huge group

unlocking business opportunity

Huge Group Limited

Group Interim Results

for the six months ended
31 August 2020

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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

CEO's Comments

March 2020 was the most challenging start to any financial year Huge has ever faced – there were just so many unknowns, informed by an ugly and unsparing pandemic. There were moments when the Company thought that the 'Growing Huge Strategy' was completely at risk. There were moments when the thoughts of growth suddenly turned to thoughts of survival, but Huge has faced this unexpected enemy, and faced it well, and has got back to focusing on 'Growing Huge'. The Group's operating companies have proved themselves resilient and we are proud of what they have achieved over these last six months.

JAMES HERBST *Chief Executive Officer*

The Growing Huge Strategy remains on track. The pandemic has had an impact on Huge's operating companies – that much is clear from the 5.5% decline in revenue. Although the revenue decline can largely be attributed to Huge Telecom, Huge's largest operating company, the pandemic did put pay to revenue growth across Huge's other operating companies as well.

On 26 February 2020, shareholders of the Company overwhelming approved the granting of options to the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer. IFRS requires the Company to create a share-based payment equity reserve equal to the independent calculation of the value of the options and to do so by making non-cash charges in the income statement. An independent valuer determined that the value of the options is R42 million and the Company will create a share-based payment reserve of this amount by charging the Company's income statements over time. This period's charge amounts to R24.1 million, leaving R17.9 million to be charged to future income statements (R10.5 million in the next 6 months and another R7.4 million in FY2022). These charges are non-cash charges that have no effect on overall equity. In order to deal with accounting transactions similar to this share-based payment expense, Huge has introduced, and will continue to use, additional measures of EPS and HEPS which better reflect normalised profit for a period. This will be extended to various reports and statements.

Normalised EPS & HEPS for the period were about 27% lower than the prior comparative period and this translates into a normalised profit for the period of R35.6 million, which is R15.1 million or 29.8% lower than the comparative period's normalised profit of R50.7 million. The decline in revenue contributed to about a R9.7 million decline in gross profit and operating profit, based on the prior period's gross margin. In addition, the prior period's gross margin of 73.7%, which benefited from once-off credits to cost of sales, adjusted downwards to this period's gross margin of 61.4%, which is sustainable, accounts for a further R28.5 million of the decrease in gross profit and operating profit, which was partially offset by a R13.2 million reduction in net operating costs. This accounts for the R25 million decline in normalised EBITDA for the period, from R94.7 million in the prior period to R69.7 in the current period. Had it not been for the lower revenue, normalised, sustainable EBITDA for the period would have printed at R77.9 million instead of R69.7 million, based on an additional R13.3 million in revenue at a gross margin of 61.4%. In the absence of the effects of the pandemic and in the absence of any growth, Huge's normalised, sustainable, annualised EBITDA is circa R155 million. Based on Huge's current share price of 420 cents, net shares in issue of circa 164 million, interest-bearing debt of circa R171 million, Huge is trading on an enterprise value to EBITDA multiple of about 5.5.

MTN Migration

In August 2020, Cell C SPC informed Huge Cellular that it no longer wished to provide services to Huge Cellular and gave Huge Cellular until close of business on 31 October 2020 (which was later extended to 30 November 2020 to migrate its customers to an alternative mobile network. These services provided by Huge Cellular to Huge Telecom, and on to over 16 000 customers, involved over 43 000 telephone lines.

On 30 August 2020, Mobile Telephone Networks Proprietary Limited, an MTN Group Limited company, agreed to assist Huge Cellular, and in turn Huge Telecom, in migrating the entire customer base to the MTN mobile telephone network. MTN is a provider of mobile virtual network enabler (MVNE) services.

This is probably the largest ever physical migration of mobile telephone network services South Africa has ever seen and it has been completed in record time. To physically visit 16 800 customers in 90 days was a near impossible task but thanks to an incredibly capable executive team, a committed work force and MTN as an involved supplier, the migration has been very successful. As at 25 November 2020, the migration is all but complete.

CEO's Comments (continued)

MTN Migration (continued)

It has taken Huge Telecom over two decades to secure a competitive and sustainable supply framework with a first-tier mobile network operator like MTN, which provides extensive coverage, where the quality of service of calls on this mobile network is of the highest standard, where the cost structure of getting access to the mobile network is competitive and can provide a value for money service and where the service provides for the full telephone functionality which SME and corporate South Africa expects. The time has arrived where everything is in place for Huge Telecom to significantly grow its presence and make its mark on telephony in South Africa. This is a tipping point in the history of Huge Telecom.

