

HUGE GROUP LIMITED PRELIMINARY AUDITED RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2022

REGISTRATION NUMBER: 2006/023587/06

SHARE CODE: HUG ISIN: ZAE000102042

"HUGE" OR "THE COMPANY" OR "THE GROUP"



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group

unlocking investment opportunity

Preliminary Results Commentary

Change in investment entity status

It is important to note that, with effect from 1 March 2021, Huge Group's status changed to that of an investment entity as defined in IFRS 10 Consolidated Financial Statements. Such change required Huge Group to cease consolidating its subsidiaries (other than those providing services related to Huge Group's investment activities) and to instead carry such subsidiary investments at fair value, with subsequent changes in fair value being recognised in profit or loss. IFRS do not allow for such changes to be applied retrospectively and accordingly Huge Group's annual financial statements for the financial year ended 28 February 2022 have been prepared on a materially different basis compared to those of previous years.

Financial results

Huge Group's statement of financial position no longer discloses acquisition goodwill and the individual underlying assets of its subsidiary companies as it did in the prior reporting period. Instead, these items are replaced by investments measured at fair value, where each investment is revalued at every reporting period with changes resulting from these revaluations reflected in the period's statement of profit or loss. Inter-company loans from and to subsidiary companies are no longer eliminated, other than those between Huge Group and Huge Management. The impact on total assets is clear – acquisitions based on historical cost are no longer relevant. What is more relevant is the value of Huge Group's acquisitions remeasured at each reporting date. In some ways, this has simplified the basis of accounting but in other ways more information on the underlying investments is required.

Accumulated profit sees a one-time benefit as a result of Huge Group being recognized as an investment entity, with non-controlling interests being de-recognised.

Huge Group's statement of profit and loss has been similarly impacted by the application of IFRS10. Group profitability has been overtaken by Company profitability and going forward the focus will fall on the Company's income generation relative to the costs of generating this income. Gross margins and operating profit margins have been replaced with income from the sale of investments, income from financing activities and income from dividends received. Other corporate finance income will start playing an ever more important role.

Huge Group's investment income this year amounted to c. R53.4 million, comprising interest income of c. R14.5 million and dividends received of c. R38.9 million. This was further augmented with fee income of R7.1 million. It is from this income that expenses are deducted. The primary recurring expenses of Huge Group and Huge Management, as the newly defined Group, include employee costs, establishment costs like rent and utilities, and costs relating to Huge Group's listing.

The primary non-recurring expenses include the costs of successful and non-successful corporate activities, like the costs associated with Huge Group's offer to the shareholders of Adapt IT holdings Limited. For this reporting period, the Huge Group statement of profit and loss was negatively impacted by the requirement to create a reserve for the executive share options under IFRS2, with c. R7.4 million reducing current year's profit while simultaneously increasing reserves. The impact on current year's profit is offset by the increase in reserves. Huge Group borrows at rates of interest equal to JIBAR plus 450 basis points and typically lends to its ICs at high rates, thereby generating a net interest gain. In the current year, the Group generated net interest income of c. R5 million

Performance of Investee Entities

Revenue from Huge Group's portfolio of connectivity investments has decreased in the last 12 months – this is mainly attributable to the continued effects of Covid-19, the poor local economic backdrop, and the riots in Kwa-Zulu Natal.

The challenges faced by Huge Telecom because of its dispute with Cell C, which was settled in October 2021, and the opportunity costs of stabilising the integration of MTN's systems with those of Huge Telecom, were offset by Huge Connect onboarding several high-profile customers, including Standard Bank and Huge Networks increasing revenue by expanding managed networks service offerings to large customers, including Mediclinic and Fresenius Medical Care.

Huge Telecom's gross sales for this financial year are almost double those of last year. The negative impact of the poor local and global backdrop increased the incidence of churn, a measure of lost customers, and this offset the gains from gross sales. Huge Telecom's new service offering, an all-inclusive product, has seen a significant uptake, with 30% of the current active telephone lines being based on the all-inclusive product. In addition, Huge Telecom also introduced direct PBX solutions into the market and this initiative is gaining traction rapidly with inroads being made into the PBX market. Huge Distribution's product and managerial challenges have been overcome and the foundations of this company have been strengthened. Revenue generated in first quarter of FY2023 is nearly three times revenue generated in the first quarter of FY2022. Huge Distribution has also recently onboarded Itec SA Proprietary Limited as a distribution partner of its products. Itec has a strong brand and is a leading connectivity and solution provider in Southern Africa.

Huge Software continues to benefit from the take up of its accounting software by Huge Group and its investee companies as well as other third parties, which has been enhanced with ERP functionality. Glovent is a new addition to Huge Group's investment portfolio, and exciting things are expected from this software opportunity. February 2022 was a record revenue generating month and user acceptance is growing rapidly. It is reasonable to expect that Glovent will double its user base in the next six months.

Preliminary Results Commentary continued

Gross margins across the connectivity portfolio continue to hold. Huge Connect is holding gross margins above 60%, Huge Networks is maintaining gross margins of around 35%, and Huge Telecom is maintaining gross margins exceeding 70%. The gross margins of Huge Distribution, which are approaching 25%, are acceptable for a distribution company of its size.

Huge Group's portfolio continues to be focused on investments that generate revenues from connectivity. The focus going forward will be diversifying the portfolio by acquiring entities which have greater exposure to revenues generated from cloud, software, and x-tech.

Investment Philosophy

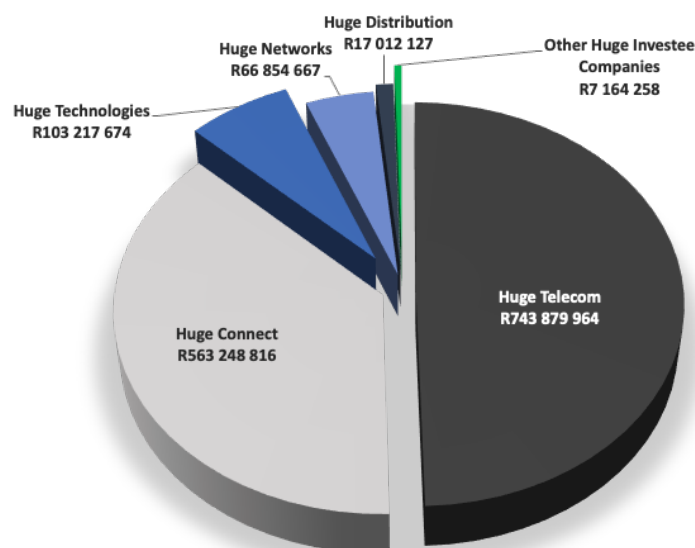
Huge is an investment holding company that focuses on investing in other entities (each an Investee Entity and collectively the Investee Entities) with founders and management teams that want to create market-leading organisations. Huge's purpose is to realise and deliver value to its shareholders through these investments. There must be tangible proof that an opportunity is sustainable and, crucially, that the opportunity can successfully be made commercial in order for it to be pursued.

Huge's cash and return focus means it avoids investment opportunities that (i) are net asset value dilutive in the long-term, (ii) might negatively affect net asset value in the longer term, (iii) might impose excessive capital commitments, or (iv) will, based on forecast cash flows, result in negative internal rates of return (IRR) or net present values (NPV). The purpose is to grow Huge's intrinsic net asset value by investing in a combination of established cash-generating companies that feed the growth in more cash-hungry developing companies to ultimately enhance returns to shareholders.

