other benefits	126 055 403	100 274 931	–	14 956 032
Retirement benefit plans: defined contribution expense	3 281 708	4 430 788	–	–
Share-based compensation expense	3 461 559	7 037 595	–	–
Total employee costs	132 798 670	111 743 314	–	14 956 032
Less: Employee costs included in cost of sales	(36 737 654)	(33 478 937)	–	–
Total employee costs expensed	96 061 016	78 264 377	–	14 956 032

1 Refer to note 4 for additional detail.

2 Refer to note 5 for additional detail.

3 Refer to note 13 for additional detail.

4 Refer to note 7 for additional detail.

5 Refer to note 37 for additional detail.

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31. Investment income

	Group		Company	
	2020	2019	2020	2019
Dividends received				
Subsidiary companies ¹	–	–	515 075 000	28 000 000
Total dividend revenue	–	–	515 075 000	28 000 000
Finance income				
Bank	234 605	1 360 135	–	5 609
Discovery endowment	1 757 969	600 326	1 757 969	600 326
Interest charged on trade and other receivables	552 601	488 081	–	–
Other receivables	1 171 871	957 887	–	–
Loans to group companies	–	98 219	4 961 493	2 704 505
Total Finance income	3 717 046	3 504 648	6 719 462	3 310 440
Total Investment income	3 717 046	3 504 648	521 794 462	31 310 440

¹ Huge Connect, a wholly-owned subsidiary company of Huge, entered into a transaction with Windfall, a 100% black-owned company, wherein Windfall subscribed for 36 ordinary shares in Huge Connect, constituting 16.29% of the ordinary share capital in Huge Connect (**Windfall Subscription Shares**) for a total subscription consideration of R180 000 (**Windfall Subscription Price**), which subscription consideration is settled in cash. To give effect to the transaction, Huge, Huge Connect and Windfall have concluded a series of interlinked and inter-conditional agreements where in:

- Huge subscribed for 1 000 preference shares in Huge Connect (the **Preference Shares**) for a cumulative subscription price of R457 075 000 (the **Preference Share Subscription Price**). The Preference Shares are unsecured, cumulative, redeemable at the option of the issuer and bear a variable coupon rate of prime plus one percent;
- Huge Connect declared an ordinary dividend, in an aggregate amount equivalent to the Preference Share Subscription Price (the **Huge Connect Ordinary Dividend**);
- The obligation of Huge Connect to effect payment of the Huge Connect Ordinary Dividend to Huge was discharged by set-off against the obligation of Huge to effect payment of the Preference Share Subscription Price to Huge Connect;
- Windfall subscribed for the Windfall Subscription Shares for the Windfall Subscription Price; and
- Post implementation of the above transactions, Huge holds 100% of the preference share capital in Huge Connect and 83.71% of the ordinary share capital of Huge Connect, with the remainder of the 16.29% issued ordinary share capital being held by Windfall.

32. Finance costs

	Group		Company	
	2020	2019	2020	2019
Group companies	–	–	–	1 706 796
Shareholders' loans	850 619	89 439	–	–
Interest bearing liabilities	17 712 884	13 355 312	14 387 551	10 041 122
Trade and other payables	152 408	307 470	–	12
Lease liabilities	2 140 617	864 081	427 976	–
Bank overdraft	688 215	630 045	533	–
Tax authority	28 302	92 486	–	–
	21 573 045	15 338 833	14 816 060	11 747 930

33. Income tax (expense)/income

Major components of the tax expense/(income)

	Group		Company	
	2020	2019	2020	2019
Current				
Local income tax – current period	(21 595 034)	(19 294 381)	–	–
Local income tax – recognised in current period for prior periods	(1 431 873)	582 097	–	–
Security transfer tax	(39 379)	(29 356)	–	–
	(23 066 286)	(18 741 640)	–	–
Deferred				
Originating and reversing temporary differences	327 206	(2 974 062)	7 351 365	1 159 194
	327 206	(2 974 062)	7 351 365	1 159 194
Total	(22 739 080)	(21 715 702)	7 351 365	1 159 194

	Group		Company	
	2020	2019	2020	2019
Reconciliation of tax expense				
Reconciliation between the statutory tax rate and the average effective tax rate.				
Applicable tax rate	28.0%	28.0%	28.0%	28.0%
Exempt income ¹	(0.08%)	–	(81.73%)	(26.73%)
Disallowable expenditure ²	0.03%	–	–	–
Unutilised assessed loss ³	(4.23%)	(6.14%)	(2.7%)	14.21%
Donations ⁴	0.03%	(3.7%)	–	–
Prior year under/(over) provision ⁵	(3.28%)	(0.12%)	–	–
Deferred tax adjustment ⁶	(2.07%)	1.57%	–	–
Expenses attributable to dividend income	–	–	–	15.38%
Group gains/losses – impairments on disposals	–	1.31%	52.26%	(35.05%)
SARS interest and penalties	0.04%	0.29%	–	–
Trust donation not taxable	–	(3.62%)	–	–
Legal fees	–	0.33%	–	1.0%
Capital gains tax effect	–	(0.33%)	–	(1.0%)
Share based payment	0.82%	1.76%	–	–
	19.26%	19.35%	(4.17%)	(4.19%)

1 Exempt income consists of dividends received.

2 Disallowed expenditure consists of fines, penalties, donations, finance costs of a capital nature and legal fees of a capital nature.

3 Un-utilised assessed losses related to unrecognised deferred tax assets on assessed losses.

4 Prior year donations includes dividends added back.

5 Prior year under/(over) provision includes the prior period restatement referred to in note 38.

6 Deferred tax adjustments relate to permanent differences in the current year relating to the prior period including the accelerated amortisation on contract assets.

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34. Earnings and headline earnings per share

2020	Gross	Tax	Net
Profit attributable to owners of the parent adjusted for:	–	–	95 022 679
Gain from bargain purchase on joint venture	(138 091)	38 665	(99 426)
Impairment of investment on joint venture	458 811	(128 467)	330 344
Gain on disposal of property, plant and equipment	(1 575 202)	441 057	(1 134 146)
Headline earnings	(1 254 482)	351 255	94 119 451

2019			
Profit attributable to owners of the parent adjusted for:	–	–	79 121 837
Gain on disposal of investment of subsidiaries	(1 548 265)	433 514	(1 114 751)
Gain on disposal of property, plant and equipment	(807 022)	225 966	(581 055)
Headline earnings	(2 355 287)	659 480	77 426 031

	2020	2019	2020	2019
Weighted average number of ordinary shares				
Issued ordinary shares at 1 March	175 159 039	175 382 682	–	–
Weighted average ordinary shares issued during the year	262 871	141 280	–	–
Treasury shares held by Huge Telecom	(9 646 926)	(9 646 926)	–	–
Treasury shares held by The CI Trust	(737 989)	(1 206 027)	–	–
Weighted average number of ordinary shares in issue at 29 February (basic, and headline)	165 036 995	164 671 009	–	–
IFRS 2 share-based dilutive effect ¹	462 243	833 537	–	–
Weighted average number of ordinary shares in issue at 29 February (diluted)	165 499 238	165 504 546	–	–
Per share statistics (cents)				
Earnings per share	57.58	48.05	–	–
Headline earnings per share	57.03	47.02	–	–
Diluted basic earnings per share	57.42	47.81	–	–
Diluted headline earnings per share	56.87	46.78	–	–

¹ The IFRS 2 share-based dilutive effect includes The CI Trust shares. The IFRS 2 share-based effect of the Executive Options was calculated and identified as an anti-dilutive effect and therefore there is no affect to the earnings and headline earnings calculation.

35. Cash generated from/(used in) operations

	Note(s)	Group		Company	
		2020	2019	2020	2019
Profit before taxation		118 062 769	97 750 536	190 935 680	29 325 023
Adjustments for:					
Depreciation	5&4	30 250 460	25 205 862	1 050 381	15 640
Amortisation	7&13	13 266 426	2 063 184	-	-
Profit on sale of Property, plant and equipment		(1 575 202)	(807 022)	-	-
Loss from joint venture		-	18 811	-	-
Dividends received	31	-	-	(515 075 000)	(28 000 000)
Finance income received	31	(3 717 046)	(3 504 648)	(6 719 462)	(3 310 440)
Finance costs	32	21 573 045	15 338 833	14 816 060	11 747 930
Reversal of impairment loss		-	-	-	(36 702 608)
Inventory write off provision		(1 334 632)	-	-	-
Insurance claim receivable		-	-	-	-
Profit warranty claim	29	(5 210 553)	-	-	-
Movement in credit loss allowance	41	17 121 368	2 196 632	-	-
Impairment of Investment in joint venture	37	276 442	-	-	-
Impairment of Investment in subsidiary company ¹	37	-	-	314 875 274	-
(Profit)/loss on sale of Investments in subsidiary company ²	37	-	(1 530 392)	-	35 394 991
Share-based payment raised	30	3 461 559	7 037 595	-	-
Other non-cash items		173 842	-	(25 011)	(535 650)
Changes in working capital:					
Inventories		(35 714 219)	(1 102 667)	-	-
Trade and other receivables		(16 966 367)	(37 187 454)	18 265 450	(15 435 481)
Contract assets		(3 210 429)	(10 989 872)	-	-
Trade and other payables		4 770 989	1 462 421	(6 192 119)	2 387 111
Deferred income		(10 784 942)	586 904	-	-
		130 443 510	96 538 723	11 931 253	(5 113 484)

1 The impairment of the investment in subsidiary companies relates to the sale of 16.29% of Huge Connect to Windfall during the current reporting period. Refer to note 37 for further details relating to the issue of preference shares, impairment of ordinary equity and change in control reserve adjustment relating to this transaction.

2 The loss on sale of investment in a subsidiary company as well as the reversal of impairment on investment in subsidiary company relates to the sale of 51% of Huge Soho in FY2019. The investment in Huge Soho amounted to R69 411 943 in FY2019 and a corresponding provision for impairment of the investment in Huge Soho was held amounting to R69 411 943 in FY2019. Refer to note 37 for additional information relating to this business combination.

36. Tax (paid)/refunded

	Note	Group		Company	
		2020	2019	2020	2019
Balance at beginning of the year		(4 354 737)	(9 667 996)	-	-
Current tax for the year recognised in profit or loss	33	(23 066 286)	(18 741 640)	-	-
Adjustment in respect of businesses sold and acquired during the year		-	2 169 066	-	-
Prior year over/(under) provision		3 978 800	(3 978 800)	-	-
Current year over/(under) provision		(9 599)	-	-	-
Balance at end of the year		4 068 558	4 354 737	-	-
		(19 383 264)	(25 864 633)	-	-
Current tax receivable		4 223 530	1 891 440	-	-
Current tax payable		(8 292 088)	(6 246 177)	-	-
		(4 068 558)	(4 354 737)	-	-

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NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

37. Business combinations

Aggregated business combinations

Fair value of assets acquired and liabilities assumed	Group		Company	
	2020	2019	2020	2019
Property, plant and equipment	265 707	1 963 713	-	-
Right-of-use assets	1 767 834	-	-	-
Intangible assets	5 309 208	2 023 000	-	-
Deferred tax assets	7 120 409	-	-	-
Loans receivable	-	-	13 151 109	-
Finance lease receivables	-	2 385 068	-	-
Inventories	4 190 287	187 774	-	-
Trade and other receivables	4 887 293	(77 526 600)	-	(116 385)
Cash and cash equivalents	731 166	(1 471 406)	-	(1 390 516)
Borrowings	-	(1 201 227)	-	-
Lease liabilities	(1 832 987)	-	-	-
Finance lease liabilities	-	(2 894 915)	-	-
Loans payable	(24 007 670)	-	-	-
Deferred tax liabilities	-	(247 345)	-	(247 345)
Loans from Group companies	-	59 955 126	-	2 412 557
Current tax payable	-	2 169 060	-	-
Dividends payable	-	11 698 278	-	-
Trade and other payables	(6 233 853)	3 755 197	-	884 704
Bank overdraft	-	(2 747 844)	-	-
Cash received from subscription	(180 000)	-	-	-
Investment acquired in Pansmart	-	-	100	-
Investment acquired in Huge Payments for cash	-	-	100 000	-
Preference shares acquired in Huge Connect	-	-	457 075 000	-
Investment in Huge Connect	-	-	403 529 066	-
Impairment of investment in Huge Connect	-	-	(314 875 274)	-
Dividends receivable	-	-	457 075 000	-
Preference share subscription payable	-	-	(457 075 000)	-
Total identifiable net assets/(liabilities)	(7 982 606)	(1 952 121)	558 980 001	1 543 015
Non-controlling interest	66 220 964	(11 636 181)	-	-
Goodwill	12 344 133	16 377 836	-	-
Change in ownership	(57 234 860)	(1 241 419)	-	-
Impairment of investment in Huge Services	(276 422)	-	-	-
Existing share of net assets before acquisition	-	-	(417 999 998)	-
	13 071 209	1 548 115	140 980 003	1 543 015
Consideration (paid)/received				
Cash paid for equity	(100 100)	-	(100 100)	-
Cash received from subscription	180 000	-	-	-
Equity – Renounceable Letters of Allocation	-	901	-	-
Equity – Issue of shares	-	(12 877 601)	-	-
Purchase consideration receivable	-	10 200	-	-
Cash loan advanced	(13 151 109)	-	(13 151 109)	-
Liabilities settled	-	-	-	-
Total identifiable net assets/(liabilities)	(13 071 209)	(12 866 500)	(13 251 209)	-
Net cash (outflow)/inflow				
Cash acquired	731 166	-	-	-
Cash liability assumed	-	(2 746 942)	-	-
Cash asset sold	-	(1 471 406)	-	(1 390 516)
	(12 340 043)	(4 218 348)	(13 251 209)	(1 390 516)

Otel Transaction

At 28 February 2018, Huge Networks was a wholly owned subsidiary company of Huge Telecom, which in turn was and remains a wholly owned subsidiary company of Huge. On 27 February 2019 (the Relevant Date), Huge Networks concluded agreements with Otel Communications and Otel Business (collectively known as Otel) in which the business of Otel was acquired by Huge Networks (the Otel Transaction). On the Relevant Date, Huge Telecom subscribed for 901 new ordinary shares in Huge Networks (the Huge Networks Subscription), such that after the Huge Networks Subscription, Huge Telecom was the holder of 1 001 Huge Networks ordinary shares, representing 100% of the ordinary share capital of Huge Networks. On the Relevant Date, Huge Networks issued 400 new ordinary shares to Otel Business (the Otel Business Share Issue) as consideration for the business of Otel Business (comprising its business operations, assets and assumed liabilities). On the Relevant Date, Otel Business transferred its 400 Huge Networks' ordinary shares to Otel Communications as a dividend *in specie*. On the Relevant Date, Huge Networks issued 600 new ordinary shares to Otel Communications (the Otel Communications Share Issue) as consideration for the business of Otel Communications (comprising its business operations, and assumed liabilities). After the Otel Business Share Issue and the Otel Communications Share Issue, 2 001 Huge Networks' ordinary shares were in issue, 1 000 of which were held and remain held by Otel Communications and 1 001 shares are held and remain held by Huge Telecom.