The Group believes that the Telecom Grouping will benefit significantly from the Group's new relationship with MTN.

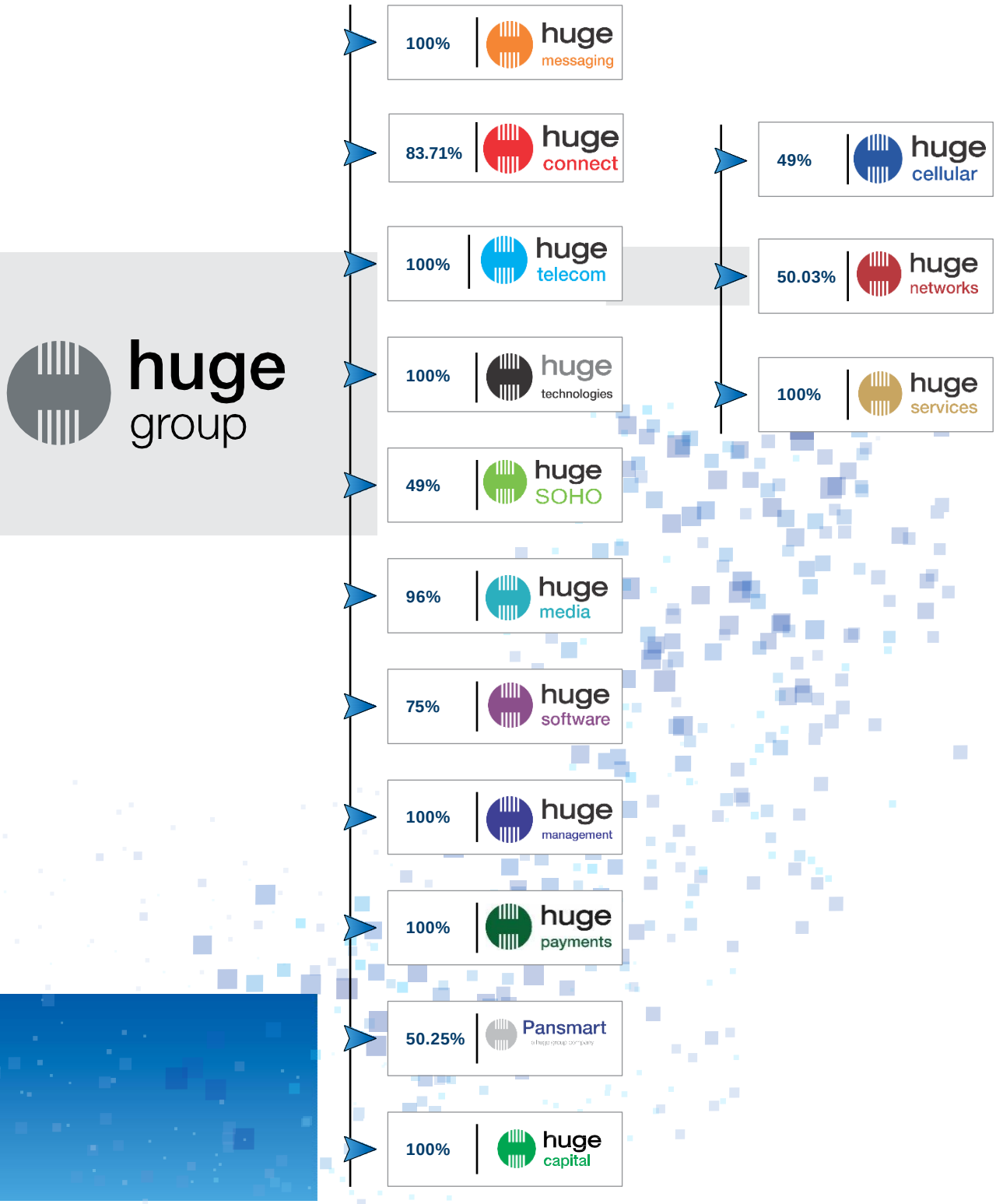
Future Prospects

As detailed in a SENS released by Huge on 9 November 2020, Huge Telecom has launched a new all-inclusive service, which will allow its customers who operate from a fixed location to make free and unlimited telephone calls to any local, national and mobile destination in South Africa for a fixed monthly amount of R500. The offering is only available, and only works with a Huge fixed-location device. It is not a mobile consumer offering and it is not sold directly. Customers can avail themselves of this offer by contacting one of Huge Telecom's 800 Business Partners, located nationally. This is a first in corporate telephony and the interest from Huge Telecom's Business Partners has been overwhelming.