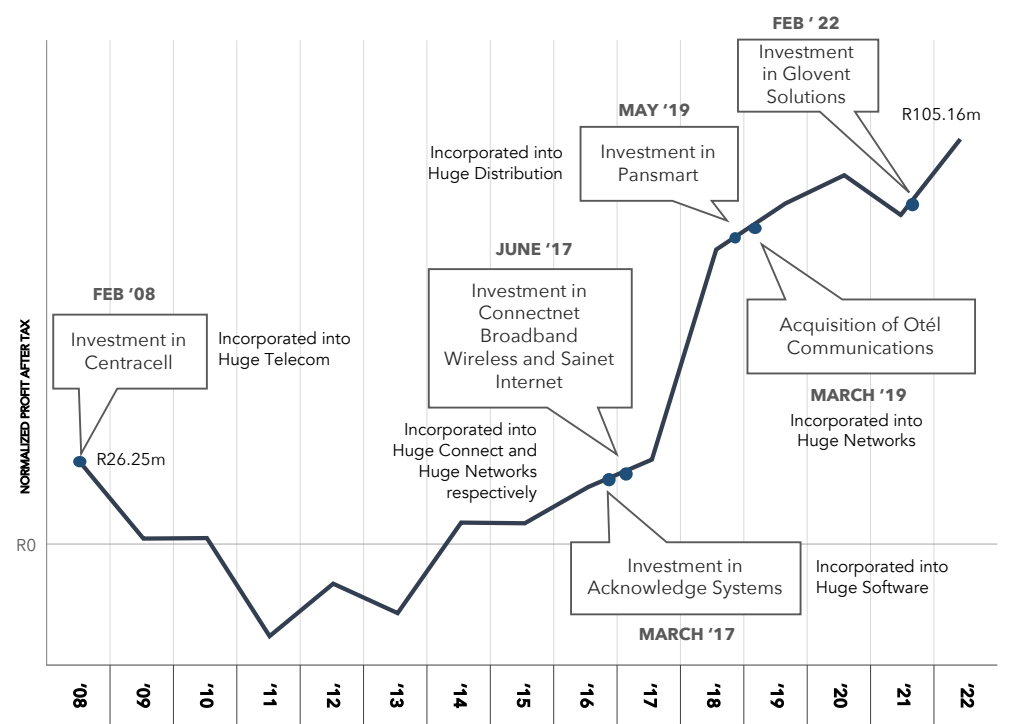
Huge believes that it can distinguish itself from other investment holding companies through its understanding of markets in connectivity, cloud, software and xTech, its management, and its investment team which has a significant track record of building value in investment entities and generating superior shareholder returns. Huge deploys capital by making investments in Investee Entities which are expected to yield a minimum positive investment return. If the investment return expectation (IRE) is achieved, Huge may seek to liquidate its investment or it may redeploy its capital if the future IRE is less than the IRE. If the future IRE is higher than the future IRE from an alternative redeployment of capital then Huge will remain invested. If it is evident that the IRE will not be achieved, Huge undertakes additional exit strategies to limit its downside. Huge does not subscribe to a portfolio approach to achieving its IRE.

Investment Portfolio

1. Attributable Values of Investment Portfolio



Other Huge Investee Companies include:	
Huge Software	
Huge Messaging	
Glovent	



Huge Group Limited value creation timeline

2. Investee Companies

2.1.1. Huge Telecom

Huge Telecom is the biggest provider of GSM fixed-mobile, last-mile telephony solutions in the South African B2B market. GSM technology provides wireless telephone line connections from the customer's premises to the core of a mobile network. Huge Telecom delivers cost-effective business fixed-line connectivity and PBX services.

Their customer base consists of thousands of customers across the small-medium enterprises (SME's), corporate, and residential segments in South Africa, who require a fixed location telephony service.

Huge Telecom's strategic aim is to become the B2B supplier of choice for all fixed-line connectivity, onsite PBX sales and support, across South Africa. This will be done by offering competitive and cost-effective solutions with exceptional service to customers.

FY2022 Highlights	Key Risks	New Products and Opportunities
<i>Revenue of R167 million, of which 63% is fixed annuity income. Gross profit margins of 74%. Launched a direct sales team with very positive results and scope to scale.</i>	<i>The tough economic conditions persist, leading to high customer churn. Tech innovation and competition. Ageing infrastructure. Managing technology migration (2G/3G/5G).</i>	<i>A full PBX turnkey solution including PBX installation, servicing, sales and rentals – consolidating a fragmented market</i>

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2.1.2. Huge Connect

From SMME to Enterprise, Huge Connect provides dependable internet solutions and business connectivity across South Africa with secure connectivity for payment systems. They are a leader in the provision of secure data communications over GSM Data Services. They have a strong presence in the retail, financial and fuel industries.

Its core network ensures all their clients benefit from a safe and secure online environment from the largest South African banks to the smaller SME's. They also provide a managed wide area network solution consisting of multiple access mediums, all interconnected into a single platform.

Huge Connect's strategic goal is to expand on the product offerings to its customer base to include connectivity and failover solutions, voice and secure data offerings as well as expanding the IoT SIM offerings into Africa using reliable and cost-efficient Global SIM partners and to achieve a BBBEE level 4 by 2028.

FY2022 Highlights	Key Risks	New Products and Opportunities
<i>Revenue of R151m, of which 93% is fixed annuity income.</i> <i>Gross profit margins of 68%.</i> <i>Development of customer empowering portal to fully manage their devices and SIMs.</i> <i>Partnered with 2 global SIM providers to expand services into Africa.</i>	<i>The tough economic environment persists, leading to high customer churn/spend reduction.</i> <i>End of life of legacy communication devices.</i> <i>Customer concentration risk.</i> <i>Ageing GSM infrastructure.</i> <i>Managing technology migration (2G/3G/5G).</i>	<i>Firewall solutions and Fixed LTE.</i> <i>Customer portal – an advanced device/SIM Management platform.</i> <i>Enhanced, firewall and SD WAN solutions.</i> <i>IoT/PoS.</i>

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2.1.3. Huge Networks

Huge Networks provides telecommunications services - data, Internet, and voice; wide area networks with failover and security; as well as edge data services to gated communities and precincts.

Its telecommunication services cater to three business verticals:

- Large - metro fibre services;
- Medium - fibre to the business;
- Small - fibre to the home and home office.

Its voice and security services cater to all the above business verticals.

Huge Networks primary focus for FY2023 is to position the company as a security and data service provider, offering secure data, voice and network services. With further focus on increasing average revenue per user and securing new business with a differentiated product and service approach. It strives to provide full-suite security products and software defined wide area networks (SDWAN) with its data services.

FY2022 Highlights	Key Risks	New Products and Opportunities
<i>Revenue of R105m, of which 86% is fixed annuity income. Normalised EBITDA Growth of 16%. Streamlining the product and service portfolio. Enhanced inhouse software platforms.</i>	<i>Poor economic conditions in South Africa. Legacy products churn. Price erosion and margin squeeze.</i>	<i>Fixed-LTE with inhouse management at wholesale and retail level. A new full suite of security products. Fibre to the Mall solution. SDWAN services. The consolidation of services in combination with new offerings will create differentiation and stickiness with clients.</i>

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2.1.4. Huge Software

Huge Software continues to evolve as a software company, developing, implementing and supporting an ERP (Enterprise Resource Planning) software solution, that centralises an organisations database of information, automates daily tasks and simplifies business processes.

Its accounting software solution provides a reliable, stable and secure platform with user friendly and easy-to-understand menus and prompts. These bespoke systems are developed in-house and have full API integration capability.

Its customer base comprises of businesses in the mid-tier market in manufacturing, engineering, wholesale distribution and professional services. Huge Software's focus on rebranding of its product as an ERP solution will bring new customers and sales.

FY2022 Highlights	Key Risks	New Products and Opportunities
<i>Revenue of R3.6m, of which 78% is fixed annuity income.</i> <i>Gross profit margins of 89%.</i> <i>Rebranding our software as an ERP system and not just an accounting system.</i>	<i>Clients outgrowing the system due to functionality.</i> <i>Staff experience in the ERP field to support clients in high end processes.</i>	<i>Overhaul of the system to the latest web browsers and new branding.</i> <i>Software integration with other software vendors to increase functionality of the system.</i> <i>International business in New Zealand and Australia.</i> <i>Targeted solutions for vertical markets.</i>

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2.1.5. Huge Distribution

Huge Distribution is a distributor of PBX, Video Conferencing and CCTV in Southern Africa, providing product delivery, effective solutions and exceptional service to its exclusive reseller network. Its team provides sales and technical support, and its account managers provide the expertise and assistance its Business Partners require, to build successful businesses.