After the closing date of the Otel Transaction, Huge Networks became a 50.025% subsidiary company of Huge Telecom, which is a wholly owned subsidiary company of Huge.

Goodwill of R16 377 836 arose as a result of the Otel Transaction.

Huge announced the acquisition of Otel on 14 March 2019 on the JSE's Stock Exchange News Service. The rationale for the acquisition, in support of the recognition of goodwill, is summarised as follows:

- The Otel Transaction has the potential to increase Group revenues by more than 9,4%, the Telecom Grouping segment revenues by more than 14% and Huge Networks' revenue by 95%;
- It allows for network synergies and efficiencies;
- It will allow Huge Networks access to new customer segments;
- Huge will be able to scale the operations of Huge Networks, grow its customer base and expand its national footprint;
- The VoIP and related products and services acquired by Huge Networks will allow Huge Networks to become a more substantial provider of end-to-end ICT services;
- It will provide Huge and Huge Networks with increased network capacity and connectivity options;
- Huge Networks will acquire skilled and experienced staff;
- Huge Networks will acquire specialised software systems and benefit from the already implemented internal structures and processes; this will establish a platform for accelerating growth and containing costs; and
- It was more cost effective to acquire Otel than to acquire and customize a third-party product with the same functionality as the Radiant billing engine.

Fair value of assets acquired and liabilities assumed	Group	
	2020	2019
Property, plant and equipment	–	1 963 713
Intangible assets	–	2 023 000
Finance lease receivables	–	2 385 068
Inventories	–	187 774
Trade and other receivables	–	2 489 285
Borrowings	–	(1 201 227)
Finance lease liabilities	–	(2 894 915)
Trade and other payables	–	(5 705 992)
Bank overdraft	–	(2 747 844)
Total identifiable net assets	–	(3 501 138)
Non-controlling interest ¹	–	(11 636 182)
Goodwill	–	16 377 836
Change in ownership	–	(1 241 419)
Equity – Renounceable Letters of Allocation		901
Equity – Issue of shares		(12 877 601)
Cash liability assumed		(2 747 844)
	–	(15 625 445)

¹ Non-controlling interest is measured as the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

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37. Business combinations (continued)

Huge Payments

Huge concluded a sale of shares and claims agreement in which it acquired 100% of the issued ordinary share capital of Huge Payments (formerly IntelPay) and the shareholders claims of loan account against Huge Payments for the sum of R100 000 (the **IntelPay Agreement**). The IntelPay Agreement became unconditional on 27 March 2019.

Goodwill of R3 268 169 arose on the acquisition of Huge Payments. The acquisition of Huge Payments is expected to create synergies and economies of scale from combining the operations of Huge Payments and Huge Connect. Goodwill is not deductible for income tax purposes.

The value of Huge Payments to Huge and Huge Connect is, and the rationale for the acquisition of Huge Payments is:

- The partly developed software has the potential to be a profitable product, once completed;
- Huge has the in-house development expertise and funding that is required to complete the software development for commercialisation;
- It is more cost effective to acquire Huge Payments and complete the development than to re-develop the application in-house to the current level of completion;
- As the sole shareholder of Huge Payments, Huge will be better positioned to secure and utilise the assessed losses in Huge Payments; and
- The Huge Payments' investment will add more diversity to Huge.

Fair value of assets acquired and liabilities assumed	Group		Company	
	2020	2019	2020	2019
Intangible assets	5 309 208	–	–	–
Deferred tax assets	61 930	–	–	–
Cash and cash equivalents	2 456	–	–	–
Loans payable	(8 541 763)	–	–	–
Investment acquired in Huge Payments for cash	–	–	100 000	–
Goodwill	3 268 169	–	–	–
	100 000	–	–	–
Acquisition date fair value of consideration paid			–	
Investment acquired in Huge Payments for cash	(100 000)	–	(100 000)	–
	(100 000)	–	(100 000)	–

Pansmart

Huge concluded various agreements which resulted in its acquisition of a controlling shareholding in Pansmart. The agreements became unconditional on 13 May 2019. The purchase consideration for 50.25% of the ordinary shares of Pansmart was R100. Huge acquired 50% of the existing shareholder claims on loan account for an amount of R13 151 309.

Goodwill of R9 075 964 arose on the acquisition of the controlling shareholding of Pansmart. The acquisition is expected to create synergies for the Group. Goodwill is not deductible for income tax purposes.

The value of the goodwill that arises from the Pansmart acquisition and rationale for the Pansmart acquisition is:

- The acquisition of Pansmart is an opportunity for Huge Telecom to grow its market share as Pansmart will drive Huge Telecom connectivity with each sale;
- The Panasonic brand of PABXs is well respected in the market and it is one of the last hybrid systems in the market which has embedded analogue voice parts;
- The Panasonic price point is extremely competitive in the SME market; and
- It will allow Huge access to new customer segments. Historically, Huge historically has not supplied PABX products or services, while many of the competitors of Huge Telecom, Huge Connect and Huge Networks do so. The relationships that Huge has with its Business Partners should enable Huge to shift some of these Business Partners from selling other PABX brands to selling the Panasonic PABXs.

Fair value of assets acquired and liabilities assumed	Group		Company	
	2020	2019	2020	2019
Property, plant and equipment	265 707	–	–	–
Right-of-use assets	1 767 834	–	–	–
Deferred tax assets	7 058 479	–	–	–
Inventories	4 190 287	–	–	–
Trade and other receivables	4 881 749	–	–	–
Cash and cash equivalents	457 553	–	–	–
Lease liabilities	(1 832 987)	–	–	–
Loans payable	(15 465 907)	–	–	–
Trade and other payables	(6 233 574)	–	–	–
Loans receivable	–	–	13 151 109	–
Investment acquired in Pansmart for cash	–	–	100	–
Non-controlling interest ¹	8 986 104	–	–	–
Goodwill	9 075 964	–	–	–
	13 151 209	–	13 151 209	–
Acquisition date fair value of consideration paid		–	–	–
Investment acquired in Pansmart for cash	(100)	–	(100)	–
Cash loan advanced	(13 151 109)	–	(13 151 109)	–
	(13 151 209)	–	(13 151 209)	–

¹ The non-controlling interest is measured at the fair value of the acquiree's identifiable net assets.

Huge Services

Huge Telecom concluded a sale of shares agreement (the **Sale Agreement**) with Adapt IT Proprietary Limited (**AdaptIT**). In terms of the Sale Agreement Huge Telecom acquired all of the shares held by AdaptIT in Huge Services (formerly Gonondo Telecom) for the amount of R120.00 (the **AdaptIT Transaction**). Huge Services was previously a 50% held joint venture company of Huge Telecom. As a result of the AdaptIT Transaction, Huge Services became a wholly owned subsidiary company of Huge Telecom. The transaction became unconditional on 16 September 2019.

There was no goodwill that arose on the acquisition of Huge Services.

Fair value of assets acquired and liabilities assumed	Group	
	2020	2019
Trade and other receivables	5 544	–
Cash and cash equivalents	271 157	–
Trade and other payables	(279)	–
Impairment of investment in Huge Services	(276 422)	–
	–	–

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

37. Business combinations (continued)

Changes in degree of control over existing subsidiary companies

The sale of 16.29% of the ordinary shares of Huge Connect

On 29 February 2020, Huge and Huge Connect concluded an implementation agreement with Windfall, an associate of VM Mokholo, who is a non-executive director of Huge and a related party to Huge.

In terms of the implementation agreement, Huge concluded a preference share subscription agreement with Huge Connect, Huge Connect declared an ordinary dividend of R457 075 000 to its ordinary shareholder, being Huge, and Huge Connect and Windfall concluded an ordinary share subscription agreement.

In terms of the preference share subscription agreement, Huge subscribed for 1 000 new preference shares in Huge Connect for a subscription price of R457 075 000. Thereafter, Huge Connect declared an ordinary dividend of R457 075 000 to the holders of the ordinary shares in Huge Connect, being Huge. The obligation of Huge Connect to effect payment of the ordinary dividend to Huge was discharged *in toto* by set-off against the obligation of Huge to effect payment of the preference shares subscription price. Thereafter, and in terms of the ordinary share subscription agreement, Windfall subscribed (**the Subscription**) for 36 new ordinary no par value shares (the **Subscription Shares**).

The subscription price (the **Subscription Consideration**) for the Subscription Shares was an amount of R180 000 and was settled by Windfall in cash. The Subscription Consideration will be used for the purposes of working capital.

Non-controlling interest is measured as the proportionate share of the recognised amounts of the identifiable net assets.

	Group		Company	
	2020	2019	2020	2019
Preference shares acquired in Huge Connect	-	-	457 075 000	-
Investment in Huge Connect	-	-	403 529 066	-
Impairment of investment in Huge Connect	-	-	(314 875 274)	-
Dividends receivable	-	-	457 075 000	-
Preference share subscription payable	-	-	(457 075 000)	-
Non-controlling interest	57 234 860	-	-	-
Change in ownership	(57 234 860)	-	-	-
Total identifiable net assets	-	-	545 728 792	-
<i>Less: Existing share of net assets before acquisition</i>	-	-	(417 999 998)	-
	-	-	127 728 794	-
Acquisition date fair value of consideration paid				
Cash received from subscription	180 000	-	-	-
	180 000	-	-	-

The acquisition of the remaining 49.8% of Huge Messaging

On 31 August 2018, Huge Telecom, which held 50.2% of Huge Messaging, concluded a sale of shares agreement in which it acquired 49.8% of the shares in Huge Messaging held by the minority shareholders (the **Huge Messaging Sale Shares**). On 31 August 2018, Huge Messaging became a wholly-owned subsidiary company of Huge Telecom.

Huge Telecom acquired the Huge Messaging Sale Shares from the minority shareholders for the sum of R2 000 000 (the **Cash Consideration**) and 25 000 ordinary Shares of Huge at a price of 900 cents per share. R200 000 of the Cash Consideration was settled on the closing date of the transaction, while R1 800 000 of the Cash Consideration was deferred and must be settled in 36 equal monthly instalments of R50 000 each.

On 22 January 2019, Huge acquired 100% of the shares of Huge Messaging from Huge Telecom for a purchase consideration of R2 525 499. As a result of this transaction, Huge Messaging became a wholly owned subsidiary company of Huge.

The acquisition of the remaining 50.33% of Huge Management (formerly Huge Mobile)

On 31 August 2018, Huge Telecom, which held 49.67% of Huge Mobile, concluded a sale of shares agreement in which it acquired 50.33% of the shares in Huge Management held by the minority shareholder (the **Huge Management Sale Shares**). On 31 August 2018, Huge Mobile became a wholly owned subsidiary company of Huge Telecom.

Huge Telecom acquired the Huge Management Sale Shares from the minority shareholders for the sum of R10 000, which was settled in cash on the closing date of the transaction.

On 31 August 2019, Huge acquired 100% of the shares of Huge Mobile from Huge Telecom for a purchase consideration of R10 151. As a result of this transaction, Huge Mobile became a wholly owned subsidiary company of Huge.