The Group continues to explore opportunities to expand the Fintech Grouping, which today is only focused on payment connectivity. Its real estate of circa 216 000 connected devices (including card terminals, ATM's and cash vaults) makes it one of the largest potential platforms for The Internet of Things (IoT) in Southern Africa. In conjunction with the customer analytics, which it continues to develop, this real estate of devices positions Huge to enter the market for Fintech and to participate in the Fintech evolution that is taking place. The Company continues to believe that it is possible to leverage its payment connectivity platform to create bespoke financial services, in partnership with financial institutions.

The Group will continue to build its ecosystem for service and product delivery to a real estate in excess of 51 000 SME customers. The Group believes that it is well positioned to increase the number of installed telephone lines and active point-of-sale devices (currently over 43 000 and 230 000 respectively) by selling existing services and products to an increasing number of customers.

Group Organogram



Company Profile

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.

Company Profile (continued)

The remaining subsidiary companies are:

Huge Capital is currently a non-trading entity that has been established for the purposes of providing merchant cash advances.

Huge Cellular is a 49% held associate company of Huge Telecom. Huge Cellular is engaged in the procurement and supply of voice connectivity.

Huge Management is the treasury company of the Group.

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 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 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 allows 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 Soho is a 49% held associate company of Huge Telecom. Huge Soho is engaged in managed telecommunication services.

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**).

Key Performance Highlights

Group cash increased from R19 million to **R38 million**

Fixed & variable annuity revenue makes up **95%** of total revenue

Net asset value per share increased by **8%** from 482 cents to 519 cents

Net tangible asset value per share increased by **29%** from 124 cents to 159 cents

Normalised operating expenses decreased by **15%** from R84million to R71 million

Fixed annuity revenue makes up **76%** of total revenue

No staff retrenchments or salary cuts due to COVID-19

Interim Financial Results

Unaudited Condensed Consolidated Statements

Interim Financial Results

NORMALISED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 August 2020

The board of directors (the **Board** or the **Directors**) of Huge Group are pleased to present the condensed consolidated interim results of the Company and its subsidiary companies and associates (the **Group**) for the first six months of the financial year (**HY2021**) which commences on 1 March 2020 and ends on 28 February 2021 (**FY2021**). These results have been compared to the twelve months of the financial year which commenced on 1 March 2019 and ended on 28 February 2020 (**FY2020**) and they have also been compared to the first six months (**HY2020**) of FY2020.

Figures in Rand	**Unaudited 31 August 2020 (6 months) R'000**	Audited 29 February 2020 (12 months) R'000	Reviewed 31 August 2019 (6 months) R'000
Revenue	**231 298**	492 145	244 676
Cost of sales	**(89 209)**	(153 250)	(64 394)
Gross profit	**142 089**	**338 895**	**180 282**
Other income	**3 237**	10 418	4 312
Selling and administration expenses	**(71 434)**	(154 617)	(84 361)
Movement in credit loss allowance	**(4 180)**	(17 121)	(5 583)
EBITDA	**69 712**	**177 575**	**94 650**
Depreciation and amortisation	**(14 384)**	(35 927)	(20 315)
Depreciation on right-of-use assets	**(3 551)**	(6 866)	(2 680)
Operating profit	**51 777**	**134 782**	**71 655**
Finance income	**702**	3 717	2 573
Other operating gains[1]	**780**	1 575	-
Profit/(loss) from equity accounted investments	**(25)**	20	(8)
Impairment on investment in joint venture company	**-**	(458)	-
Finance costs	**(7 770)**	(19 432)	(10 125)
Finance costs on lease liabilities	**(986)**	(2 141)	(728)
Profit before taxation	**44 478**	**118 063**	**63 367**
Income tax expense	**(8 896)**	(22 739)	(12 673)
Net profit for the year	**35 582**	**95 324**	**50 694**
Non-controlling interest	**(60)**	(301)	(2 198)
Net profit attributable to owners of the company	**35 522**	**95 023**	**48 496**
Earnings per share information			
Basic earnings per share (cents)	**21.50**	57.58	29.43
Diluted earnings per share (cents)	**21.47**	57.42	29.37
Headline earnings per share (cents)	**21.15**	57.03	29.21

[1] Other operating gains include gains on sale of plant and equipment as disclosed in basic and headline earnings per share on page 21 and gains/losses on foreign currency transactions.