Huge Distribution operates a reseller program and is in the process of expanding its Business Partner channel across Southern Africa.

Huge Distribution is a customer focused company with an actively expanding customer base, it has the ability to source and supply world-class products and solutions from leading global vendors in an ever-changing environment, where its core focus is service delivery. It is well placed to deliver strong results organically and through strategic acquisitions.

FY2022 Highlights	Key Risks	New Products and Opportunities
<i>Revenue of R14 million. Appointment as NEC Distribution partner. Rebranding to Huge Distribution. New management team. Business restructure with improved efficiency and cost savings.</i>	<i>Economic challenges resulting in reduced company spending and changing work environments. Fast-paced technology changes and end of life products. Increased shipping costs and chipset shortages leading to increased product pricing.</i>	<i>Secured the distribution rights for NEC. Other notable partnerships include Yealink, Yeastar, Gigaset and Konftel along with specialised Panasonic CCTV products. New strategic vendor partnerships. Increased product offering. White label products. Expansion to rural areas and Africa.</i>

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2.1.6. Glovent Solutions

Glovent Solutions offers communities a range of tools and services to help them run more efficiently, including a Glovent Community Management System (CMS), a Glovent Visitor Access System (VAS), e-wallet functionality, energy usage and sustainability improvement, utility management, facility management, SOS and emergency response features, direct access to 3rd party service providers through API integration on many levels, directories, classifieds and even deliveries through partnerships with leading retailers. All of these services and tools are embedded in the Glovent Mobile Application.

Glovent's current customer base consists of predominantly high-end residential estates. It can however serve communities of any size, from schools to music festivals, to sports clubs and even entire municipalities.

Glovent's focus is on driving marketing and sales to expand the number of communities that use the applications various functionalities, with particular focus on the use of the Glovent e-wallet.

FY2022 Highlights	Key Risks	Opportunities
<i>Revenue of R19 million. Gross profit margin of 33%. Community growth from 16 in March 2021 to 160 a year later, comprising more than 80 000 residential properties and 78 000 citizens. Secured further equity investment to help drive growth. Streamlined management structure.</i>	<i>Possible threat of cyber security breach. Tough economic conditions in a competitive industry.</i>	<i>Community creation for municipalities and other larger groups. Improved software stability and functionality. Leveraging network effects to increase user-base.</i>

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PRELIMINARY AUDITED SUMMARISED STATEMENTS



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Summarised Consolidated Statement of Financial Position as at 28 February 2022

Figures in Rand	Note(s)	Audited 2022	2021
Assets			
Non-current assets			
Property, plant and equipment		105 879	306 744 643
Right-of-use asset		-	12 013 523
Goodwill		-	607 694 289
Intangible assets		-	23 908 409
Investments held	3	1 434 956 823	420 465
Loans to associate companies		-	63 675 724
Loans receivable	4	208 087 546	633 073
Trade and other receivables		1 380 000	20 561 176
Contract assets		-	2 664 496
Deferred tax asset		17 548 859	41 966 455
		1 662 079 107	1 080 282 253
Current assets			
Inventories		-	82 105 105
Loans receivable	4	-	438 784
Contract assets		-	1 622 782
Trade and other receivables		39 520 908	63 712 332
Current tax receivable		-	509 402
Cash and cash equivalents		1 400 741	29 462 197
		40 921 649	177 850 602
Total assets		1 703 000 756	1 258 132 855
Equity and Liabilities			
Equity			
Equity attributable to holders of parent			
Share capital		612 578 113	599 946 683
Share-based payment reserve		41 968 917	34 609 702
Change in holding reserve		-	52 474 210
Revaluation reserve		-	21 862 656
Accumulated profit		897 378 253	305 398 248
		1 551 925 283	1 014 291 499
Non-controlling interest		-	(49 970 594)
		1 551 925 283	964 320 905
Liabilities			
Non-current			
Interest-bearing liabilities		90 059 072	100 776 683
Lease liabilities		-	10 968 782
Deferred tax liability		27 329 377	73 694 468
		117 388 449	185 439 933

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Summarised Consolidated Statement of Financial Position as at 28 February 2022 continued

Figures in Rand	Note(s)	Audited 2022	2021
Current liabilities			
Deferred income		-	34 434
Loans payable	4	800 000	300 000
Interest-bearing liabilities		31 436 508	51 263 351
Current tax payable		-	1 514 759
Lease liabilities		-	4 864 491
Trade and other payables		1 450 516	38 217 716
Bank overdraft		-	12 177 266
		33 687 024	108 372 017
Total liabilities		151 075 473	293 811 950
Total equity and liabilities		1 703 000 756	1 258 132 855
Net asset value per share (cents)		896.75	594.90

Summarised Consolidated Statement of Profit of Loss and Other Comprehensive Income for the year ended 28 February 2022

Figures in Rand	Note(s)	Audited 2022	2021
Net gain from financial assets at fair value through profit or loss	3	119 186 500	-
Investment income	5	53 362 377	1 285 322
Interest income		14 488 668	1 285 322
Interest received on loans		14 296 899	465 313
Finance income		191 769	820 009
Dividends received		38 873 709	-
Gross profit from sale of goods/services	6	7 100 000	245 464 841
Fee income		7 100 000	-
Revenue		-	469 857 500
Cost of sales		-	(177 148 633)
Depreciation and amortisation		-	(16 010 593)
Impairment of inventory		-	(31 233 433)
Other income	7	417 593 845	27 263 813
Gain on deemed disposal and reacquisition of subsidiaries at fair value		416 114 833	-
Gain on sale of property, plant and equipment		-	1 938 751
Other income		1 479 012	6 719 184
Waiver of loans		-	18 605 878
Expenses		(39 755 826)	(204 937 932)
Selling and administration expenses		(16 507 100)	(40 210 225)
Executive share-based payment expense		(7 359 215)	(34 609 702)
Employee costs		(15 488 708)	(93 469 081)
Movement in credit loss allowance		-	(14 751 923)
Loss on sale of investments held		(308 823)	-
Loss from equity accounted investments		-	(25 011)
Depreciation and amortisation		(91 980)	(4 715 639)
Depreciation on right-of-use assets		-	(5 626 563)
Decommissioning of telephone lines		-	(11 529 788)
Profit before finance costs and taxation		557 486 896	69 076 044
Finance costs		(9 250 220)	(14 208 196)
Finance costs on lease liabilities		-	(1 477 930)
Profit before taxation		548 236 676	53 389 918
Income tax expense		(30 593 537)	(10 975 695)
Profit for the year		517 643 139	42 414 223
Attributable to:		517 643 139	42 414 223
Owners of the parent		517 643 139	38 568 656
Non-controlling interest		-	3 845 567

Summarised Consolidated Statement of Profit of Loss and Other Comprehensive Income for the year ended 28 February 2022 continued

Figures in Rand	Note(s)	Audited	
		2022	2022
Other comprehensive income		-	21 862 656
Items that will not be reclassified to profit and loss:			
Gain on revaluation of property, plant and equipment		-	32 507 513
Decommissioning of telephone lines		-	(2 142 700)
Income tax effect		-	(8 502 157)
Total comprehensive income		517 643 139	64 276 879
Owners of the parent		517 643 139	60 431 312
Non-controlling interest		-	3 845 567
Earnings per share information (cents)	8		
Basic earnings per share		299.85	23.47
Diluted earnings per share		297.78	23.28

Summarised Consolidated Statement of Changes in Equity for the year ended 28 February 2022