	Group		Company	
	2020	2019	2020	2019
Change in ownership	–	4 760 650	–	2 535 650
Total identifiable net assets	–	4 760 650	–	2 535 650
<i>Less: Existing share of net assets before acquisition</i>	–	–	–	(310 650)
	–	–	–	2 225 000
Acquisition date fair value of consideration paid				
Cash received from subscription	–	(4 760 650)	–	(2 535 650)
	–	(4 760 650)	–	(2 535 650)

The sale of 51% of the ordinary shares of Huge Soho and Huge Cellular

Huge Telecom concluded a sale of shares agreement in which it disposed of 51% of its ordinary shares Huge Cellular to Windfall. This sale resulted in loss of control of Huge Cellular and the subsequent recognition and measurement of Huge Cellular as an associate of Huge Telecom and the Group.

Huge concluded a sale of shares agreement in which it disposed of 51% of its ordinary shares in Huge Soho to Windfall. This sale resulted in loss of control of Huge Soho and the subsequent recognition and measurement of Huge Soho as an associate of Huge and the Group.

The agreements became unconditional on 26 February 2019.

Sale of subsidiaries

Carrying value of assets sold	Group		Company	
	2020	2019	2020	2019
Deferred tax liabilities	–	(247 345)	–	(247 345)
Trade and other receivables	–	(80 015 885)	–	(116 385)
Trade and other payables	–	9 450 486	–	884 704
Current tax payable	–	2 169 060	–	–
Loans from Group companies	–	59 959 877	–	2 412 557
Cash and cash equivalents	–	(1 471 406)	–	(1 390 516)
Dividends payable	–	11 698 278	–	–
Total net assets sold	–	1 543 065	–	1 543 015
Profit on sale of disposal	–	(1 543 065)	–	(1 543 015)
Net cashflow on acquisition				
Cash asset sold	–	(1 471 406)	–	(1 390 516)

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NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

38. Prior period restatement

Consolidated Statement of Financial Position including restatements detailed below:

Figures in Rand	Note(s)	Group			Company		
		2020	2019	2018	2020	2019	2018
Assets							
Non-current assets							
Property, plant and equipment	4	272 983 290	226 682 402	178 668 998	–	104 599	–
Right-of-use assets	5	16 830 373	–	–	4 201 525	–	–
Goodwill	6	607 694 289	595 350 156	578 972 320	–	–	–
Intangible assets	7	22 519 563	13 431 319	8 679 681	–	–	–
Investments in subsidiary companies		–	–	–	208 383 021	523 158 195	520 622 545
Investment in joint venture company	9	–	597 022	615 832	–	–	–
Investment in associate companies	10	25 011	9 800	–	29 911	4 900	–
Loans to associate companies	11	70 703 558	62 400 648	–	1 206 542	–	–
Loans to Group companies		–	–	–	133 000 062	–	–
Loans receivable	12	335 848	8 453 809	7 495 923	–	–	–
Contract assets	13	4 901 206	14 912 254	–	–	–	–
Investments at fair value	14	403 640	45 005 610	–	457 478 640	45 005 610	–
Deferred tax	15	29 552 068	20 431 608	12 805 450	11 975 732	3 447 941	2 288 747
Finance lease receivables	16	–	1 777 008	–	–	–	–
		1 025 948 846	989 051 636	787 238 204	816 275 433	571 721 245	522 911 292
Current assets							
Inventories	17	60 038 814	18 799 675	1 219 193	–	–	–
Loans to associate companies	11	–	4 207 507	–	–	1 207 507	80 702 548
Loans to Group companies		–	–	–	36 997 477	124 461 925	–
Loans to shareholders	18	–	13 034	–	–	13 034	–
Loans receivable	12	204 483	10 200	–	–	5 100	–
Contract assets	13	2 168 408	–	–	–	–	–
Trade and other receivables	19	69 257 281	65 093 452	103 284 136	4 413 799	22 447 625	7 012 144
Finance lease receivables	16	–	608 060	–	–	–	–
Current tax receivable		4 223 530	1 891 440	14 637	–	–	–
Cash and cash equivalents	20	40 152 606	23 958 494	30 265 495	19 550 522	2 296 665	12 149 506
		176 045 122	114 581 862	134 783 461	60 961 798	150 431 856	99 864 198
Total assets		1 201 993 968	1 103 633 498	922 021 665	877 237 231	722 153 101	622 775 490
Equity and Liabilities							
Equity							
Equity attributable to holders of parent							
Share capital	21	611 884 120	608 789 128	618 772 080	618 848 610	619 631 110	620 135 111
Share-based payment reserve	22	3 905 915	4 141 848	–	–	–	–
Change in control reserve ¹	37	52 474 210	(4 760 650)	–	–	–	–
Donation trust reserve		–	–	(14 470 932)	(14 470 932)	(14 470 932)	(14 470 932)
Accumulated profit (loss)		273 101 806	209 003 529	128 773 534	124 243 203	(41 113 762)	(71 597 978)
		941 366 051	817 173 855	733 074 682	728 620 881	564 046 416	534 066 201
Non-controlling interest	23	(60 253 065)	5 666 888	(3 015 552)	–	–	–
		881 112 986	822 840 743	730 059 130	728 620 881	564 046 416	534 066 201

Figures in Rand	Note(s)	Group			Company		
		2020	2019	2018	2020	2019	2018
Liabilities							
Non-current liabilities							
Interest-bearing liabilities	24	120 936 298	96 535 713	82 500 000	90 936 298	94 434 486	52 500 000
Deferred Income	25	–	6 397 634	–	–	–	–
Loans payable	12	18 258 204	–	–	–	–	–
Lease liabilities	5	14 509 005	–	–	3 649 698	–	–
Finance lease liabilities	5	–	4 455 210	2 155 141	–	–	–
Deferred tax	15	43 181 093	37 539 046	30 670 276	1 176 427	–	–
		196 884 600	144 927 603	115 325 417	95 762 423	94 434 486	52 500 000
Current liabilities							
Loans from group companies	11	–	–	–	–	13 693 203	11 215 318
Deferred income	25	6 092 003	10 479 312	–	–	–	–
Loans payable	12	600 000	–	–	–	–	–
Interest-bearing liabilities	24	51 583 574	73 988 757	22 199 080	51 583 574	43 387 162	20 792 337
Current tax payable		8 292 088	6 246 177	9 682 633	–	–	–
Lease liabilities	5	6 307 544	–	–	873 720	–	–
Finance lease liabilities	5	–	3 175 177	1 917 658	–	–	–
Trade and other payables	26	50 229 924	39 224 802	41 506 875	396 633	6 588 750	4 201 634
Bank overdraft	20	891 249	2 750 927	1 330 872	–	3 084	–
		123 996 382	135 865 152	76 637 118	52 853 927	63 672 199	36 209 289
Total liabilities		320 880 982	280 792 755	191 962 535	148 616 350	158 106 685	88 709 289
Total equity and liabilities		1 201 993 968	1 103 633 498	922 021 665	877 237 231	722 153 101	622 775 490

Huge Connect Inventory and Deferred Income

During the current reporting period, the Group discovered that amounts relating to the purchase of devices by Huge Connect and amounts relating to the recognition of deferred income by Huge Connect had been set off through a suspense account in the Statement of Financial Position. As a result of this set off, assets and liabilities were understated in the prior reporting period, being FY2019. The understatements have been corrected by restating the FY2019 comparatives. The following tables summarise the impact of the restatements on the Group's consolidated financial statements for the FY2019 reporting period. The FY2019 reporting period was the only reporting period affected by this error and no further adjustments to any reporting periods are required in this regard.

There is no impact on the Group's basic or diluted earnings per share for FY2019 as a result of the above restatement. The impact on the Statement of Comprehensive and Other Income includes the recognition of an income tax liability (as a result of the adjustment to deferred income) as well as the recognition of a deferred tax credit. The income tax liability and the deferred tax credit are equal and opposite.

Audited 28 February 2019 Statement of Financial Position	Group		
	2019 Restated	2019 Previously reported	Adjustments
Figures in Rand			
Assets			
Non-current assets			
Deferred tax	20 431 608	16 452 808	3 978 800
Current assets			
Inventories	18 799 675	2 509 634	16 290 041
Liabilities			
Non-current liabilities			
Deferred Income	(6 397 634)	–	(6 397 634)
Current liabilities			
Deferred income	(10 479 312)	(586 904)	(9 892 408)
Current tax payable	(6 246 176)	(2 267 377)	(3 978 799)
Total	16 108 161	16 108 161	–

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NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

38. Prior period restatement (continued)

Audited 28 February 2019 statement of profit or loss and other comprehensive income ¹	Group		
	2019 Restated	2019 Previously reported	Adjustments
Figures in Rand			
Profit before taxation	112 221 468	112 221 468	–
Current Tax ¹	(18 741 640)	(22 720 440)	(3 978 800)
Deferred Tax ¹	(2 974 062)	1 004 738	3 978 800
Profit for the year	90 505 766	90 505 766	–

¹ The adjustments raised in relation to the prior period error that affected the income statement included a debit to current tax and a credit to deferred tax in the same amounts.

Outcome of the FRIP Process

In terms of paragraph 8.65 of the JSE Listings Requirements the FRIP instructed Huge to:

Advise shareholders of the outcome of the JSE and FRIP process, specifically that:

- (i) it was contrary to IFRS to recognise the R14.4 million donation as income in the February 2019 results; and
- (ii) the purchase price for the ConnectNet acquisition should have been reduced by the cash and shares donated to The CI Trust.

Huge therefore made a correction for the above error in terms of IAS 8 in the audited AFS for 29 February 2020 as detailed below.

Audited statement of financial position	Group			Group		
	2019 Restated	2019 Previously reported	Adjustments	2018 Restated	2018 Previously reported	Adjustments
Figures in Rand						
Assets						
Non-current assets						
Goodwill	595 350 156	609 821 088	(14 470 932)	578 972 320	593 443 252	(14 470 932)
Equity						
Share premium ¹	608 772 651	605 876 904	(2 895 747)	618 755 484	618 755 484	–
Share-based payment reserve ¹	4 141 848	7 037 595	2 895 747	–	–	–
Donation trust reserve ²	–	–	–	14 470 932	–	14 470 932
Accumulated profit/(loss)	(209 003 529)	(223 474 461)	14 470 932	(128 773 534)	(128 773 534)	–

¹ The distribution of treasury shares between share premium and the share-based payment reserve relates to 258 840 Huge Shares which were held as an investment by The CI Trust and which were distributed by The CI Trust to its share beneficiaries during FY2019 amounting to R2 895 747. A total of 728 678 Huge Shares have been distributed by The CI Trust to its share beneficiaries up to the end of FY2020 amounting to R6 593 240 split between the respective years.

² Where the granting of shares arises from a business combination and the shares are recognised as a reduction of the transaction price in the business combination (please refer to note 6) a negative reserve (the **Donation Trust Reserve**) is established in equity and represents an accelerated reversal of the transfer which would take place from the share based payment reserve when the shares in question have vested. Refer to note 37 for additional information relating to the granting of shares to The CI Trust in connection with the ConnectNet acquisition in FY2018.

Audited statement of profit or loss and other comprehensive income	Group 2019			Group 2018		
	2019 Restated	Previously reported	Adjustments	2018 Restated	Previously reported	Adjustments
Figures in Rand						
Other income ²	2 975 823	17 446 755	(14 470 932)	2 579 656	2 579 656	–
Profit for the year	76 034 834	90 505 766	(14 470 932)	77 064 080	77 064 080	–
Total comprehensive income attributable to:	76 034 834	90 505 766	(14 470 932)	77 064 080	77 064 080	–
Owners of the parent	79 121 837	93 592 769	(14 470 932)	76 840 867	76 840 867	–
Non-controlling interest	(3 087 003)	(3 087 003)	–	223 213	223 213	–

2. On or about 17 March 2017, the relevant shareholders and ConnectNet Broadband Wireless concluded an incentive agreement (the **Incentive Agreement**). In terms of the Incentive Agreement, the parties made reference to the subscription and repurchase agreement (**SRA**) and the fact that the repurchase consideration (as that term is defined in the SRA) was subject to upward adjustment. The parties also made reference to a profit warranty made by the relevant shareholders to Huge. The parties acknowledged that it was necessary to provide certain employees, directors and or consultants of ConnectNet Broadband Wireless and its wholly-owned subsidiary company, Sainet Internet (the **ConnectNet Broadband Wireless Group**), with incentives in order for ConnectNet Broadband Wireless Group to achieve the profit warranty. The parties agreed to establish an incentive trust (**The CI Trust**) and the relevant shareholders agreed to donate cash of R1.2 million and 1 466 667 Huge Shares to The CI Trust. The total donation amounted to R14 470 932.

Audited Statement of Cashflow	Group 2019			Group 2018		
	2019 Restated	Previously Reported	Adjustments	2018 Restated	Previously Reported	Adjustments
Figures in Rand						
Cash flows from operating activities	59 703 986	74 174 917	(14 470 931)	66 561 964	66 561 964	–
Cash flows from investing activities	(133 446 028)	(133 446 028)	–	(210 459 442)	(210 459 442)	–
Cash flows from financing activities	66 014 986	51 544 055	14 470 931	111 296 930	111 296 930	–

Audited statement of financial position	Company 2019			Company 2018		
	2019 Restated	Previously reported	Adjustments	2018 Restated	Previously reported	Adjustments
Figures in Rand						
Assets						
Non-current assets						
Investments in subsidiary companies	523 158 195	537 629 127	(14 470 932)	520 622 545	535 093 477	(14 470 932)
Equity						
Donation trust reserve	14 470 932	–	14 470 932	14 470 932	–	14 470 932

The impact on the Group's basic and diluted earnings per share for FY2020 and FY2019 are detailed below. There were no adjustment to the Group's basic and diluted earnings per share for FY2018.