This normalised condensed consolidated statement of comprehensive income is the responsibility of the Board and is provided to shareholders to illustrate the performance of the Group had the Group not had to raise the R24.1 million IFRS2 share-based payment expense relating to the Executive Share Option Agreements. However, because of its nature it may not fairly present comprehensive income.

A comprehensive analysis and explanation of the Executive Share Option Agreements is provided in the 2020 Integrated Report on pages 90-91.

Interim Financial Results (continued)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 August 2020

Figures in Rand	**Unaudited 31 August 2020 (6 months) R'000**	Audited 29 February 2020 (12 months) R'000	Reviewed 31 August 2019 (6 months) R'000
Revenue	**231 298**	492 145	244 676
Cost of sales	**(89 209)**	(153 250)	(64 394)
Gross profit	**142 089**	**338 895**	**180 282**
Other income	**3 237**	10 418	4 312
Selling and administration expenses	**(71 434)**	(154 617)	(84 361)
Executive share-based payment expense (IFRS2)[1]	**(24 094)**	-	-
Movement in credit loss allowance	**(4 180)**	(17 121)	(5 583)
EBITDA	**45 618**	**177 575**	**94 650**
Depreciation and amortisation	**(14 384)**	(35 927)	(20 315)
Depreciation on right-of-use assets	**(3 551)**	(6 866)	(2 680)
Operating profit	**27 683**	**134 782**	**71 655**
Finance income	**702**	3 717	2 573
Other operating gains	**780**	1 575	-
Profit/(loss) from equity accounted investments	**(25)**	20	(8)
Impairment on investment in joint venture company	**-**	(458)	-
Finance costs	**(7 770)**	(19 432)	(10 125)
Finance costs on lease liabilities	**(986)**	(2 141)	(728)
Profit before taxation	**20 384**	**118 063**	**63 367**
Income tax expense	**(8 896)**	(22 739)	(12 673)
Net profit for the year	**11 488**	**95 324**	**50 694**
Non-controlling interest	**(60)**	(301)	(2 198)
Net profit attributable to owners of the company	**11 428**	**95 023**	**48 496**
Earnings per share information			
Basic earnings per share (cents)	**6.92**	57.58	29.43
Diluted earnings per share (cents)	**6.91**	57.42	29.37
Headline earnings per share (cents)	**6.57**	57.03	29.21

[1] The condensed consolidated statement of comprehensive income includes the R24.1 million IFRS2 share-based payment expense relating to the Executive Share Option Agreements. The Board is of the view that the expense is a non-cash IFRS charge unrelated to the actual performance of the Group and therefore the Normalised Performance presented on page 9 is a better representation of the Group's performance. A comprehensive analysis and explanation of the Executive Share Option Agreements is provided in the 2020 Integrated Report on pages 90-91.

Interim Financial Results (continued)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 August 2020

Figures in Rand	**Unaudited 31 August 2020 R'000**	Audited 29 February 2020 R'000	Reviewed 31 August 2019 R'000
Assets			
Non-current assets			
Property, plant and equipment	**279 831**	272 983	264 651
Right-of-use assets	**13 936**	16 830	23 234
Goodwill[1]	**607 694**	607 694	607 998
Intangible assets	**23 566**	22 520	20 553
Investment in joint venture company	**-**	-	599
Investment in associate companies	**-**	25	-
Loans to associate companies	**72 014**	70 704	60 720
Loans receivable	**151**	336	-
Contract assets	**3 966**	4 901	4 460
Investments at fair value	**414**	404	15 639
Deferred tax	**24 550**	29 552	31 142
	1 026 122	1 025 949	1 028 996
Current assets			
Inventories	**75 175**	60 039	31 645
Loans receivable	**194**	204	6
Contract assets	**2 304**	2 168	1 988
Trade and other receivables	**63 187**	69 257	72 773
Current tax receivable	**1 110**	4 224	3 855
Cash and cash equivalents	**38 384**	40 153	21 526
	180 354	176 045	131 793
Total assets	**1 206 476**	1 201 994	1 160 789
Equity and Liabilities			
Equity			
Equity attributable to holders of parent			
Share capital	**607 135**	611 884	608 429
Share-based payment reserve	**26 763**	3 906	6 344
Change in control reserve	**52 474**	52 474	(4 761)
Accumulated profit/(loss)	**284 531**	273 103	236 921
	970 903	941 367	846 933
Non-controlling interest	**(60 194)**	(60 254)	(1 122)
	910 709	881 113	845 811