Figures in Rand	Share capital	Share premium	Total share capital	Share-based payment reserve	Change in holding reserve	Revaluation reserve ¹⁰	Accumulated profit/(loss)	Equity attributable to holders of the parent	Non-controlling interest	Total equity
Balance at 1 March 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
Total comprehensive income for the year	-	-	-	-	-	21 862 656	38 568 656	60 431 312	3 845 567	64 276 879
Profit for the year	-	-	-	-	-	-	38 568 656	38 568 656	3 845 567	42 414 223
Other comprehensive income for the year	-	-	-	-	-	21 862 656	-	21 862 656	-	21 862 656
Share issue expenses	-	(60 000)	(60 000)	-	-	-	-	(60 000)	-	(60 000)
Share buy-back	(389)	(17 658 386)	(17 658 775)	-	-	-	-	(17 658 775)	-	(17 658 775)
Share-based payments raised	-	-	-	1 221 773	-	-	-	1 221 773	-	1 221 773
Executive share-based payments raised	-	-	-	34 609 702	-	-	-	34 609 702	-	34 609 702
Distribution of treasury shares previously held	103	2 458 072	2 458 175	(2 458 175)	-	-	-	-	-	-
Share-based payment reserve reclassification	-	2 504 823	2 504 823	(2 669 513)	-	-	164 690	-	-	-
Sale of treasury shares previously held	18	818 322	818 340	-	-	-	-	818 340	-	818 340
Transaction with non-controlling interest	-	-	-	-	-	-	(6 436 904)	(6 436 904)	6 436 904	-
Balance at 28 February 2021	16 209	599 930 474	599 946 683	34 609 702	52 474 210	21 862 656	305 398 248	1 014 291 499	(49 970 594)	964 320 905
Total comprehensive income for the year	965	1 182 191	1 183 156	-	-	-	517 643 139	518 826 295	49 970 594	568 796 889
Profit for the year	-	-	-	-	-	-	101 528 306	101 528 306	-	101 528 306
Subsidiaries deconsolidated ¹	965	1 182 191	1 183 156	-	-	-	416 114 833	417 297 989	49 970 594	467 268 583
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-	-
Issue of shares	358	20 396 836	20 397 194	-	-	-	-	20 397 194	-	20 397 194
Share buy-back	(216)	(8 486 329)	(8 486 545)	-	-	-	-	(8 486 545)	-	(8 486 545)
Specific repurchase of shares	(10)	(462 365)	(462 375)	-	-	-	-	(462 375)	-	(462 375)
Executive share-based payments raised	-	-	-	7 359 215	-	-	-	7 359 215	-	7 359 215
Transfer between reserves	-	-	-	-	(52 474 210)	(21 862 656)	74 336 866	-	-	-
Balance as at 28 February 2022	17 306	612 560 807	612 578 113	41 968 917	-	-	897 378 253	1 551 925 283	-	1 551 925 283

1. Relates to subsidiaries deconsolidated upon change in status to that of an investment entity, transactions with non-controlling interests and transfer between reserves. Refer to note 3 (investments held) and note 9 (business combinations) for further details.

Summarised Consolidated Statement of Cashflows for the year ended 28 February 2022

Figures in Rand	Note(s)	Audited	
		2022	2021
Cash flows from operating activities			
Cash generated from/ (used in) operations	10	(9 367 207)	74 675 264
Finance income		25 893	430 223
Dividends received		29 850 000	-
Finance costs		(9 202 840)	(14 146 462)
Tax paid		-	(4 442 063)
Net cash from operating activities		11 305 846	56 516 962
Cash flows from investing activities			
Purchase of property, plant and equipment		(70 877)	(29 915 940)
Proceeds from disposal of property, plant and equipment		2 586	3 420 181
Purchase of intangible assets		-	(3 715 281)
Purchase of investment held		(3 000 000)	-
Proceeds from sale of investment		17 405 411	-
Advance of loans to Investee Companies		(47 476 700)	-
Repayment of loans by Investee Companies		29 144 284	-
Advance on loan payable		800 000	-
Advance of loans to associate companies		-	(5 039 923)
Repayment of loans by associate companies		-	2 295 195
Repayment of loans receivable		-	320 093
Cash and cash equivalents deconsolidated upon change in status to that of an investment entity	9	(15 045 913)	-
Net cash used in investing activities		(18 241 209)	(32 635 675)
Cash flows from financing activities			
Share issue expense		-	(60 000)
Proceeds from interest-bearing liabilities		-	20 000 000
Repayment of interest-bearing liabilities		-	(40 000 000)
Sale of treasury shares previously held		-	818 340
Specific repurchase of shares		(462 282)	-
Share buy-back		(8 486 545)	(17 658 386)
Payment of lease liabilities		-	(8 148 330)
Advance of loans receivable		-	(870 000)
Repayment of loans receivable		-	60 663
Net cash used in financing activities		(8 948 827)	(45 857 713)
Total cash movement for the year		(15 884 190)	(21 976 426)
Cash at the beginning of the year		17 284 931	39 261 357
Total cash at the end of the year		1 400 741	17 284 931

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 Company can be split into four main segments based on the investments held: a Corporate Office Grouping, Connectivity Grouping, Software Grouping and a Distribution Grouping. The summarised information included below is in line with the requirements of IFRS 8. The revenue generated by the Group and the Investee Companies as well as services provided by them are generated on a countrywide basis, with no geographical differentiation.

During the previous reporting period, prior to the change in nature of business, the operations of the Group were split into three main operating segments: a Corporate Office Grouping, a Telecom Grouping and a Financial Technology (**Fintech**) Grouping.

Operating segments during the current reporting period

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

- Huge itself;
- 100% held Huge Capital;
- 100% held subsidiary Huge Management, the holding company of which is Huge.

The **Connectivity Grouping** comprises the following companies:

- 83.70% held Huge Connect;
- 100% held Huge Messaging;
- 100% held Huge Technologies;
- 100% held Huge Telecom;
 - 100% held in Huge Services; held indirectly, through the investment in Huge Telecom. Huge Telecom is the 100% shareholder of Huge Services;
 - 50.03% held in Huge Networks, held, indirectly, through the investment in Huge Telecom. Huge Telecom is a 50.03% shareholder of Huge Networks.
 - 49% held in Huge Cellular, held, indirectly, through the investment in Huge Telecom. Huge Telecom is the 49% shareholder of Huge Cellular; Huge Cellular is an associate company of Huge Telecom.
- 100% held Huge Soho. Huge Soho is an associate company of Huge.

Segment reporting continued

The **Software Grouping** comprises the following companies:

- 100% held Huge Media;
- 75% held Huge Software;
- 100% held Huge Payments;
- 5% held Glovent Solutions.

The **Distribution Grouping** comprises the following companies:

- 75.12% held Huge Distribution.

Operating segments during the previous reporting period

In terms of Huge's Segment Report for the previous reporting period, the **Telecom Grouping** comprised the following companies:

- 96% held Huge Media, the holding company of which is Huge;
- 100% held Huge Messaging, the holding company of which is Huge;
- 50.03% held Huge Networks, the holding company of which is Huge Telecom;
- 100% held Huge Services, the holding company of which is Huge Telecom;
- 100% held Huge Technologies, the holding company of which is Huge;
- 100% held Huge Telecom, the holding company of which is Huge;
- 75.12% held Huge Distribution (formerly Pansmart and held at 50.25%), the holding company of which is Huge (effective date of this transaction was 15 February 2021).

In terms of Huge's Segment Report for the previous reporting period, the **Fintech Grouping** comprised the following companies:

- 83.70% held Huge Connect, the holding company of which is Huge;
- 100% held Huge Payments, the holding company of which is Huge;
- 100% held Huge Capital, the holding company of which is Huge.

In terms of Huge's Segment Report for the previous reporting period, the **Corporate Office Grouping** comprised the following companies:

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

Segment reporting continued

Changes to the operating segments

Due to the change in investment entity status of Huge, at 1 March 2021, the segment splits for the current reporting period required amendment. Refer to item 3 (investments held) in supplementary information for further detail relating to the change in investment entity status.

Three new reporting segments were created, and three historical reporting segments were discontinued.

The Corporate Office Grouping remained; the changes to this grouping was the inclusion of Huge Capital, which was previously included in the Fintech Grouping and the removal of Huge Software into the new Software Grouping.