Earnings per share information	FY2020	FY2019 Restated	FY2019 Previously reported
	Basic earnings per share (cents)	57.58	48.05
Headline earnings per share (cents)	57.03	47.02	55.81
Diluted basic earnings per share (cents)	57.42	47.81	56.55
Diluted headline earnings per share (cents)	56.87	46.78	55.53

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39. Related parties

Relationships	2020
Subsidiary companies	Huge Capital Huge Connect Huge Management Huge Media Huge Messaging Huge Services Huge Networks Huge Payments Huge Software Huge Technologies Huge Telecom Pansmart
Trust under the control of Huge	The CI Trust
Associate companies	Huge Cellular Huge Soho
Entities controlled by directors which have transacted with a Group Company	Casa Da Luz (DF da Silva) Windfall (VM Mokholo)
Members of key management	JC Herbst AP Openshaw SL Sequeira

Related party balances

Loan accounts – Owing (to) by related parties

Loan accounts – Owing (to) by associate companies

Figures in Rand	Group		Company	
	2020	2019	2020	2019
Huge Cellular ¹	68 297 016	64 200 648	–	–
Huge Soho ¹	2 406 542	2 407 507	1 206 542	1 207 507
Total	70 703 558	66 608 155	1 206 542	1 207 507

¹ Refer to note 11 for further details.

Loan accounts – Owing (to) by subsidiary companies

Figures in Rand	Group		Company	
	2020	2019	2020	2019
Huge Connect ¹	–	–	–	(13 693 203)
Huge Management ¹	–	–	72 168 104	539 629
Huge Media ¹⁺²	–	–	21 238 535	21 238 535
Huge Networks	–	–	7 469 293	–
Huge Software ¹	–	–	–	2 519 392
Huge Technologies ¹	–	–	36 457 848	33 842 944
Huge Telecom	–	–	38 760 856	86 425 960
Pansmart ¹	–	–	15 141 438	–
The CI Trust ¹	–	–	–	1 134 000
Total	–	–	191 236 074	132 007 257

¹ Refer to note 11 for further details.

² A provision for impairment of the full Huge Media loan was raised in prior years.

Loan accounts – Owing (to) by related individuals

Figures in Rand	Group		Company	
	2020	2019	2020	2019
JC Herbst ³	–	13 034	–	13 034
GB Shiers ⁴	(450 000)	(750 000)	–	–
J Ingram ⁴	(450 000)	(750 000)	–	–
Total	(900 000)	(1 486 966)	–	13 034

³ Refer to note 18 for further details.

⁴ Refer to note 12 for further details.

Loan accounts – Owing (to) by company related to associate

Figures in Rand	Group		Company	
	2020	2019	2020	2019
Windfall ⁴	–	10 200	–	5 100
Total	–	10 200	–	5 100

⁴ Refer to note 12 for further details.

Amounts included in Trade receivables/(Trade payables) – Owing (to) by subsidiary companies

Figures in Rand	Group		Company	
	2020	2019	2020	2019
Huge Connect	–	–	–	(2 210 418)
Huge Management	–	–	436 298	–
Huge Networks	–	–	–	7 980 254
Huge Software	–	–	–	4 781
Huge Telecom	–	–	(31 346)	(1 285 525)
Huge Telecom	–	–	3 117 174	10 443 813
Total	–	–	3 522 125	14 932 905

Amounts included in Trade receivables/(Trade payables) – Owing (to) by related individuals

Figures in Rand	Group		Company	
	2020	2019	2020	2019
JC Herbst	–	–	–	17 442
VM Mokholo	–	–	–	(15 000)
Windfall	–	–	–	5 101
Z Bulbulia	–	–	–	(115 000)
Total	–	–	–	(107 457)

Related party transactions

Interest paid to/(received from) subsidiary companies¹

Figures in Rand	Group		Company	
	2020	2019	2020	2019
Huge Connect	–	–	–	1 706 795
Huge Management	–	–	(2 147 445)	–
Huge Software	–	–	–	(177 731)
Huge Telecom	–	–	(1 573 919)	(2 484 308)
Pansmart	–	–	(1 240 129)	–
The CI Trust	–	–	–	(42 466)
Total	–	–	(4 961 493)	(997 710)

¹ Refer to note 31 and 32 for further details.

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NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

39. Related parties (continued)

Dividends paid to/(received from) subsidiary companies

	Group		Company	
	2020	2019	2020	2019
Huge Connect ¹	-	-	(515 075 000)	(28 000 000)
Huge Telecom	-	-	1 808 799	-
	-	-	(513 266 201)	(28 000 000)

¹ Refer to note 31 for further details.

Purchases from subsidiary companies

	Group		Company	
	2020	2019	2020	2019
Huge Services	-	470 702	-	-
Huge Software	-	400 007	-	-
	-	870 709	-	-

Consulting fees paid to related parties

	Group		Company	
	2020	2019	2020	2019
Casa Da Luz Proprietary Limited ¹	720 000	838 100	-	-
VM Mokholo ²	200 000	-	-	-
Z Bulbulia ³	-	1 200 000	-	1 200 000
	920 000	2 038 100	-	1 200 000

¹ Casa Du Luz Proprietary Limited entered into a capital raising fee consulting agreement in prior years which was still in effect at 29 February 2020.

² VM Mokholo entered into a once-off consulting arrangement in relation to the Windfall transaction that took place in the current year.

³ The consulting agreement with Z Bulbulia was assigned to Huge Management from 1 March 2020 and came to an end on 12 May 2020.

Surety fees paid to related parties

	Group		Company	
	2020	2019	2020	2019
JC Herbst ¹	1 158 708	-	-	-
	1 158 708	-	-	-

¹ JC Herbst stood as surety for the obligations of Huge Telecom to various creditors during the previous reporting periods. The surety fees relate to payment for assuming these risks.

Management fees (received from)/paid to subsidiary companies

	Group		Company	
	2020	2019	2020	2019
Huge Connect	-	-	-	(7 800 000)
Huge Management	-	-	-	-
Huge Network	-	-	-	(1 774 128)
Huge Software	-	-	-	(49 884)
Huge Telecom	-	-	-	(18 290 736)
Huge Telecom	-	-	-	900 000
	-	-	-	(27 014 748)

Acquisition of remaining equity in Huge Services

Huge Telecom concluded a sale of shares agreement with Adapt IT Proprietary Limited (**AdaptIT**) in respect of the acquisition of the remaining 50% of the issued share capital of Huge Services (formerly Gonondo Telecom). Huge Services had been the subject of a joint venture between Huge Telecom and AdaptIT. Subsequent to the acquisition of the remaining equity in Gonondo Telecom, its name was changed to Huge Services. The agreements became unconditional on 16 September 2019.

Acquisition of a shareholding in Pansmart

Huge concluded agreements involving Pansmart. The agreements became unconditional on 13 May 2019. The purchase consideration for the 50.254% of the ordinary shares of Pansmart amounted to R100. Huge also acquired 50% of the shareholder claims on loan account which, amounted to R13 151 309.

Acquisition of Huge Payments

Huge concluded a sale of shares and claims agreement involving IntelPay Proprietary Limited (**IntelPay**). In terms of the agreement, Huge acquired 100% of the issued share capital of IntelPay and all of the shareholder claims on loan account against IntelPay for the sum of R100 000. The agreements became unconditional on 27 March 2019.

Sale of shares in Huge Cellular and Huge Soho

Huge Telecom, the holding company of Huge Cellular, concluded a sale of shares agreement with Windfall. In terms of the agreement, Huge Telecom disposed of 51% of its ordinary shares in Huge Cellular to Windfall. The sale resulted in loss of control of Huge Cellular and the subsequent recognition and measurement of Huge Cellular as an associate company of the Group. This recognition and measurement was undertaken in FY2019.

Huge, the holding company of Huge Soho, concluded a sale of shares agreement with Windfall. In terms of the agreement, Huge disposed of 51% of its ordinary shares in Huge Soho to Windfall. This sale resulted in loss of control of Huge Soho and the subsequent recognition and measurement of Huge Soho as an associate company of the Group. This recognition and measurement was undertaken during FY2019.

Refer to note 37 for additional disclosure.

40. Remuneration and benefits paid to directors/prescribed officers

Executive

2020							
Name	Services to the Company	Incentives	Services to other Group companies	Services in connection with the affairs of the Company or Group	Risk, retirement and medical contributions paid or payable	Total	
JC Herbst	3 736 182	3 960 000	–	–	524 781	8 220 963	
AP Openshaw	2 919 966	–	–	–	111 819	3 031 785	
SL Sequeira	1 138 416	75 000	–	–	–	1 213 416	
Total	7 794 564	4 035 000	–	–	636 600	12 466 164	

2019							
Name	Services to the Company	Incentives	Services to other Group companies	Services in connection with the affairs of the Company or Group	Risk, retirement and medical contributions paid or payable	Total	
JC Herbst	3 658 339	–	–	–	339 720	3 998 059	
Z Bulbulia ¹	3 995 487	–	–	–	–	3 995 487	
Total	7 653 826	–	–	–	339 720	7 993 546	

¹ Z Bulbulia resigned from the Board with effect from 31 December 2018.

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NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

40. Remuneration and benefits paid to directors/prescribed officers (continued)

Non-executive

2020	Directors' fees	Consultancy fees	Total
BC Armstrong	486 000	–	486 000
DF da Silva	844 000	720 000	1 564 000
DR Gammie	487 000	–	487 000
CWJ Lyons	487 000	–	487 000
VM Mokholo	487 000	200 000	687 000
SP Tredoux	469 000	–	469 000
Total	3 260 000	920 000	4 180 000

2019	Directors' fees	Consultancy fees	Total
BC Armstrong	451 800	–	451 800
DF da Silva	773 500	720 000	1 493 500
DR Gammie	451 800	–	451 800
CWJ Lyons	483 800	–	483 800
VM Mokholo	451 800	–	451 800
SP Tredoux	474 406	–	474 406
Total	3 087 106	720 000	3 807 106

Prescribed officers

2020	Services to the Company	Services to other Group companies	Services in connection with the affairs of the Company or Group	Risk, retirement and medical contributions paid or payable	Total
RR Burger ¹	–	2 262 445	–	161 366	2 423 811
A Lessing ²	–	2 196 532	–	77 592	2 274 124
SM Oberholzer ³	–	1 754 637	–	58 920	1 813 557
CWE Rowan ⁴	–	686 011	–	–	686 011
Total	–	6 899 625	–	297 878	7 197 503

¹ RR Burger, in his capacity as Managing Director of Huge Telecom, is a prescribed officer of the Company.

² A Lessing, in his capacity as Managing Director of Huge Connect, was a prescribed officer of the Company. Mr Lessing held this position until 31 October 2019. Mr Lessing received personal car insurance through a company insurance scheme which benefits the employees of Huge Connect.

³ SM Oberholzer, in his capacity as Managing Director of Huge Networks, is a prescribed officer of the Company.

⁴ CWE Rowan, in his capacity as Managing Director of Huge Software, was a prescribed officer of the Company. Mr Rowan resigned with effect from 17 February 2020.

2019	Services to the Company	Services to other Group companies	Services in connection with the affairs of the Company or Group	Risk, retirement and medical contributions paid or payable	Total
RR Burger ¹	–	590 073	–	92 732	682 805
G Engling ²	–	2 000 470	–	132 388	2 132 858
A Lessing	–	2 086 909	–	92 913	2 179 822
SM Oberholzer	–	1 791 790	–	53 436	1 845 226
CWE Rowan	–	674 312	–	–	674 312
Total	–	7 143 554	–	371 469	7 515 023

¹ Following his appointment as Acting Managing Director and subsequently Managing Director of Huge Telecom, RR Burger became a prescribed officer of the Company on 7 November 2018.

² Prior to his resignation as Managing Director of Huge Telecom on 6 November 2018, G Engling was a prescribed officer of the Company.

41. Financial instruments and risk management

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and while it retains ultimate responsibility for risk management, has delegated the authority for designing and operating processes that ensure the effective implementation of objectives and policies to the Group's finance function. The Board receives monthly reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies which it sets.

Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

Group – 2020		Fair value through profit or loss	Financial assets at amortised cost	Leases	Total	Fair Value
	Note(s)					
Loans to associate companies	11	–	70 703 558	–	70 703 558	70 703 558
Loans to shareholders	18	–	–	–	–	–
Loans receivable	12	–	540 331	–	540 331	540 331
Investments at fair value	14	403 640	–	–	403 640	403 640
Finance lease receivables	16	–	–	–	–	–
Trade and other receivables	19	–	58 391 087	–	58 391 087	58 391 087
Cash and cash equivalents	20	–	40 152 606	–	40 152 606	40 152 605
		403 640	169 787 582	–	170 191 222	170 191 221

Group – 2019		Fair value through profit or loss	Financial assets at amortised cost	Leases	Total	Fair Value
	Note(s)					
Loans to associate companies	11	–	66 608 155	–	66 608 155	66 608 155
Loans to shareholders	18	–	13 034	–	13 034	13 034
Loans receivable	12	–	8 464 009	–	8 464 009	8 464 009
Investments at fair value	14	45 005 610	–	–	45 005 610	45 005 610
Finance lease receivables	16	–	–	2 385 068	2 385 068	2 385 068
Trade and other receivables	19	–	59 645 753	–	59 645 753	59 645 753
Cash and cash equivalents	20	–	23 958 494	–	23 958 493	23 958 493
		45 005 610	158 689 445	2 385 068	206 080 122	206 080 122

Company – 2020		Fair value through profit or loss	Financial assets at amortised cost	Total	Fair Value
	Note(s)				
Loans to Group companies	11	–	169 997 539	169 997 539	169 997 539
Loans to associate companies	11	–	1 206 542	1 206 542	1 206 542
Loans to shareholders	18	–	–	–	–
Loans receivable	12	–	–	–	–
Investments at fair value	14	457 478 640	–	457 478 640	457 478 640
Trade and other receivables	19	–	3 553 471	3 553 471	3 553 471
Cash and cash equivalents	20	–	19 550 522	19 550 522	19 550 522
		457 478 640	194 308 074	651 786 714	651 786 714

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NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

41. Financial instruments and risk management (continued)

Company – 2019		Fair value through profit or loss	Financial assets at amortised cost	Total	Fair Value
	Note(s)				
Loans to Group companies	11	–	110 768 722	110 768 722	110 768 722
Loans to associate companies	11	–	1 207 507	1 207 507	1 207 507
Loans to shareholders	18	–	13 034	13 034	13 034
Loans receivable	12	–	5 100	5 100	5 100
Investments at fair value	14	45 005 610	–	45 005 610	45 005 610
Trade and other receivables	19	–	22 447 625	22 447 625	22 447 625
Cash and cash equivalents	20	–	2 296 665	2 296 665	2 296 665
		45 005 610	136 738 653	181 744 263	181 744 263

Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

Group – 2020		Financial liabilities at amortised cost	Leases	Total	Fair value
	Note(s)				
Trade and other payables	26	43 864 842	–	43 864 842	43 864 842
Interest-bearing liabilities	24	172 519 872	–	172 519 872	172 519 872
Lease liabilities	5	–	20 816 549	20 816 549	20 816 549
Bank overdraft	20	891 249	–	891 249	891 249
		217 275 963	20 816 549	238 092 512	238 092 512

Group – 2019		Financial liabilities at amortised cost	Leases	Total	Fair value
	Note(s)				
Trade and other payables	26	32 814 148	21 159	32 835 307	32 835 307
Interest-bearing liabilities	24	170 524 470	–	170 524 470	170 524 470
Finance lease liabilities	5	–	7 630 387	7 630 387	7 630 387
Bank overdraft	20	2 750 927	–	2 750 927	2 750 927
		206 089 545	7 651 546	213 741 091	213 741 091

Company – 2020		Financial liabilities at amortised cost	Leases	Total	Fair value
	Note(s)				
Trade and other payables	26	396 632	–	396 632	396 632
Lease liabilities	5	–	4 523 418	4 523 418	4 523 418
Interest-bearing liabilities	24	142 519 872	–	142 519 872	142 519 872
		142 916 504	4 523 418	147 439 922	147 439 922

Company – 2019		Financial liabilities at amortised cost	Total	Fair value
	Note(s)			
Trade and other payables	26	5 433 660	5 433 660	5 433 660
Loans from Group companies	11	13 693 203	13 693 203	13 693 203
Interest-bearing liabilities	24	137 821 648	137 821 648	137 821 648
		156 948 511	156 948 511	156 948 511

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 24, loans as disclosed in notes 11, 12 and 26 as well as equity as disclosed in the statement of financial position in note 23.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure, and it adjusts the capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new Shares, or sell assets to reduce debt.

There are externally imposed capital requirements. Refer to bank covenants in notes 20 and 24.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and having access to available funding in terms of an adequate amount of committed credit facilities. Prudent liquidity risk management also applies to the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The Group's exposure to liquidity risk is that there may be insufficient funds available to cover future commitments. The Group manages liquidity risk through an ongoing review of future commitments and credit facilities.

The Group manages its liquidity needs by carefully monitoring the scheduled debt servicing payments of long-term interest-bearing financial liabilities as well as forecasting cash inflows and outflows on a day-to-day basis. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis as well as a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day outlook period are identified monthly. Net cash requirements are compared to available borrowing facilities to determine headroom or shortfalls. This analysis indicates whether available borrowing facilities are expected to be sufficient over the outlook period.

To meet its liquidity requirement for the three-month periods referred to above, the Group maintains cash balances at appropriate levels.

Funding for long-term liquidity needs is secured by an adequate amount of committed credit facilities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

There are no amounts (2019: R4 020 004) in trade and other receivables subject to legal dispute.

Group	Note(s)	Carrying value	Contractual cash flow	Between one and 12 months	Between one and five years
At 29 February 2020		226 631 581	260 974 980	98 207 235	162 767 745
Non-current liabilities					
Interest-bearing liabilities	24	120 936 298	147 335 065	–	147 335 065
Lease liabilities	5	14 509 005	15 432 680	–	15 432 680
Current liabilities					
Trade and other payables	26	32 403 911	32 403 911	32 403 911	–
Lease liabilities	5	6 307 544	8 790 676	8 790 676	–
Interest-bearing liabilities	24	51 583 574	56 121 399	56 121 399	–
Bank overdraft	20	891 249	891 249	891 249	–
At 28 February 2019		198 386 074	200 447 995	98 219 556	102 228 439
Non-current liabilities					
Interest-bearing liabilities	24	96 535 713	96 535 713	–	96 535 713
Finance lease liabilities	5	4 455 210	5 692 726	–	5 692 726
Current liabilities					
Trade and other payables	26	17 480 289	17 480 289	17 480 289	–
Finance lease liabilities	5	3 175 177	3 999 582	3 999 582	–
Interest-bearing liabilities	24	73 988 757	73 988 757	73 988 757	–
Bank overdraft	20	2 750 928	2 750 928	2 750 928	–

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NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

41. Financial instruments and risk management (continued)

Interest rate risk (continued)

Company	Note(s)	Carrying value	Contractual cash flow	Between one and 12 months	Between one and five years
At 29 February 2020		142 916 504	142 916 504	51 980 206	90 936 298
Non-current liabilities					
Interest-bearing liabilities	24	90 936 298	90 936 298	–	90 936 298
Current liabilities					
Trade and other payables	26	396 632	396 632	396 632	–
Loans from group companies	11	–	–	–	–
Interest-bearing liabilities	24	51 583 574	51 583 574	51 583 574	–
Bank overdraft	20	–	–	–	–
At 28 February 2019		156 128 138	156 128 138	48 000 449	108 127 689
Non-current liabilities					
Interest-bearing liabilities	24	94 434 486	94 434 486	–	94 434 486
Current liabilities					
Trade and other payables	26	4 610 203	4 610 203	4 610 203	–
Loans from group companies	11	13 693 203	13 693 203	–	13 693 203
Interest-bearing liabilities	24	43 387 162	43 387 162	43 387 162	–
Bank overdraft	20	3 084	3 084	3 084	–

Interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates of interest expose the Group's cash flow to changes in the level of those interest rates. The Group's borrowings are variable rate borrowings which are denominated in Rand. The sensitivity analysis is based on year-end exposures.

At 29 February 2020, if interest rates on Rand-denominated borrowings had been 0.1% higher/lower with all other variables held constant, pre-tax profit for the year of the Group would have been R155 066 (2019: R117 984) lower/higher.

Variable interest rate instruments	Group		Company	
	2020	2019	2020	2019
Cash and cash equivalents	39 261 356	21 207 565	19 550 522	2 293 581
Interest-bearing liabilities	(172 519 872)	(170 524 470)	(142 519 872)	(137 821 648)
Lease liabilities	(20 816 549)	(7 630 387)	–	–
	(154 075 065)	(156 947 292)	(122 969 350)	(135 528 067)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and cash and cash equivalents.

Exposure to credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investments in debt securities.

The carrying amounts of financial assets represents the Group's maximum credit exposure.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Trade receivables inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if customers fail to make payments as they fall due.

Management, of the relevant entities within the Group, have established a credit policy which is aligned to the Group's policy, under which each new customer is analysed individually for creditworthiness before the Group's standard payment and deliver terms and conditions are offered. The Group's review includes external ratings including credit scoring (TBD47) and Compuscan, financial statements, credit agency information, industry information and bank references. Credit limits

are established for each customer and are reviewed quarterly. Any sales exceeding these credit limits require approval from management of the relevant entities within the Group in accordance with Group policy. The Group continuously monitors the potential default by its customers and other counterparties, identified either individually or as a Group and incorporates this information into its credit risk controls.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one month for customers. External credit ratings and/or reports on customers and counterparties are obtained and used. The Group's policy is to deal only with suitably creditworthy counterparties. Average debtors' terms are 30 days. Interest is charged on overdue customer accounts.

The Group establishes an allowance for impairment of debtors' balances that represents its estimate of potential credit losses in respect of trade and other receivables. The main components of this credit loss allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that may be incurred but may not yet be identified. The collective loss allowance is determined based on the historical data of payment statistics for similar financial assets.

The Group does not require collateral in respect of trade and other receivables. The Group does not have trade receivables for which no credit loss allowance is recognised because it is in possession of collateral.

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of credit loss (including but not limited to external ratings, annual financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies.

The Group uses an credit loss allowance matrix to measure the expected credit losses of trade receivables from customers, which comprise a very large number of small balances. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off utilising historical data over the past six years.

Risk levels are assigned to the customer status: Level 1 relates to trade and other receivables balances outstanding where the risk of default did not increase during the current year – therefore a lower risk factor has been applied, Level 2 relates to trade and other receivables balances where the risk of default did increase in the current year and therefore a mid to low risk factor has been applied, Level 3 relates to trade and other receivables balances which are considered to be credit impaired and a high risk factor has been applied.

The Group's historical credit loss experience identifies the requirement to disaggregate the trade and other receivables into further risk profiles relating to a customer's credit status. These risk profiles include active, suspended, payment plan, disconnected and handed-over, pending. In monitoring customer credit risk, customers are grouped according to these profiles and the credit risk levels and expected credit loss rate is assigned to these profiles. The provision for credit losses is therefore based on past due status of these profiles. The exposure to credit risk and expected credit loss allowances for trade and other receivables is determined as follows:

Exposure to credit risk

	2020			2019		
	Estimated gross carrying amount at default	Loss allowance rate	Loss allowance ¹	Estimated gross carrying amount at default	Loss allowance rate	Loss allowance
Trade receivables – Group¹						
Active	36 438 977	5.4%	1 950 602	50 832 112	1.0%	498 155
Disconnected	367 161	71.3%	261 628	442 275	2.9%	12 952
Payment plan	1 005 151	15.8%	158 832	85 593	20.5%	17 559
Handover pending	12 319 763	35.6%	4 390 658	1 256 518	91.5%	1 149 393
Suspended	16 968 198	94.4%	16 016 923	1 478 450	100.0%	1 478 450
Total	67 099 250		22 778 643	54 094 948		3 156 509

¹ As trade receivables are being managed on a collective basis, the details relating to each profile is as follows:

- a) Active - Customers where no risks of non-payment have been identified and fall within the current to 30-day ageing brackets;
- b) Disconnected - Customers who are in the 90-120 day ageing brackets who have defaulted on payment;
- c) Payment Plan - Customers who have defaulted but have subsequently entered into formal or informal payment plans;
- d) Handover Pending - Disconnected customers who have defaulted further and where a greater loss allowance has been applied;
- e) Suspended - Relates to a customers who have been handed over to legal.

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NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

41. Financial instruments and risk management (continued)

Reconciliation of loss allowances

The following table shows the movement in the credit loss allowance (lifetime expected credit losses) for trade and other receivables:

	2020	2019
Opening balance in accordance with IFRS 9	(3 157 159)	(2 121 786)
Amounts written off against provision	1 356 911	1 969 786
Amounts recovered	(819 405)	(808 527)
Business combination additions	(3 037 621)	–
Net movement of loss allowance	(17 121 368)	(2 196 632)
Closing balance	(22 778 642)	(3 157 159)

The Group is not exposed to any significant credit risk for any single counterparty or any Group of counterparties having similar characteristics. Trade receivables comprise a large number of customers in various industries and geographical areas.