[1] In terms of paragraph 8.65 of the JSE Listings Requirements the FRIP instructed Huge to restate the FY2019 results, as it related to the accounting treatment of The ConnectNet Incentive Trust (**The CI Trust**), which in turn impacted the 31 August 2019 comparatives. The outcome of the JSE and FRIP process highlighted that the purchase price for the ConnectNet acquisition should have been reduced by the cash and shares donated to The CI Trust, which amounted to R14.7 million. A comprehensive analysis and explanation as well as prior period restatement entries are provided in the 2020 Integrated Report on pages 142 to 145.

Interim Financial Results (continued)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

as at 31 August 2020

Figures in Rand	**Unaudited 31 August 2020 R'000**	Audited 29 February 2020 R'000	Reviewed 31 August 2019 R'000
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	**136 172**	120 936	90 977
Deferred Income	**-**	-	4 943
Loans payable	**18 969**	18 258	1 560
Lease liabilities	**10 662**	14 509	16 458
Deferred tax	**45 959**	43 181	41 617
	211 762	196 884	155 555
Current liabilities			
Deferred income	**1 806**	6 092	5 200
Loans payable	**41**	600	3 046
Interest-bearing liabilities	**35 180**	51 584	87 560
Current tax payable	**2 530**	8 292	6 590
Lease liabilities	**6 800**	6 308	8 407
Trade and other payables	**37 608**	50 230	46 407
Bank overdraft	**40**	891	2 213
	84 005	123 997	159 423
Total liabilities	**295 767**	320 881	314 978
Total equity and liabilities	**1 206 476**	1 201 994	1 160 789
Number of ordinary shares in issue ('000)	175 607	175 627	175 627
Net asset value per share (cents)	518.61	501.70	481.60
Net tangible asset value per share (cents)	159.13	142.86	123.71

Capital

The Group continues to enjoy the support of Futuregrowth Asset Management through the ZAR200 Million Term Facility Agreement concluded in December 2018. As at 31 August 2020, the Group's net debt position is R133 million. At 31 August 2020, the Group's Debt to normalised sustainable EBITDA ratio is 1.17. 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. With R38 million cash reserves, the Group is in a favourable position for fueling sustainable growth. The effective tax rate applicable to Group profit before tax is circa 20% and it is expected that the Group will continue to enjoy this level of effective tax for the medium term.

Interim Financial Results (continued)

CONDENSED CONSOLIDATED STATEMENT OF STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 August 2020