The Connectivity Grouping includes:

- Huge Connect, which was previously included in the Fintech Grouping;
- Huge Messaging, which was previously included in the Telecom Grouping;
- Huge Soho, a 49% associate of Huge;
- Huge Technologies, which was previously included in the Telecom Grouping; and
- Huge Telecom, which was previously included in the Telecom Grouping:
 - Huge Networks, indirectly through the investment held in Huge Telecom. Huge Networks was previously included in the Telecom Grouping;
 - Huge Services, indirectly through the investment held in Huge Telecom. Huge Services was previously included in the Telecom Grouping;
 - Huge Cellular, a 49% associate of Huge Telecom.

The Software Grouping includes:

- Huge Media, which was previously included in the Telecom Grouping;
- Huge Software, which was previously included in the Corporate Office Grouping;
- Huge Payments, which was previously included in the Fintech Grouping;
- Glovent Solutions, which was acquired during the current reporting period.

The Distribution Grouping includes:

- Huge Distribution, which was previously included in the Telecom Grouping.

Geographic areas

The Investee Companies of Huge have operations physically located in five local regions, which are Gauteng, Western Cape, Eastern Cape, North West and Free State. The former Fintech and Telecom Groupings also operate outside of South Africa in Botswana, Namibia, Zambia, Eswatini and Lesotho.

Services

Huge generates its revenue in the form of dividends, interest income and fee income.

Segment reporting continued

Segment portfolio value movements – 2022

Segment	Investment held at 1 March 2021	Acquisition	Fair value gain	Portfolio interest	Investment held at 28 February 2022	Percentage of Portfolio
Connectivity	1 294 744 219	-	116 306 595	-	1 411 050 814	98.36%
Distribution	8 583 476	-	8 428 651	-	17 012 127	1.19%
Software	6 297 641	3 000 000	(2 837 743)	-	6 459 898	0.45%
Corporate Office	448 509	-	(28 044)	13 519	433 984	0.00%
Total	1 310 073 845	3 000 000	121 869 459	13 519	1 434 956 823	100.00%

Segment portfolio returns – 2022

Segment	Dividend income	Interest income	Fee income	Total
Connectivity	38 873 709	10 630 038	6 600 000	56 103 747
Distribution	-	1 295 542	-	1 295 542
Software	-	1 311 475	500 000	1 811 475
Corporate Office	-	1 251 613	-	1 251 613
Total	38 873 709	14 488 668	7 100 000	60 462 377

Segment reporting continued

Segment report – 2021

This segment report includes the R34.6 million IFRS2 share-based payment expense relating to the Executive Share Option Agreements included in the Corporate Office Grouping. The Board is of the view that the expense is a non-cash IFRS charge unrelated to the actual performance of the Group.

2021	Total	Telecom Grouping	Fintech Grouping	Corporate Office Grouping
Revenue	469 857 500	294 988 231	167 424 099	7 445 170
Cost of sales	(177 148 633)	(121 228 387)	(55 514 111)	(406 135)
Depreciation and amortisation	(16 010 593)	(1 893 715)	(14 116 878)	-
Impairment of inventory	(31 233 433)	(22 801 756)	(8 431 677)	-
Gross profit	245 464 841	149 064 373	89 361 433	7 039 035
Other income	6 719 184	6 672 930	46 254	-
Waiver of loans	18 605 878	18 605 878	-	-
Decommissioning of telephone lines	(11 529 788)	(11 529 788)	-	-
Selling and administration expenses	(44 925 864)	(22 448 448)	(11 046 814)	(11 430 602)
Depreciation on right-of-use assets	(5 626 563)	(1 803 334)	(2 772 848)	(1 050 381)
Employee costs	(93 469 081)	(60 340 788)	(18 300 671)	(14 827 622)
Executive share-based payment expense	(34 609 702)	-	-	(34 609 702)
Movement in credit loss allowances	(14 751 923)	(5 057 506)	(9 536 017)	(158 400)
Operating profit / (loss)	65 876 982	73 163 317	47 751 337	(55 037 672)
Finance income	1 285 322	216 145	356 932	712 245
Loss from equity accounted investments	(25 011)	-	-	(25 011)
Profit on sale of property, plant and equipment	1 938 751	404 618	1 532 245	1 888
Finance costs	(14 208 196)	(3 205 156)	(7 257)	(10 995 783)
Finance costs on lease liabilities	(1 477 930)	(572 436)	(548 305)	(357 189)
Profit/(loss) before taxation	53 389 918	70 006 488	49 084 952	(65 701 522)

Segment reporting continued

Assets and liabilities – 2021	Total	Telecom Grouping	Fintech Grouping	Corporate Office Grouping
Non-current assets	1 080 282 253	325 675 813	127 686 274	626 920 166
Current assets	177 850 602	127 324 520	41 912 205	8 613 877
	1 258 132 855	453 000 333	169 598 479	635 534 043
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)

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 then Group's reportable segments for FY2021. Due to the change in investment entity status of Huge from an operating company to an Investment Holding Company, the reportable segments for Huge have changed from 1 March 2022. Further detail regarding the FY2022 disaggregation of revenue can be found under item 6 (revenue) in the supplementary information.

Audited	Fintech Grouping 2021	Corporate Office 2021	Telecom Grouping 2021	Total Operating Segments 2021
South Africa	158 440 347	7 445 170	294 827 890	460 713 407
Africa	8 983 753	-	160 340	9 144 093
	167 424 100	7 445 170	294 988 230	469 857 500
Major goods/service lines				
Network devices	1 978 753	-	7 779 990	9 758 743
Network services ¹	165 445 347	-	272 443 558	437 888 905
Software license fees	-	7 445 170	267 199	7 712 369
Communication equipment	-	-	14 497 483	14 497 483
	167 424 100	7 445 170	294 988 230	469 857 500
Timing of revenue recognition				
Goods transferred at a point in time	1 978 753	-	23 610 146	25 588 899
Services transferred over time	165 445 347	7 445 170	271 378 084	444 268 601
	167 424 100	7 445 170	294 988 230	469 857 500

^{1.} The service line Network services can be broken down further into the following revenue streams:

	2021
Network services	
Voice connectivity services	187 096 109
Payment connectivity services	165 445 346
Data connectivity services	81 736 613
Messaging services	2 313 644
Telephone management services	1 297 193
Total	437 888 905

Supplementary information

1. Basis of preparation

The audited summarised consolidated financial statements have been prepared in accordance with the framework concepts and the recognition and measurement criteria of the International Financial Reporting Standards (IFRS) and the South African Institute for Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), and as a minimum, contains the information required by IAS 34: Interim Financial Reporting and comply with the Listing Requirements of the JSE Limited (JSE) and the Companies Act of South Africa (Act No. 71 of 2008) (Companies Act).

The full consolidated financial statements from which these summarised consolidated financial statements were derived are available on request from the Group's registered office.

These summarised consolidated financial statements and the full consolidated financial statements have been prepared under the supervision of Mrs SL Sequeira, CA (SA) and were approved by the Board of Directors (**Board**) on 31 May 2022.

2. Accounting policies

These accounting policies applied in preparation of the AFS are in terms of IFRS; however, the accounting policies applied are materially different from those previously applied as detailed below. A number of other new standards and/or interpretations are effective from 1 March 2021, but they have no material effect on the Group or Company's financial statements.

2.1. Application of the investment entity exemption in terms of IFRS 10 Consolidated Financial Statements

2.1.1. Change in investment entity status

An investment entity is typically an entity that i) obtains funds from one or more investors for the purpose of providing such investor(s) with investment management services, ii) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and iii) measures and evaluates the performance of substantially all of its investments on a fair value basis.

IFRS 10 lists typical characteristics of an investment entity as i) it has more than one investment, ii) it has more than one investor, iii) it has investors that are not related parties of the entity, and iv) it has ownership interests in the form of equity or similar interests. Huge exhibits all of these characteristics.