Financial assets exposed to credit risk at year-end were as follows:

Group	Note(s)	2020			2019		
		Gross carrying amount	Credit loss allowance	Amortised cost/fair value	Gross carrying amount	Credit loss allowance	Amortised cost/fair value
Loans to associate companies	11	70 703 558	–	70 703 558	62 400 648	–	62 400 648
Loans to shareholders	18	–	–	–	13 034	–	13 034
Loans receivable	12	540 331	–	540 331	8 464 009	–	8 464 009
Finance lease receivables	16	–	–	–	2 385 068	–	2 385 068
Trade and other receivables	19	92 035 924	(22 778 643)	69 257 281	68 039 612	(2 946 160)	65 093 452
Contract assets	13	7 069 614	–	7 069 614	14 912 254	–	14 912 254
Cash and cash equivalents	20	40 152 606	–	40 152 606	23 958 493	–	23 958 493
		210 502 033	(22 778 643)	187 723 390	180 173 118	(2 946 160)	177 226 958

Company	Note(s)	2020			2019		
		Gross carrying amount	Impairment	Amortised cost/fair value	Gross carrying amount	Credit loss allowance	Amortised cost/fair value
Loans to group companies	11	191 236 074	(21 238 535)	169 997 539	145 700 460	(21 238 535)	124 461 925
Loans to associate companies	11	1 206 542	–	1 206 542	1 207 507	–	1 207 507
Loans to shareholders	18	–	–	–	13 034	–	13 034
Loans receivable	12	–	–	–	5 100	–	5 100
Trade and other receivables	19	4 413 799	–	4 413 799	22 447 625	–	22 447 625
Cash and cash equivalents	20	19 550 522	–	19 550 522	2 296 665	–	2 296 665
		216 406 937	(21 238 535)	195 168 402	171 670 391	(21 238 535)	150 431 856

The Group continuously monitors the potential default by its customers and other counterparties, identified either individually or as a group and incorporates this information into its credit risk controls.

The Group's management considers that all of the above financial assets, which are not impaired or past their due date, for each of the reporting dates under review, are of good credit quality.

Loans to Group companies and shareholders are assessed in accordance with IFRS 9. The expected credit losses are calculated using historical and forward-looking potential default risks. Each entity within the Group has the necessary means to settle its obligations and no risk of default or concern has been identified through the IFRS 9 credit loss allowance process. No credit loss allowance has therefore been raised on these related party balances.

Reconciliation of provision for impairment of trade and other receivables

The Group is not exposed to any significant credit risk for any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas.

Cash and cash equivalents

The Group held cash and cash equivalents of R39 261 357 at 29 February 2020 (2019: R21 207 565). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+, based on Standard & Poor's ratings.

Impairment of cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

On initial application of IFRS 9, the Group did not recognise an impairment allowance for cash and cash equivalents. At 29 February 2020 the Group's assessment of expected credit losses of cash and cash equivalents was not material and therefore no impairment allowance was raised.

42. Events after the reporting period

Share Repurchase Programme

Following the announcement on 15 January 2020, the Company repurchased 12 500 Huge Shares amounting to R62 500 at an average price of 500 cents per share. These Shares were delisted on 30 April 2020.

After 29 February 2020 and up until 30 August 2020, the Company repurchased 1 614 043 Huge Shares amounting to R5 918 625 at an average price of 367 cents per share, of which 7 500 were delisted on 20 April 2020 and the remaining will be delisted in due course.

Dealings in securities by Directors

Following the announcement on 1 July 2020, 560 089 Huge Shares were allocated to, and vested in, share beneficiaries of The CI Trust and are held by the directors of Huge Connect and Huge Networks. The market value per share is R4.38, the market value of the transaction amounted to R2 458 175 and clearance to deal was obtained.

Performance Incentive

The payment of performance incentives to executive directors is based on measured and agreed objectives, the detail of which is set out in the Remuneration Report.

COVID-19

The directors have assessed the impact of the COVID-19 lockdown on the individual subsidiary companies as well as the Group as a whole and although the Group has been impacted, the assessment performed has reassured the directors that the impact is not material and of a concern to the Group. Refer to the Directors Report, which includes full detail relating to the assessments performed in this regard.

Other matters

The directors are not aware of any other significant matters or circumstance arising since the end of the reporting period, not otherwise dealt with in the AFS, which affects the financial position of the Group or the results of its operations to the date of this report.

43. Going concern

The Board has undertaken a detailed review of the going concern capability of the Company (and all of the subsidiary companies of the Company) with reference to certain assumptions and plans underlying various cash flow forecasts.

The Board has not identified any events or conditions that individually or collectively cast significant doubt on the ability of the Company and the Group to continue as a going concern.

Based on these facts, the Board believes that the Group is a going concern and will remain a going concern for the 12-month period that follows the date of approval of these AFS. Accordingly, the Company and the Group continue to adopt the going concern basis of preparing these AFS.

Shareholder information

SHAREHOLDER ANALYSIS

	2020		2019	
	Number of Shareholders	Number of Shares	Number of Shareholders	Number of Shares
Public	723	84 036 755	770	76 579 203
Non-Public	22	91 590 322	22	99 047 874
	745	175 627 077	792	175 627 077

Non-Public Shareholder Analysis	2020		2019	
	Number of Shares	Number of Shareholders	Number of Shares	Number of Shareholders
Beneficial direct holdings relating to directors of Huge	300 623	3	285 194	3
Shareholders related to directors of Huge ¹	268 370	1	268 370	1
Shareholders related to directors of major subsidiaries	32 253	2	16 824	2
Beneficial indirect holdings relating to directors of Huge	17 004 667	6	17 004 667	5
Shareholdings related to directors of Huge	–	–	–	–
Shareholdings related to the directors of major subsidiaries	17 004 667	6	17 004 667	5
Non-beneficial indirect holdings relating to directors of Huge	27 400 117	10	27 385 060	10
Shareholdings related to directors of Huge ²	24 445 549	4	24 445 549	4
CNet Empowerment (Pledged)	1 706 728	1	1 706 728	1
CNet Empowerment	1 017 726	1	1 017 726	1
Associates of directors of Huge	200 000	3	200 000	3
Associates of directors of major subsidiaries	30 114	1	15 057	1
Treasury shares (Huge Telecom)	9 646 926	1	9 646 926	1
Treasury shares (The CI Trust)	737 989	1	1 206 027	1
Praesidium Hedge Fund	36 500 000	1	36 500 000	1
Peregrine Equities	–	–	7 020 000	1
TOTAL	91 590 322	22	99 047 874	22

Shares acquired on 27 February 2020 and not reflected on the share register dated 29 February 2020	Number of Shares	Number of Shareholders	Total Number of Shares
¹ AP Openshaw	50 000	1	50 000
² JC Herbst (Silver Meadow Trading 3)	59 409	1	400 000
	109 409	2	450 000

SHAREHOLDER ANALYSIS (continued)

Major Shareholders	2020		2019	
	Number of Shares	% Shareholding	Number of Shares	% Shareholding
Praesidium Hedge Fund	36 500 000	20.78%	36 500 000	20.78%
Pacific Breeze Trading 417 ¹	14 260 891	8.12%	14 260 891	8.12%
Standard Chartered Bank	9 967 386	5.68%	8 780 000	5.00%
Eagle Creek Investments 223 ¹	9 805 567	5.58%	9 805 567	5.58%
Huge Telecom	9 646 926	5.49%	9 646 926	5.49%
Government Employees Pension Fund	9 089 587	5.18%	9 597 933	5.46%
	89 270 357	50.83%	88 591 317	50.43%

¹ A non-beneficial holding related to JC Herbst.

Shareholder Analysis and Information	2020		2019	
	Number of Shareholders	Number of Shares	Number of Shareholders	Number of Shares
Individuals	599	16 511 544	633	16 896 021
Nominees and Trusts	22	23 297 423	24	22 490 729
Close Corporations	2	7 350	2	51 839 082
Companies, financial and other institutions	122	135 810 760	133	84 401 245
	745	175 627 077	792	175 627 077

Size of Shareholding	2020		2019	
	Number of Shareholders	Number of Shares	Number of Shareholders	Number of Shares
0 – 1000	349	87 564	345	87 564
1001 – 5000	139	509 604	174	509 604
5001 – 100 000	171	3 918 741	190	3 918 741
100 000 – 1 000 000	57	22 798 629	54	22 798 629
1 000 001 +	29	148 312 539	29	148 312 539
Total	745	175 627 077	792	175 627 077

Shareholder information

(continued)

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NOTICE OF ANNUAL GENERAL MEETING

HUGE GROUP LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2006/023587/06)
Share code: HUG
ISIN: ZAE00101042
("Huge" or "the Company")

Notice is hereby given to shareholders that the annual general meeting (**AGM**) of Huge for the year ended 29 February 2020 will be held on Thursday, 8 October 2020 at 11h00 by electronic communication, to:

- Deal with such business at the meeting with which the Company may lawfully deal; and
- Consider, and if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act 71 of 2008 (as amended) (the **Companies Act**), as read with the Company's Memorandum of Incorporation (**MOI**) and the Listings Requirements of the JSE Limited (**Listings Requirements**), being the stock exchange on which the Company's ordinary shares (**shares**) are listed.

ELECTRONIC PARTICIPATION

Huge considers the health and safety of its stakeholders as being paramount. Notwithstanding that the South African Government has declared the country to be operating at Alert Level 2 which would permit conferencing subject to the adherence of strict health and safety requirements, the board of directors of the Company (the **Board**) is of the view that it would be in the best interests of stakeholders to convene the AGM by electronic communication only.

Huge has engaged the services of The Meeting Specialist (**TMS**) to host the AGM on an electronic communication platform which will facilitate the remote participation and voting by shareholders. TMS will be available to assist shareholders in registering to participate and vote on the electronic communication platform in accordance with the Companies Act. While voting during the AGM will be permitted, shareholders are strongly encouraged to submit votes by proxy before the AGM. Shareholders wishing to participate in the AGM should instruct their CSDP or broker to issue them with the necessary letter of representation.

Shareholders who wish to participate in the AGM by way of the electronic communication platform are required to contact TMS at JSE Limited, One Exchange Square, 2 Gwen Lane, Sandown, Johannesburg, PO Box 62043, Marshalltown, 2107, or proxy@tmsmeetings.co.za, as soon as practically possible, but by no later than 11h00 on Wednesday, 7 October 2020.

Shareholders will be liable for their own network charges in relation to electronic participation in and/or voting at the AGM. Any such charges will not be for the account of the JSE, Huge nor TMS. Neither the JSE, Huge nor TMS can be held accountable in the case of a loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevents any such shareholder from participating in and/or voting at the AGM.

RECORD DATES, PROXIES AND VOTING

In terms of section 59(1)(a) and (b) of the Companies Act, the Board has set the record dates for the purposes of determining which shareholders are entitled to receive notice, participate in, and vote:

	2020
Record date to receive the notice of AGM	Friday, 21 August
Last date to trade to be eligible to participate in and vote at the AGM	Tuesday, 29 September
Record date to be eligible to participate in and vote at the AGM	Friday, 2 October

Kindly note that in terms of section 63(1) of the Companies Act, shareholders (including proxies) will be required to provide reasonably satisfactory identification before being entitled to participate in or vote at the AGM. The form of identification that will be accepted includes an original and valid identity document, a driver's licence and a passport.

Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration and who are entitled to attend, participate in and vote at the AGM are entitled to appoint a proxy to attend, speak and vote in their stead. A proxy need not be a shareholder and shall be entitled to vote on a show of hands or a poll. It is requested that forms of proxy be forwarded so as to reach TMS by no later than 24 (twenty-four) hours before the commencement of the AGM. If shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration and who are entitled to attend, participate in and vote at the AGM do not deliver the form of proxy to TMS by the relevant time, such shareholders will nevertheless be entitled to lodge the form of proxy in respect of the AGM immediately prior to the proxy exercising such shareholder's rights as a shareholder at the AGM, in accordance with the instructions therein, with the Chairman of the AGM.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own name" registration, should contact their Central Securities Depository Participant (**CSDP**) or broker in the manner and within the time stipulated in the agreement entered into between them and their CSDP or broker:

- to furnish them with their voting instructions; or
- in the event that they wish to attend the AGM, to obtain the necessary letter of representation to do so.
- Every shareholder present in person or represented by proxy and entitled to vote shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by such shareholder bears to the aggregate amount of the nominal value of all shares issued by the Company.

NOTE

In order for an ordinary resolution to be adopted, it must be supported by more than 50% (fifty percent) of the voting rights exercised in respect of the resolution, unless otherwise specified.

In order for a special resolution to be adopted, it must be supported by at least 75% (seventy-five percent) of the voting rights exercised in respect of the resolution.

NOTICE OF ANNUAL GENERAL MEETING (continued)

When reading the resolutions, please refer to the explanatory notes in respect thereof.

PRESENTATION TO SHAREHOLDERS

In terms of the requirements of the Companies Act and the Company's MOI, the following documents have been distributed as required and/or will be presented to the shareholders at the AGM:

- The Consolidated Annual Financial Statements (**AFS**) of the Company for the year ended 29 February 2020
- Directors' Report
- Independent Auditor's Report
- Audit Committee Report
- Social and Ethics Committee Report

A complete set of the AFS, together with the abovementioned reports, are set out in the Integrated Report of which this notice of AGM forms part.

The Integrated Report is available on the Company's website: www.hugegroup.com.

SOCIAL AND ETHICS COMMITTEE REPORT

In accordance with Regulation 43(5)(c) of the Companies Act, the Chairman of the Social and Ethics Committee will report to shareholders at the AGM.

ORDINARY RESOLUTION NUMBER 1

Re-appointment of the independent auditor

"Resolved that Moore Johannesburg Incorporated and CA Whitefield as the designated audit partner, following the recommendation of the current Audit Committee of the Company, be re-appointed as the independent auditor of the Company, until the conclusion of the next AGM."