Figures in Rand	Share Capital R'000	Share Premium R'000	Share based payment reserve R'000	Change in control reserve R'000	Trust donation reserve[1] R'000	Accumulated Profit R'000	Non-Controlling interest R'000	Total Equity R'000
Prior year adjustment[1]	-	-	-	-	(14 471)	-	-	(14 471)
Audited Balance as at 1 March 2018	**17**	**618 755**	**-**	**-**	**(14 471)**	**128 774**	**(3 016)**	**730 059**
Profit for the year	-	-	-	-	-	79 122	(3 087)	76 035
Issue of shares	-	225	-	-	-	-	-	225
Capital raising expense	-	(729)	-	-	-	-	-	(729)
Elimination of treasury shares	-	(12 375)	-	-	14 471	-	-	2 096
Share-based payments raised	-	-	7 038	-	-	-	-	7 038
Distribution of treasury shares previously held	-	2 896	(2 896)	-	-	-	-	-
Common control transaction	-	-	-	(4 761)	-	-	-	(4 761)
Derecognition of non-controlling interest	-	-	-	-	-	(133)	133	-
Business Combinations	-	-	-	-	-	1 241	11 636	12 877
Audited Balance as at 28 February 2019[1]	**17**	**608 772**	**4 142**	**(4 761)**	**-**	**209 004**	**5 666**	**822 840**
Profit for the year	-	-	-	-	-	95 023	301	95 324
Issue of shares	-	180	-	-	-	-	-	180
Capital raising expense	-	(720)	-	-	-	-	-	(720)
Share buy-back	-	(63)	-	-	-	-	-	(63)
Share-based payments raised	-	-	3 462	-	-	-	-	3 462
Distribution of treasury shares previously held[1]	-	3 698	(3 698)	-	-	-	-	-
Dividends	-	-	-	-	-	(30 924)	-	(30 924)
Business Combinations	-	-	-	57 235	-	-	(57 235)	-
Business Combinations	-	-	-	-	-	-	(8 986)	(8 986)
Audited Balance as at 29 February 2020	**17**	**611 867**	**3 906**	**52 474**	**-**	**273 103**	**(60 254)**	**881 113**
Profit for the year[2]	-	-	-	-	-	11 428	60	11 488
Capital raising expense	-	(60)	-	-	-	-	-	(60)
Share buy-back	-	(7 147)	-	-	-	-	-	(7 147)
Share-based payments raised	-	-	25 315	-	-	-	-	25 315
Distribution of treasury shares previously held	-	2 458	(2 458)	-	-	-	-	-
Unaudited Balance as at 31 August 2020	**17**	**607 118**	**26 763**	**52 474**	**-**	**284 531**	**(60 194)**	**910 709**

[1] In terms of paragraph 8.65 of the JSE Listings Requirements the FRIP instructed Huge to restate the FY2019 results, as it related to the accounting treatment of The ConnectNet Incentive Trust (**The CI Trust**), which in turn impacted the 31 August 2019 comparatives. The outcome of the JSE and FRIP process highlighted that the purchase price for the ConnectNet acquisition should have been reduced by the cash and shares donated to The CI Trust, which amounted to R14.7 million. A comprehensive analysis and explanation as well as prior period restatement entries are provided in the 2020 Integrated Report on pages 142 to 145.

[2] Profit for the year after the R24.1 million IFRS2 Share-based payment expense relating to the Executive Share Option Agreements.

Interim Financial Results (continued)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 August 2020

Figures in Rand	**Unaudited 31 August 2020 (6 months) R'000**	Audited 29 February 2020 (12 months) R'000	Reviewed 31 August 2019 (6 months) R'000
Profit before taxation[1]	**20 384**	**118 063**	**63 367**
Adjusted for non-cash movements	32 188	74 284	43 821
Adjusted for non-cash movements (Executive share options)	24 094	-	-
Adjusted for working capital movements	(34 599)	(61 904)	(25 236)
Net finance costs	(5 116)	(13 130)	(6 955)
Finance costs on lease liabilities	(986)	(2 141)	(1 284)
Tax paid	(3 765)	(19 383)	(12 483)
Net cash from operating activities	**32 200**	**95 789**	**61 230**
Cash flows from investing activities			
Purchase of plant and equipment	(18 825)	(70 742)	(52 345)
Proceeds from disposal of plant and equipment	894	1 938	512
Purchase of intangible assets	(1 827)	(5 992)	(2 178)
Business combinations	-	(12 340)	(12 813)
Withdrawal of investment at fair value	-	44 602	29 366
Advances/(Repayment) of loans receivable at amortised cost	221	(530)	-
Advances/(Repayment) of loans to associates	(1 195)	-	5 888
Loans to shareholders repaid	-	13	-
Share buy-back	(7 147)	(63)	-
Net cash used in investing activities	**(27 879)**	**(43 114)**	**(31 570)**
Cash flows from financing activities			
Dividends paid	-	(30 924)	(20 597)
Capital raising expenses	(60)	(720)	(360)
Proceeds/(Repayment) of interest-bearing liabilities	(1 167)	2 113	(7 433)
Proceeds/(Repayment) of lease liabilities	(4 012)	(5 090)	(3 165)
Net cash used in financing activities	**(5 239)**	**(34 621)**	**(31 555)**
Total cash movement for the year	**(918)**	**18 054**	**(1 895)**
Cash at the beginning of the year	39 262	21 208	21 208
Total cash at end of the year	**38 344**	**39 262**	**19 313**

[1] Profit before taxation after the R24.1 million IFRS2 Share-based payment expense relating to the Executive Share Option Agreements.