Huge's strategy is centred on acquiring and expanding its portfolio of companies, generating returns from the receipt of interest and dividends as well as the disposal of investments at a profit. Its approach is that of investment entity as opposed to consolidated group. Huge's vision, strategy, and policies (particularly its investment policy) are those of an investment entity. Its structure, the skills, background, and experience of its directors (regarding deal making and mergers and acquisitions) and its conduct (particularly its attempts to acquire a shareholding in Adapt IT Holdings Limited) no longer justified treating Huge as a consolidated group.

Huge's focus on value creation for its shareholders has not changed. The performance of its investment portfolio is accordingly measured with reference to the fair value of such investments rather than the consolidated profitability of Huge. Fair value is ultimately dependent on a range of factors such as the investee's market rating, growth prospects, operational performance, profitability and marketability.

Critical accounting judgement – Huge's classification as an investment entity. Management concluded that, with effect from 1 March 2021, Huge meets the criteria to be classified as an investment entity.

2.1.2. Accounting treatment for an investment entity

IFRS 10 contains special accounting requirements for an investment entity. Where an entity meets the definition of an investment entity, it does not consolidate its subsidiaries, but rather measures subsidiaries at fair value through profit or loss (FVTPL). However, an investment entity is still required to consolidate subsidiaries that provide services related to the investment entity's investment activities (i.e. those wholly-owned subsidiaries comprising Huge's head office operations).

IFRS 10 requires a parent that becomes an investment entity to account for the change in its status prospectively from the date at which the change in status occurred. Having considered various factors, including the timelines and decision-making processes leading up to aforementioned disposals, Huge's application of the investment entity exception is effective from 1 March 2021. Accordingly, on such date the group's existing subsidiaries (other than the aforementioned wholly-owned head office subsidiaries providing investment activities to Huge) were deemed to be disposed of and re-acquired at fair value, with the resultant

R416.1mn gain being recognised as a non-headline item in the statement of comprehensive income. Such investments were subsequently measured at FVTPL for the entire year under review.

2.2. Segment reporting

Due to the change in investment entity status of Huge referenced above, the Company has determined its operating segments based on its investments held during the current reporting period.

Since the Company holds investments in connectivity, software and distribution, the investments held are reported in these associated operating segments as defined in terms of IFRS 8, Operating Segments.

The 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 fair value movement, as evaluated by the CODM, represents the measure of the segment performance. The IFRS values are reconciled in the tables below. Information on the underlying investment held by Huge are also reported to the CODMs for the purpose of assessing segment performance. The Investment Committee of Huge reports to the CODM in terms of the guidelines on the investment portfolio valuation and reporting processes as set out in the Investment Policy.

3. Investments held

Nature of company	Held by	% holding 2022	Audited	
			Fair value 2022	Fair value 2021
Huge Capital	Huge	100.00%	-	-
Huge Connect – Ordinary shares held	Huge	83.70%	106 173 816	-
Huge Connect – Preference shares held	Huge	100.00%	457 075 000	-
Huge Distribution	Huge	75.12%	17 012 127	-
Huge Management	Huge	100.00%	-	-
Huge Media	Huge	96.00%	-	-
Huge Messaging	Huge	100.00%	704 360	-
Huge Payments	Huge	100.00%	-	-
Huge Software	Huge	75.00%	3 459 898	-
Huge Technologies	Huge	100.00%	103 217 674	-
Huge Telecom Group	Huge	100.00%	743 879 964	-
Huge Telecom	Huge	100.00%	676 849 896	-
Huge Cellular	Huge Telecom	49.00%	-	-
Huge Networks	Huge Telecom	50.03%	66 854 667	-
Huge Services	Huge Telecom	100.00%	175 401	-
Huge Soho	Huge	49.00%	-	-
The CI Trust	Huge	100.00%	-	-
GloVent ¹	Huge	5.00%	3 000 000	-
Discovery Invest Endowment Plan	Huge	-	433 984	420 465
Total fair value			1 434 956 823	420 465

- ¹. The Company concluded an agreement to acquire a minority interest in Glovent Solutions by way of a subscription for new ordinary shares of Glovent. Huge Group acquired 5% of Glovent for R3 million on 16 February 2022. The fair value of the 5% holding in Glovent was measured at 28 February 2022 and the cost closely approximates its fair value therefore no adjustments have been made to this investment value.

Continued on the next page

Investments held continued

Movement in investments held – 2022

Investment held	Fair value at 1 March 2021	Acquisitions during the year	Fair value gain/(loss) at 28 February 2022	Finance income on endowment	Sold during the year	Loss on sale	Closing balance - Fair value at 28 February 2022
Unlisted investments	1 310 073 845	3 000 000	121 869 459	13 519	-	-	1 434 956 823
Listed investments	-	20 397 193	(2 682 959)	-	(17 405 411)	(308 823)	-
Total	1 310 073 845	23 397 193	119 186 500	13 519	(17 405 411)	(308 823)	1 434 956 823

^{1.} The fair value gain on unlisted investments includes the gain as at 1 March 2021 amounting to R 644 million and the fair value gain as at 28 February 2022 amounting to R 122 million.

Investments held continued

Net gain from financial assets at fair value through profit or loss - Group

Unlisted Investments	1 March 2021 Fair value	28 February 2022 Fair value	Fair value gain/(loss)
Huge Capital	-	-	-
Huge Connect (Ordinary shares)	72 616 002	106 173 816	33 557 814
Huge Connect (Preference shares)	458 394 199	457 075 000	(1 319 199)
Huge Distribution	8 583 476	17 012 127	8 428 651
Huge Media	-	-	-
Huge Messaging	1 243 654	704 360	(539 294)
Huge Payments	-	-	-
Huge Software	6 294 641	3 459 898	(2 837 743)
Huge Technologies	89 544 443	103 217 674	13 673 231
Huge Telecom Group	672 948 921	743 879 964	70 931 043
Huge Telecom	638 250 400	676 849 896	38 599 496
Huge Cellular	-	-	-
Huge Networks	34 444 523	66 854 667	32 410 144
Huge Services	253 998	175 401	(78 597)
Huge Soho	-	-	-
The CI Trust	28 044	-	(28 044)
GloVent	-	3 000 000	-
Total Unlisted Holdings	1 309 653 380	1 434 522 839	121 869 459
Discovery Invest Endowment Plan	420 465	433 984	-
Total Holdings	1 310 073 845	1 434 956 823	121 869 459
Adapt IT sale	-	-	(2 682 959)
Total Net Gain			119 186 500

Continued on the next page

Investments held continued

Listed investment in Adapt IT

In accordance with the SENS released on 2 August 2021 detailing the results of the offer to Adapt IT shareholders (the Offer announced that Adapt IT shareholders holding 2 612 719 Adapt IT shares, representing 1.9% of Adapt IT's total ordinary share capital, excluding treasury shares, accepted the Offer Accordingly, Huge delivered 3 579 419 Huge shares and a total fractional entitlement in cash of R39.52 in settlement of the Offer consideration. The 2 612 719 Adapt IT shares were subsequently sold on 6 August 2021 for a sale consideration of R17 million. The investment was valued utilising the quoted share price on the Johannesburg Stock Exchange JSE and details are summarised below:

	Number of shares	Price per share	Total fair value
Listed Investments			
Huge Group shares issued 23 July 2021	3 579 419	5.70	20 397 194
Adapt IT shares held	2 612 719	6.78	17 714 235
Fair value loss to date of sale			(2 682 959)
Adapt IT shares held (cost)	2 612 719	6.78	17 714 235
Adapt IT shares sold	(2 612 719)	6.66	(17 405 411)
Loss on sale of Adapt IT shares			308 824

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Investments held continued

Fair value of investments held at 28 February 2022

The fair value of the investments retained as at 28 February 2022 were calculated by an independent expert, Managhan Proprietary Limited, in accordance with IFRS 13. The valuation assumptions utilised as at 28 February 2022 are detailed below:

Unlisted Investments	Economic interest	Primary valuation method	Fair value hierarchy	Significant and key inputs	Relationship of unobservable inputs	28 February 2022 fair value
Huge Capital	100.00%	Net assets	Level 3	Attributable NAV		-
Huge Connect (Ordinary shares)	83.70%	Income approach	Level 3	Maintainable earnings model	WACC 20.72% Terminal growth 1.79% Revenue growth 8.06% Sustainable GP margin 62.48%	106 173 816
Huge Connect (Preference shares)	100.00%	Dividend discount	Level 3	Dividend payable average coupon rate	Required rate of return 8.29%	457 075 000
Huge Distribution	75.12%	Income approach	Level 3	Maintainable earnings model	WACC 23.01% Terminal growth 1.79% Revenue growth 31.69% Sustainable GP margin 20.71%	17 012 127
Huge Media	96.00%	Net assets	Level 3	Attributable NAV		-
Huge Messaging	100.00%	Net assets	Level 3	Attributable NAV		704 360
Huge Payments	100.00%	Net assets	Level 3	Attributable NAV		-
Huge Software	75.00%	Income approach	Level 3	Maintainable earnings model	WACC 23.82% Terminal growth 1.79% Revenue growth 15.56% Sustainable GP margin 82.70%	3 459 898
Huge Technologies	100.00%	Net assets	Level 3	Attributable NAV		103 217 674

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Investments held continued

Unlisted Investments	Economic interest	Primary valuation method	Fair value hierarchy	Significant and key inputs	Relationship of unobservable inputs	28 February 2022 fair value
Huge Telecom	100.00%	Income approach	Level 3	Maintainable earnings model	WACC 15.82% Terminal growth 1.79% Revenue growth 18.63% Sustainable GP margin 66.31 %	676 849 896
Huge Cellular	49.00%	Net assets	Level 3	Attributable NAV		-
Huge Networks	50.03%	Income approach	Level 3	Maintainable earnings model	WACC 16.46% Terminal growth 1.79% Revenue growth 15.44% Sustainable GP margin 33.50%	66 854 667
Huge Services	100.00%	Net assets	Level 3	Attributable NAV		175 401
Huge Soho	49.00%	Net assets	Level 3	Attributable NAV		-
The CI Trust	100.00%	Net assets	Level 3	Attributable NAV		-
GloVent	5.00%	Income approach	Level 3	Maintainable earnings model	WACC 19.69 % Terminal growth 3.00% Revenue growth 22.49% Sustainable GP margin 22.00 %	3 000 000
Total Unlisted Holdings						1 434 522 839
Discovery Invest Endowment Plan			Level 3			433 984
Total Holdings						1 434 956 823

4. Loans receivable/(payable)

	Audited 2022	2021
Huge Capital	50 200	-
Huge Cellular	19 109 082	-
Huge Distribution	30 625 748	-
Huge Media	6 652 832	-
Huge Payments	7 166 425	-
Huge Software	5 947 649	-
Huge Technologies	34 831 145	-
Huge Telecom	104 443 344	-
Kliq Holdings	-	809 336
Otel Communications	-	262 521
Tethys Mobile	5 901 121	-
Total	214 727 546	1 071 857
Impairment of Huge Media	(6 640 000)	-
Loans receivable	208 087 546	1 071 857
Huge Messaging	(800 000)	-
J Ingram	-	(150 000)
GB Shiers	-	(150 000)
Loans payable	(800 000)	(300 000)

The value of all the above loans closely approximate their fair values.

All loans advanced to Investee Companies are capital investments in order to support the growth of the Investee Company.

5. Investment income

	Audited 2022	2021
Interest received on loans		
Loans to associate companies	1 357 769	465 313
Loans receivable	12 939 130	-
Total interest received on loans	14 296 899	465 313
Finance income		
Bank	25 892	585 853
Discovery endowment	13 518	12 786
Interest charged on trade and other receivables	-	91 909
Other receivables	152 359	129 461
Total finance income	191 769	820 009
Dividends received		
Investment companies	38 873 709	-
Total dividends received	38 873 709	-
Total investment income	53 362 377	1 285 322

6. Revenue

Disaggregation of revenue

Group	Audited 2022	2021
South Africa	7 100 000	460 713 407
Africa	-	9 144 093
	7 100 000	469 857 500
Major goods/service lines		
Network devices	-	9 758 743
Network services	-	437 888 905
Software license fees	-	7 712 369
Communication equipment	-	14 497 483
Fee income ¹	7 100 000	-
	7 100 000	469 857 500
Timing of revenue recognition		
Goods transferred at a point in time	-	25 588 900
Services transferred over time	7 100 000	444 268 600
	7 100 000	469 857 500

1. The investee entities under Huge make use of the name 'Huge' and Huge Group's logo. Their profile is raised because Huge Group is a listed company and they are part of a larger community with significantly more investment scale. Huge Group provides each investee entity with access to its relationships, including relationships with service providers and debt providers, and it also gives them access to legal advice, professional services, executive management and the board of directors at Huge Group. It is on this basis that Huge generates its revenue in the form of dividends, interest income and fee income.

7. Other income

	Audited 2022	2021
Gain on deemed disposal and reacquisition of subsidiaries at fair value ¹	416 114 833	-
Gain on loss of control of subsidiary companies	416 114 833	-
Gain on sale of property, plant and equipment	-	1 938 751
Gain on sale of property, plant and equipment	-	1 938 751
Insurance proceeds	-	27 004
Rental income	-	499 809
Learnership and SETA	-	90 869
Other income	1 479 012	387 786
Credit losses recovered	-	851 371
Profit warranty accrual	-	4 862 345
	1 479 012	6 719 184
MIA family trust	-	18 605 878
Waiver of loans	-	18 605 878
Total other income	417 593 845	27 263 813

1. Refer to item 9 (business combinations) in supplementary information for further detail.

8. Earnings and headline earnings per share

Basic earnings and headline earnings per share are calculated by dividing the relevant earnings amount by the weighted-average number of shares in issue. Diluted earnings and diluted headline earnings per share are calculated by dividing the relevant earnings by the weighted-average number of shares in issue after taking the dilutive impact of potential ordinary shares to be issued into account.

Earnings and headline earnings per share

2022	Gross	Tax	Net
Profit attributable to owners of the parent adjusted for	-	-	517 643 139
Gain on deemed disposal and reacquisition of subsidiaries at fair value	(416 114 833)	-	(416 114 833)
Headline earnings	(416 114 833)	-	101 528 306

2021	Gross	Tax	Net
Profit attributable to owners of the parent adjusted for	-	-	38 568 656
Impairment of plant and equipment	11 529 788	(3 228 341)	8 301 447
Gain on disposal of property, plant and equipment	(1 938 751)	542 850	(1 395 901)
Headline earnings	9 591 037	(2 685 491)	45 474 202

	2022	2021
Weighted average number of ordinary shares		
Issued shares at 1 March	173 663 766	175 627 077
Less: Treasury Shares	(11 566 081)	(10 397 415)
Outstanding shares 1 March	162 097 685	165 229 662
Weighted averages shares distributed to the CI Trust share beneficiaries during the year	-	371 347
Weighted average shares sold by the CI Trust during the year	-	36 555
Weighted average share buy-back – treasury shares held by Huge	(1 200 066)	(1 272 572)
Weighted average treasury shares returned to external shares	9 646 926	-
Weighted average shares issued during the current reporting period	2 087 887	-
Weighted average number of ordinary shares in issue at 28 February (basic, and headline)	172 632 432	164 364 992
Share buy-back anti-dilutive	1 200 066	1 272 572
Weighted average number of ordinary shares in issue at 28 February (diluted)	173 832 498	165 637 564
Per share statistics (cents)		
Earnings per share	299.85	23.47
Headline earnings per share	58.81	27.67
Diluted basic earnings per share	297.78	23.28
Diluted headline earnings per share	58.41	27.45

9. Business combinations

IFRS 10 contains special accounting requirements for an investment entity. Where an entity meets the definition of an investment entity, it does not consolidate its subsidiaries, but rather measures subsidiaries at fair value through profit or loss (FVTPL). However, an investment entity is still required to consolidate subsidiaries that provide services related to the investment entity's investment activities (i.e. those wholly-owned subsidiaries comprising Huge's head office operations).