Explanatory note

In terms of section 90(1) of the Companies Act, each year at its AGM, the Company must appoint an auditor who complies with the requirements of section 90(2) of the Companies Act. Following a detailed review, which included an assessment of its independence, the current Audit Committee of the Company has recommended that Moore Johannesburg Incorporated be re-appointed as the independent auditor of the Company.

ORDINARY RESOLUTION NUMBER 2 (2.1 TO 2.3)

Re-election of directors

"Resolved, to re-elect, by way of separate resolutions, the following non-executive directors who retire by rotation and who are eligible and available for re-election."

- 2.1 BC Armstrong (Independent non-executive director)
- 2.2 DF da Silva (independent non-executive director)
- 2.3 CWJ Lyons (Independent non-executive director)

A brief CV of each director appears on pages 38 and 39 of the Integrated Report of which this notice of AGM forms part.

Explanatory note

In terms of the Company's MOI, one third of the non-executive directors shall retire from office at each AGM.

The Board, through the Nomination Committee, has evaluated the past performance and contribution of the retiring directors and recommends that they be re-elected.

ORDINARY RESOLUTION NUMBER 3 (3.1 TO 3.3)

Election of Audit Committee members

"Resolved, to elect, by way of separate resolutions, the following independent non-executive directors as members of the Company's Audit Committee."

- 3.1 DR Gammie (Chairman)
- 3.2 CWJ Lyons (subject to the approval of ordinary resolution 2.3)
- 3.3 SP Tredoux"

A brief CV of each director appears on pages 38 and 39 of the Integrated Report of which this notice of AGM forms part.

Explanatory note

The members of the Audit Committee have been nominated by the Board for election as members of the Company's Audit Committee in terms of section 94(2) of the Companies Act. The Board has reviewed the proposed composition of the Audit Committee against the requirements of the Companies Act and Regulations and has confirmed that, if elected, the membership of the Audit Committee will comply with the relevant requirements and the members will have the necessary knowledge, skills and experience to enable it to perform its duties in terms of the Companies Act.

ORDINARY RESOLUTION NUMBER 4

General authority to allot and issue equity securities (securities) (including ordinary shares) for cash

"Resolved that, subject to the approval of 75% of the shareholders present in person and by proxy and entitled to vote at the AGM, the directors of the Company be and are hereby authorised, by way of a general authority, to allot and issue up to 30% of the authorised but unissued securities (including ordinary shares) of the Company as they in their discretion deem fit, subject to the provisions of the Companies Act, the Listings Requirements and the Company's MOI, provided that:

- (i) The securities (including ordinary shares) which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities (including ordinary shares) or rights that are convertible into a class already in issue;
- (ii) The securities (including ordinary shares) are issued to public shareholders, as defined in terms of the Listings Requirements, and not to related parties;

NOTICE OF ANNUAL GENERAL MEETING (continued)

- (iii) This authority shall not endure beyond the next AGM of the Company nor shall it endure beyond 15 (fifteen) months of the date of this meeting, whichever period is shorter;
- (iv) Upon any issue of securities (including ordinary shares) which, together with prior issues during the last 15 (fifteen) months from the date on which the resolution is passed or until the next AGM (whichever period is shorter), will constitute 5% or more of the number of securities (including ordinary shares) of the class in issue, the Company shall by way of an announcement on the Securities Exchange News Service of the JSE Limited providing full details thereof in terms of the Listings Requirements;
- (v) The number of securities (including ordinary shares) issued for cash shall not, in aggregate, exceed 30% of the Company's securities (including ordinary shares) as at the date of this notice of AGM, which, in the case of the Company's listed ordinary shares is 49 566 648 ordinary shares, which is 30% of 175 607 077 listed ordinary shares less 10 384 915 ordinary shares held as treasury shares, as at the date of this notice. Any securities (including ordinary shares) issued under this authority during the period of its validity must be deducted from the above number of ordinary shares and in the event of a sub-division or consolidation of the securities (including ordinary shares), this authority must be adjusted accordingly to represent the same allocation ratio; and
- (vi) The maximum discount at which securities (including ordinary shares) may be issued is 10% of the weighted average traded price of such securities (including ordinary shares) measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed or determined between the Company and the party subscribing for the securities (including ordinary shares)."

Explanatory note

In terms of the Listings Requirements, when securities (including ordinary shares) are issued, or where consideration is being given to issuing securities (including ordinary shares), for cash (including the extinction of a liability, obligation or commitment, restraint, or settlement of expenses), the shareholders are required to authorise such issue with a 75% (seventy-five percent) majority of the votes cast in favour of the resolution.

The directors consider it advantageous to renew this authority to enable the Company to take advantage of any business opportunity that may arise in future.

ADVISORY ENDORSEMENT NUMBER 1

Approval of the Company's Remuneration Policy

"To endorse, through a non-binding advisory vote, the Company's Remuneration Policy, as set out in the Remuneration Report contained on pages 47 to 49 of the Integrated Report of which this notice of AGM forms part."

ADVISORY ENDORSEMENT NUMBER 2

Approval of the Company's Remuneration Implementation Report

"To endorse, through a non-binding advisory vote, the Company's Remuneration Implementation Report, as contained on pages 47 to 51 of the Integrated Report of which this notice of AGM forms part".

Explanatory Note in respect of Advisory Endorsement Number 1 and Number 2

The King IV Report on Corporate Governance and the Listings Requirements require that the Board (with the assistance of the Remuneration Committee) table the Remuneration Policy and the Remuneration Implementation Report every year at the AGM for separate non-binding advisory votes by shareholders. In accordance with the provisions of the Listings Requirements, the Company shall give shareholders the right to express their views on the Remuneration Policy and the Remuneration Implementation Report. In the event that either the Remuneration Policy or the Remuneration Implementation Report, or both, have been voted against by 25% (twenty-five per cent) or more of the voting rights exercised by the shareholders, the Company will issue an invitation to shareholders who voted against these resolutions to engage with the Company. Details of such invitation will be communicated in the voting results announcement.

SPECIAL RESOLUTION NUMBER 1

Approval of the remuneration of non-executive directors

"Resolved as a special resolution that, in terms of section 66(9) of the Companies Act, the following remuneration shall be payable to non-executive directors of the Company in respect of the year ended 29 February 2020, for their services as directors."

	Fees payable for the financial year ended 29 February 2020		Proposed fees payable in financial year ended 28 February 2021	
	Monthly retainer	Meeting attendance fees	Monthly retainer	Meeting attendance fees
Chairman of the Board	R60 000	R18 000	R60 000	R18 000
Chairman of the Audit Committee	R31 000	R18 000	R45 000	R18 000
Chairman of the Risk Committee	R31 000	R18 000	R45 000	R18 000
Chairman of any other Committee	R31 000	R18 000	R35 000	R18 000
Member	R31 000	R18 000	R31 000	R18 000

A non-executive director of two or more committees or a non-executive director who is chairman of the Board and who is a chairman of a committee will be paid the higher of the applicable fees. The fees are not aggregated per role, per non-executive director. These fees are exclusive of Value-Added Tax, where applicable.

Explanatory note

Special resolution number 1 is proposed to enable the Company to comply with the provisions of sections 65(11)(h), 66(8) and 66(9) of the Companies Act, which stipulate that remuneration to directors for their services as directors may be paid only in accordance with a special resolution approved by shareholders.

For further information on the Group's remuneration practices, please refer to the Remuneration Report contained on pages 47 to 51 of the Integrated Report of which this notice of AGM forms part.

SPECIAL RESOLUTION NUMBER 2

Authority for the Company to grant financial assistance in terms of section 45 of the Companies Act

"Resolved as a special resolution that, in terms of section 45 of the Companies Act, the shareholders of the Company hereby approve of the Company providing, at any time and from time to time but subject to Board approval at such time, during the period of 2 (two) years commencing from the date of this special resolution, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act and provided that the Board is satisfied that:

- immediately after providing the financial assistance, the Company will satisfy the solvency and liquidity test; and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company."

Explanatory note

Special resolution number 2 is proposed in order to obtain approval from shareholders to enable the Company to provide financial assistance, when the need arises, in accordance with the provisions of section 45 of the Companies Act in order to provide for inter-company loans within the Group.

SPECIAL RESOLUTION NUMBER 3

General authority to repurchase (acquire) securities (including ordinary shares)

"Resolved as a special resolution that the Board is hereby authorised in terms of section 48(8) of the Companies Act by way of a renewable general authority, subject to the provisions of the Listings Requirements and as permitted by the Company's MOI, to approve the repurchase by the Company of its own securities (including ordinary shares) and/or the acquisition of the Company's securities (including ordinary shares) by any of its subsidiary companies, upon such terms and conditions and in such amounts as the Board may from time to time determine but subject to the Company's MOI, the provisions of the Companies Act and the Listings Requirements, where applicable and provided that:

- The repurchase by the Company of its own securities (including ordinary shares) or the acquisition of the Company's securities (including ordinary shares) by any subsidiary company of the Company in terms of this general authority may not, in the aggregate, exceed in any one reporting period 5% of the Company's issued securities (including ordinary shares) constituting its share capital as at the beginning of the reporting period. If applicable and subject to section 48(8)(b) of the Companies Act, the acquisition of securities (including ordinary shares) as treasury shares by a subsidiary company of the Company

may not exceed 10% of the number of securities (including ordinary shares) issued by the Company;

- This general authority shall lapse on the earlier of the date of the next AGM of the Company or the date that is 15 (fifteen) months after the date on which this special resolution is passed;
- The Board has resolved to authorise the repurchase by the Company or the acquisition by any subsidiary company of the Company securities (including ordinary shares) and provided further that the resolution of the Board and the resolution of the board of directors of any subsidiary company of the Company confirms, as part of the resolution, that it will satisfy the solvency and liquidity test immediately after the repurchase or acquisition, as the case may be, and that subsequent to the tests being undertaken, that there have been no material changes to its financial position;
- The repurchase or acquisition must be effected through the order book operated by the trading system of the JSE Limited and done without any prior understanding or arrangement between the Company or any subsidiary company of the Company and the counterparty (reported trades are prohibited);
- At any point in time, the Company or the subsidiary company of the Company only appoints one agent to effect any repurchase or acquisition, as the case may be, on its behalf;
- The price paid per security (including an ordinary share) may not be greater than 10% above the weighted average of the market value of the securities (including ordinary shares) for the 5 (five) business days immediately preceding the date on which a repurchase or an acquisition, as the case may be, is effected;
- The repurchase or acquisition of securities (including ordinary shares) by the Company or any subsidiary company of the Company may not be effected during a prohibited period, as defined by the Listing Requirements, unless the Company has in place a repurchase programme where the full details of the programme have been submitted to the JSE Limited in writing prior to the commencement of the prohibited period, including the dates and quantities of securities (including ordinary shares) to be traded during the relevant period, which must be fixed and not subject to any variation. The Company must instruct an independent third party, which makes its investment decisions in relation to the Company's securities (including ordinary shares) independently of, and uninfluenced by, the Company, prior to the commencement of the prohibited period, to execute the repurchase programme submitted to the JSE Limited; and
- An announcement containing the full details of any repurchase or acquisition of securities (including ordinary shares) must be published as soon as the Company and/or any of its subsidiary companies have repurchased or acquired, as the case may be, securities (including ordinary shares) constituting, on a cumulative basis, 3% of the number of securities (including ordinary shares) in issue at the time the general authority for this special resolution is granted and for each 3% in aggregate of the initial number acquired thereafter."

Shareholder information

(continued)

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NOTICE OF ANNUAL GENERAL MEETING (continued)

Explanatory note

Special resolution number 3 is sought to allow the Company and/or any of its subsidiary companies, by way of a general authority, to repurchase or acquire, as the case may be, the Company's securities. On or about 15 January 2020, the Company announced its intention to implement a repurchase programme in terms of which the Company and/or its subsidiary companies may repurchase or acquire, as the case may be, up to 4 million ordinary shares, representing 2.3% of the Company's issued share capital, for an aggregate consideration not exceeding R20 million, pursuant to and in accordance with the authority granted by shareholders at the Company's AGM held on Thursday, 29 August 2019. The Company, or any of its subsidiary companies, operating under the general authority granted by special resolution 3, may continue to repurchase or acquire, as the case may be, ordinary shares, taking to account prevailing market conditions and other factors. The Board, having considered the effect of a maximum repurchase and/or acquisition, as the case may be, under this general authority, is of the opinion that for a period of 12 months from the date of the AGM notice:

- (i) The company and the Group will be able to pay their debts in the ordinary course of business;
- (ii) The assets of the company and the Group will be in excess of the liabilities of the company and the Group, with such assets and liabilities being recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements;
- (iii) The share capital and reserves of the Company and the Group will be adequate for ordinary business purposes; and
- (iv) The working capital of the Company and the Group will be sufficient for ordinary business purposes.

The Listings Requirements require the following disclosures relative to special resolution number 3, which appear in the Integrated Report:

- Major shareholders – page 159
- Share capital of the Company – page 122

Material changes

Other than the facts and developments reported in the Integrated Report, there have been no material changes in the financial or trading position of the Company and its subsidiary companies between the date of signature of the audit report and the date of this notice of AGM.

Directors' Responsibility Statement

The directors, whose names appear in the Integrated Report and the AFS, collectively and individually, accept full responsibility for the accuracy of the information given in this special resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this special resolution contains all information required by law and the Listings Requirements.

By order of the Board



Karen Robinson
Company Secretary

Johannesburg
31 August 2020

FORM OF PROXY

HUGE GROUP LIMITED

(Incorporated in the Republic of South Africa)
 (Registration number 2006/023587/06)
 Share code: HUG
 ISIN: ZAE00101042
 ("Huge" or "the Company")

FOR USE BY CERTIFICATED SHAREHOLDERS AND OWN-NAME DEMATERIALIZED SHAREHOLDERS AT THE ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD ON THURSDAY, 8 OCTOBER 2020 AT 11H00, BY ELECTRONIC COMMUNICATION.

Certificated shareholders or dematerialised shareholders with "own name" registration who are entitled to attend and vote at the annual general meeting (AGM), are entitled to appoint one or more proxies to attend, speak and vote in their stead. A proxy need not be a shareholder and shall be entitled to vote on a show of hands or poll.

Dematerialised shareholders, other than dematerialised shareholders with "own-name" registrations, must not return this form of proxy to the Company's meeting scrutineers or deliver it to the Chairman of the AGM. Dematerialised shareholders, other than dematerialised shareholders with "own-name" registration, should instruct their Central Securities Depository Participant (CSDP) or broker as to what action they wish to take. This must be done in the manner and time stipulated in the agreement entered into between them and their CSDP or broker.

I/We (please print) _____

of (address) _____

Telephone numbers – Landline: _____ Mobile: _____

Email: _____

being the holder/s of _____ ordinary shares of R0,0001 each in Huge, appoint (see note 1)

1. _____ or failing him/her

2. _____ or failing him/her

3. the Chairman of the AGM, as my/our proxy to act for me/us and on my/our behalf at the AGM which will be held on Thursday, 8 October 2020 at 11h00 for the purpose of considering, and if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against such resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s, in accordance with the following instructions (see note 3):

	Number of votes		
	For	Against	Abstain
Ordinary Resolution Number 1 – Re-appointment of the independent auditor			
Ordinary Resolution Number 2.1 – Re-election of a director: BC Armstrong			
Ordinary Resolution Number 2.2 – Re-election of a director: DF da Silva			
Ordinary Resolution Number 2.3 – Re-election of a director: CWJ Lyons			
Ordinary Resolution Number 3.1 – Election of Audit Committee member and Chairman: DR Gammie			
Ordinary Resolution Number 3.2 – Election of Audit Committee member: CWJ Lyons			
Ordinary Resolution Number 3.3 – Election of Audit Committee member: SP Tredoux			
Ordinary Resolution Number 4 – General authority to allot and issue securities (including ordinary shares) for cash			
Advisory Endorsement Number 1 – Approval of the Company's Remuneration Policy			
Advisory Endorsement Number 2 – Approval of the Company's Remuneration Implementation Report			
Special Resolution Number 1 – Approval of the remuneration of non-executive directors			
Special Resolution Number 2 – Authority for the Company to grant financial assistance in terms of section 45 of the Companies Act			
Special Resolution Number 3 – General authority to repurchase (acquire) securities (including ordinary shares)			

Every person entitled to vote and who is present at the AGM shall be entitled to either:

- (a) One vote on a show of hands, irrespective of the number of shares such person holds or represents, provided that a proxy shall, irrespective of the number of shareholders they represent, have only one vote; or
- (b) That proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by the shareholder bears to the aggregate amount of the nominal value of all shares issued by the Company in respect of every matter that may be decided by polling.

A proxy may not delegate his/her authority to act on his/her behalf to another person (see note 5).

This form of proxy will lapse and cease to be of force and effect immediately after the AGM of the Company and any adjournment(s) thereof unless it is revoked earlier (as to which see notes 10 and 11)

Signed at _____ on _____ 2020

Signature _____

Assisted by me (where applicable)

Name: _____ Capacity: _____ Signature _____

Notes to the form of proxy

- This form of proxy is for use by certificated shareholders and dematerialised shareholders with "own name" registration whose shares are registered in their own names on the record date and who wish to appoint another person to represent them at the annual general meeting (AGM). If duly authorised, companies and other corporate bodies who are shareholders having shares registered in their own names may appoint a proxy using this form of proxy or may appoint a representative in accordance with the last paragraph below.
- Other shareholders should not use this form of proxy. All beneficial holders who have dematerialised their shares through a Central Securities Depository Participant (CSDP) or broker and do not have their shares registered in their own name, must provide the CSDP or broker with their voting instructions. Alternatively, if they wish to attend the AGM in person, they should request the CSDP or broker to provide them with a letter of representation in terms of the custody agreement entered into between the beneficial owner and the CSDP or broker.
- Shareholders are requested to lodge this form of proxy with the Company's meeting scrutineers, The Meeting Specialist Proprietary Limited, JSE Limited, One Exchange Square, 2 Gwen Lane, Sandown, Johannesburg, P O Box 62043, Marshalltown, 2107, or proxy@tmsmeetings.co.za, by not later than 11h00 on Wednesday, 7 October 2020. If shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration and who are entitled to attend, participate in and vote at the AGM do not deliver the form of proxy to the meeting scrutineers by the relevant time, such shareholders will nevertheless be entitled to lodge the form of proxy in respect of the AGM immediately prior to the proxy exercising such shareholder's rights as a shareholder at the AGM, in accordance with the instructions therein, with the Chairman of the AGM.
- This form of proxy shall apply to all the shares registered in the name of shareholders at the record date unless a lesser number of shares are inserted.
- A shareholder may appoint one person as the proxy by inserting the name of such proxy in the space provided. Any such proxy need not be a shareholder of the Company. If the name of the proxy is not inserted, the Chairman of the AGM will be appointed as proxy. If more than one name is inserted, then the person whose name appears first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of any persons whose names follow. The proxy appointed in the form of proxy may delegate the authority given to him/her in the form of proxy by delivering to the Company, in the manner required by these instructions, a further form of proxy which has been completed in a manner consistent with the authority given to the proxy of the form of proxy.
- Unless revoked, the appointment of proxy in terms of the form of proxy remains valid until the end of the AGM even if such meeting or a part thereof is postponed or adjourned.
- If:
 - a shareholder does not indicate on this instrument that the proxy is to vote in favour of or against or to abstain from voting on any resolution; or
 - the shareholder gives contrary instructions in relation to any matter; or
 - any additional resolution/s which are properly put before the AGM; or
 - any resolution listed in the form of proxy is modified or amended, the proxy shall be entitled to vote or abstain from voting, as he/she thinks fit, in relation to that resolution or matter. If, however, the shareholder has provided further written instructions which accompany this form of proxy and which indicate how the form of proxy should vote or abstain from voting in any of the circumstances referred to in 7.1 to 7.4, then the form of proxy shall comply with those instructions.
- If the form of proxy is signed by a person (signatory) on behalf of the shareholder, whether in terms of a power of attorney or otherwise, then the form of proxy will not be effective unless:
 - it is accompanied by a certified copy of the authority given by the shareholder to the signatory; or
 - the Company has already received a certified copy of that authority.
- Any alterations made to the form of proxy must be initialled by the authorised signatory/ies.
- The form of proxy is revoked if the shareholder who granted the proxy:
 - delivers a copy of the revocation instrument to the Company and to the proxy or proxies concerned, so that it is received by the Company prior to the proxy exercising such shareholder's rights as a shareholder at the AGM, in accordance with the instructions therein, with the Chairman of the AGM; or
 - appoints a later, inconsistent appointment of proxy for the AGM; or
 - attends the AGM in person.
- If duly authorised, companies and other corporate bodies who are shareholders of the Company having shares registered in their own name may, instead of completing the form of proxy, appoint a representative to represent them and exercise all of their rights at the AGM by giving written notice of the appointment of that representative. This notice should be received by the Company's meeting scrutineers, The Meeting Specialist Proprietary Limited, JSE Limited, One Exchange Square, 2 Gwen Lane, Sandown, Johannesburg, not later than 11h00 on Wednesday, 7 October 2020 and must be accompanied by a duly certified copy of the resolution/s or other authorities in terms of which that representative is appointed.

Summary of rights established by section 58

Summary of rights established by section 58 of the Companies Act, 71 of 2008 (**Companies Act**), as required in terms of sub-section 58(8)(b)(i):

- A shareholder may at any time appoint any individual, including a non-shareholder of the Company, as a proxy to participate in, speak and vote at a shareholders' meeting on his/her behalf (section 58(1)(a)), or to give or withhold consent on behalf of the shareholder to a decision in terms of section 60 (shareholders acting other than at a meeting) (section 58(1)(b)).
- A proxy appointment must be in writing, dated and signed by the shareholder, and remains valid for one year after the date on which it was signed or any longer or shorter period expressly set out in the appointment, unless it is revoked in terms of paragraph 6.3 below or expires earlier in terms of paragraph 10.4 below (section 58(2)).
- A shareholder may appoint two or more persons concurrently as proxies and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder (section 58(3)(a)).
- A proxy may delegate his/her authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy (**proxy instrument**) (section 58(3)(b)).
- A copy of the proxy instrument must be delivered to the Company, or to any other person acting on behalf of the Company, before the proxy exercises any rights of the shareholder at a shareholders' meeting (section 58(3)(c)) and in terms of the Memorandum of Incorporation (**MOI**) of the Company at least 24 hours before the meeting commences.
- Irrespective of the form of instrument used to appoint a proxy:
 - the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder (section 58(4)(a));
 - the appointment is revocable unless the proxy appointment expressly states otherwise (section 58(4)(b)); and
 - if the appointment is revocable, a shareholder may revoke the proxy appointment by cancelling it in writing or by making a later, inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company (section 58(4)(c)).
- The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered as contemplated in paragraph 6.3 above (section 58(5)).
- If the proxy instrument has been delivered to a Company, as long as that appointment remains in effect, any notice required by the Companies Act or the Company's MOI to be delivered by the Company to the shareholder must be delivered by the Company to the shareholder (section 58(6)(a)), or the proxy or proxies, if the shareholder has directed the Company to do so in writing and paid any reasonable fee charged by the Company for doing so (section 58(6)(b)).
- A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the MOI or proxy instrument provides otherwise (section 58(7)).
- If a Company issues an invitation to shareholders to appoint one or more persons named by the Company as a proxy, or supplies a form of proxy instrument:
 - the invitation must be sent to every shareholder entitled to notice of the meeting at which the proxy is intended to be exercised (section 58(8)(a));
 - the invitation or form of proxy instrument supplied by the Company must:
 - bear a reasonably prominent summary of the rights established in section 58 of the Companies Act (section 58(8)(b)(i));
 - contain adequate blank space, immediately preceding the name(s) of any person(s) named in it, to enable a shareholder to write the name, and if desired, an alternative name of a proxy chosen by the shareholder (section 58(8)(b)(ii)); and
 - provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution(s) to be put at the meeting, or is to abstain from voting (section 58(8)(b)(iii));
 - the Company must not require that the proxy appointment be made irrevocable (section 58(8)(c)); and
 - the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to paragraph 7 above (section 58(8)(d)).

CORPORATE INFORMATION

Company registration number	2006/023587/06
Country of incorporation and domicile	South Africa
JSE Code	HUG
A2X Code	HUG
ISIN	ZAE000102042
Nature of business and principal activities	Investment holding company, holding investments in subsidiary companies operating in the telecommunications and software industries
Directors:	
Executive	James Herbst (<i>Chief Executive Officer</i>) Andy Openshaw (<i>Chief Operating Officer</i>) Samantha Sequeira (<i>Chief Financial Officer</i>)
Non-executive	Duarte da Silva (<i>Chairman</i>) Stephen Tredoux (<i>Lead Independent Director</i>) Brian Armstrong (<i>Independent</i>) Dennis Gammie (<i>Independent</i>) Craig Lyons (<i>Independent</i>) Vincent Mokholo (<i>Non-Executive</i>)
Registered address	Unit 6, 1 Melrose Boulevard, Melrose Arch Johannesburg, Gauteng
Business address	Unit 6, 1 Melrose Boulevard, Melrose Arch, Johannesburg, Gauteng
Postal address	PO Box 1585, Kelvin, 2054
Auditor	Moore Johannesburg Incorporated
Business address	50 Oxford Road, Parktown, Johannesburg 2193
Postal address	PO Box 3094, Houghton, 2041
Company Secretary	Karen Robinson
Business address	Unit 6, 1 Melrose Boulevard, Melrose Arch Johannesburg, Gauteng
Postal address	PO Box 1585, Kelvin, 2054
Sponsor	Nedbank Corporate Investment Banking 3rd Floor, Block F, 135 Rivonia Campus 135 Rivonia Road, Sandown, Sandton, 2196
Transfer secretaries	Computershare Services Proprietary Limited
Business address	Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
Postal address	P O Box 61051, Marshalltown, 2107
Email	Web.queries@computershare.co.za
Tax reference number	9378909155
VAT reference number	4390253955
Level of assurance	These Consolidated and Separate Annual Financial Statements have been audited in compliance with section 30(2)(a) of the Companies Act 71 of 2008 (as amended)
Preparer	These Consolidated and Separate Annual Financial Statements were compiled internally under the ultimate supervision of SL Sequeira CA(SA)
Published	31 August 2020



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