IFRS 10 requires a parent that becomes an investment entity to account for the change in its status prospectively from the date at which the change in status occurred. Having considered various factors, including the timelines and decision-making processes leading up to aforementioned disposals, Huge's application of the investment entity exception is effective from 1 March 2021. Accordingly, on such date the group's existing subsidiaries (other than the aforementioned wholly-owned head office subsidiaries providing investment activities to Huge) were deemed to be disposed of and re-acquired at fair value, with the resultant R416.1mn gain being recognised as a non-headline item in the statement of comprehensive income. Such investments were subsequently measured at FVTPL for the entire year under review.

Continued on the next page.

Business combinations continued

	Huge Connect	Huge Distribution	Huge Media	Huge Messaging	Huge Payments	Huge Software	Huge Technologies	Huge Telecom	The CI Trust	Total
Investment at fair value raised	531 010 201	8 583 476	-	1 243 654	-	6 294 641	89 544 443	672 948 921	28 044	1 309 653 380
Less: net assets value	(73 246 149)	7 292 530	6 412 975	(1 243 654)	(5 863 885)	(1 254 655)	(102 371 643)	(65 571 138)	(28 044)	(235 873 663)
Less: Goodwill	(345 537 298)	(9 075 964)	-	-	(3 268 169)	(4 463 051)	-	(245 349 807)	-	(607 694 289)
Less: Non-controlling interest removed	(56 474 348)	(1 627 020)	(2 148 472)	-	-	364 398	-	9 914 847	-	(49 970 595)
Gain/(loss) on deemed disposal and reacquisition of subsidiary companies at fair value	55 752 406	5 173 022	4 264 503	-	(9 132 054)	941 333	(12 827 200)	371 942 823	-	416 114 833

Included in the net asset values of the previously reported subsidiary companies were cash and cash equivalent balances as at 1 March 2021, detailed below:

	Cash balances 1 March 2021
Huge Connect	16 242 477
Huge Distribution	1 718 195
Huge Media	26 046
Huge Messaging	1 417 105
Huge Networks	3 915 631
Huge Payments	511 917
Huge Services	174 526
Huge Software	246 798
Huge Technologies	114 297
Huge Telecom	(9 387 822)
The CI Trust	66 743
	15 045 913

10. Cash generated from/(used in) operations

	Audited	
	2022	2021
Profit before taxation	548 236 676	53 389 918
Adjustments for		
Depreciation	91 980	19 540 416
Amortisation	-	7 133 510
Profit on sale of property, plant and equipment	-	(1 938 751)
Decommissioning of telephone lines	-	11 529 788
Waiver of loans	-	(18 605 878)
Impairment of inventory	-	31 233 433
Dividends received	(38 873 709)	-
Finance income received	(14 488 668)	(1 285 322)
Finance costs	9 250 220	15 686 126
Net gain from financial assets at fair value through profit or loss	(119 186 500)	-
Gain on deemed disposal and reacquisition of subsidiary companies at fair value	(416 114 833)	-
Loss on sale of investments held	308 824	-
Profit warranty accrual	-	(4 862 345)
Movement in credit loss allowance	-	14 751 923
Lease modification	(498 554)	-
Share-based payments raised	7 359 215	35 831 475
Other non-cash items	-	100 372
Changes in working capital:		
Inventories	-	(53 299 724)
Trade and other receivables	19 646 998	(14 742 676)
Contract assets	-	(1 544 710)
Trade and other payables	(5 098 856)	(12 184 722)
Deferred income	-	(6 057 569)
	(9 367 207)	74 675 264

Reconciliation of cash arising from financing activities related to borrowings:

	Audited	
	2022	2021
Borrowings at the beginning of the year	152 040 034	172 519 872
Current	51 263 351	51 583 574
Non-current	100 776 683	120 936 298
Cashflows	-	(20 000 000)
Proceeds from borrowings	-	20 000 000
Repayment of borrowings	-	(40 000 000)
Other movements	(30 544 454)	(479 838)
Interest accrued	9 249 574	13 666 624
Interest paid	(9 202 840)	(14 146 462)
Change in investment entity status	(30 591 188)	-
Borrowings at the end of the year	121 495 580	152 040 034
Current	31 436 508	51 263 351
Non-current	90 059 072	100 776 683

11. Events after the reporting period

11.1. Rand Merchant Bank ZAR240 Million Facility

In October 2021, Huge started engaging with Rand Merchant Bank (RMB), a division of FirstRand Bank Limited, to raise debt finance to (i) replace Futuregrowth as Huge's primary debt provider and to (ii) raise additional finance to fund Huge's acquisition aspirations.

The Board is pleased announce that Huge Group has concluded its negotiations with RMB; and has secured a ZAR240 million facility, R150 million of which will be used to settle outstanding obligations to Futuregrowth (the ZAR200 Million Futuregrowth Facility held by Huge and the ZAR30 Million Futuregrowth Facility held by Huge Technologies). The RMB Facilities were concluded on 26 May 2022.

11.2. Acquisition of remaining 49.97% of Huge Networks

Huge Telecom concluded an agreement to acquire the remaining 49.97% interest in Huge Networks from Otel Communications for a purchase consideration of R15 million. Huge Telecom will hold 2001 ordinary shares in Huge Networks, making Huge Networks a wholly owned subsidiary company of Huge Telecom. The agreement was concluded on 27 May 2022.

11.3. Other matters

There were no other events material to the understanding of the summarised consolidated financial statements that occurred in the period between the reporting date and the publication date of the summarised consolidated financial statements.

12. Approval of financial statements

The consolidated financial statements were approved by the Board on 31 May 2022.

13. Audit Opinion

These summarised consolidated financial statements for the year ended 28 February 2022 have been audited by Moore Johannesburg Inc. (**Moore**), who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the full consolidated financial statements for the year ended 28 February 2022 from which these summarised consolidated financial statements were compiled.

A copy of the auditor's report on the summarised consolidated financial statements and the auditor's report on the full consolidated and separate financial statements are available for inspection at the Company's registered office, together with the financial statements identified in the respective auditor's reports. Moore has not audited future financial performance and expectations expressed by management included in the commentary in the summarised consolidated financial statements and accordingly do not express an opinion thereon. The auditor's report does not necessarily report on all of the information contained in the summarised consolidated financial statements.

Shareholders are advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

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 entity, holding investments in Investee Companies operating in the connectivity, cloud, software, and xTech markets
Executive directors	James Herbst (<i>Chief Executive Officer</i>) Andy Openshaw (<i>Chief Operating Officer</i>) Samantha Sequeira (<i>Chief Financial Officer</i>)
Non-executive directors	Duarte da Silva (<i>Independent Chairperson</i>) Brian Armstrong (<i>Independent</i>) Dennis Gammie (<i>Independent</i>) Craig Lyons (<i>Independent</i>) Vincent Mokholo
Registered address	Unit 6, 1 Melrose Boulevard, Melrose Arch, Johannesburg, Gauteng, 2076
Business address	Unit 6, 1 Melrose Boulevard, Melrose Arch, Johannesburg, Gauteng, 2076
Postal address	PO Box 262, Melrose Arch, 2076
Auditor	Moore Johannesburg Incorporated
Business address	50 Oxford Road, Parktown, Johannesburg 2193
Postal address	PO Box 3094, Houghton, 2041
Company Secretary	Rokeya Hansa
Business address	Unit 6, 1 Melrose Boulevard, Melrose Arch, Johannesburg, Gauteng, 2076
Postal address	PO Box 262, Melrose Arch, 2076
Sponsor	Questco Advisory Proprietary Limited
Business address	Ground floor, Block C, Investment Place, 10 th Road, Hyde Park, Johannesburg, 2196

Transfer secretaries

Computershare Services Proprietary Limited

Business address

Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

Postal address

Private Bag X9000, Saxonwold, 2132

Email

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Tax reference number

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