Reporting

Segment Report

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 Huge's Segment Report, the **Telecom Grouping** comprises 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;
- 50.25% held Pansmart, the holding company of which is Huge.

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

- 83.704% 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, the **Corporate Office Grouping** comprises 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 Company, the holding company of which is Huge.

Changes to the operating segments

As a result of business combinations concluded during the second six months of FY2020 involving Huge Payments and Huge Services, Huge Services is included in the Telecom Grouping and Huge Payments is included in the Fintech Grouping. Huge Management Company (formerly Huge Mobile) is included in the Corporate Office Grouping and no longer the Telecom Grouping. Huge Capital, a non-trading entity, has been included in the Fintech Grouping.

The changes to the operating segments did not require any restatement of segment information due to immateriality.

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 in Botswana, Namibia, Zambia, Eswatini and Lesotho.

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 the disaggregated revenue note on page 20 for further details.

Segment Report (continued)

NORMALISED SEGMENT REPORT

For the six months ended 31 August 2020

Figures in Rand	Unaudited 31 August 2020 R'000	Telecom Grouping R'000	Fintech Grouping R'000	Corporate Office Grouping R'000
Revenue	231 298	146 427	83 741	1 130
Gross profit	**142 089**	**86 379**	**54 756**	**954**
Other income	3 237	3 093	59	85
Selling and administration expenses	(71 434)	(42 166)	(15 446)	(13 822)
Movement in credit loss allowances	(4 180)	(697)	(3 492)	9
EBITDA	**69 712**	**46 609**	**35 877**	**(12 774)**
Depreciation and amortisation	(14 384)	(6 775)	(7 435)	(174)
Depreciation on right-of-use assets	(3 551)	(1 251)	(1 775)	(525)
Operating profit/(loss)	**51 777**	**38 583**	**26 667**	**(13 473)**
Finance income	702	140	249	313
Other operating gains	780	-	821	(41)
Share of losses from equity accounted investments	(25)	-	-	(25)
Finance costs	(7 770)	(1 943)	(4)	(5 823)
Finance costs on lease liabilities	(986)	(528)	(279)	(179)
Profit/(loss) before taxation	**44 478**	**36 252**	**27 454**	**(19 228)**

This normalised segment report is provided to shareholders to demonstrate the performance of the Group in FY2020 had the Group not had to raise the R24.1 million IFRS2 Share-based payment expense relating to the Executive Share Option Agreements.

This normalised segment report is the responsibility of the Board and is provided to shareholders to illustrate the performance of the Group had the Group not had to raise the R24.1 million IFRS2 share-based payment expense relating to the Executive Share Option Agreements. However, because of its nature it may not fairly present the segment report.
A comprehensive analysis and explanation on the Executive Share Option Agreements is provided in the 2020 Integrated Report on pages 90-91.

Figures in Rand	Reviewed 31 August 2019 [1] R'000	Telecom Grouping R'000	Fintech Grouping R'000	Corporate Office Grouping R'000
Revenue	244 676	159 105	84 434	1 137
Gross profit	**180 282**	**118 281**	**61 110**	**891**
Other income	4 312	3 721	472	119
Selling and administration expenses	(84 361)	(43 219)	(16 207)	(24 935)
Movement in credit loss allowances	(5 583)	1 731	(7 308)	(6)
EBITDA	**94 650**	**80 514**	**38 067**	**(23 931)**
Depreciation and amortisation	(20 315)	(14 197)	(5 967)	(151)
Depreciation on right-of-use assets	(2 680)	(969)	(1 186)	(525)
Operating profit/(loss)	**71 655**	**65 348**	**30 914**	**(24 607)**
Finance income	2 573	460	905	1 208
Share of losses from equity accounted investments	(8)	(8)	-	-
Finance costs	(10 125)	(2 724)	(7)	(7 394)
Finance costs on lease liabilities	(728)	(248)	(258)	(222)
Profit/(loss) before taxation	**63 367**	**62 828**	**31 554**	**(31 015)**

[1] No amendments have been made to the comparative HY2020 figures presented above as the normalised numbers are unadjusted and therefore the same as the actuals.

Segment Report (continued)

SEGMENT REPORT

For the six months ended 31 August 2020

Figures in Rand	Unaudited 31 August 2020 R'000	Telecom Grouping R'000	Fintech Grouping R'000	Corporate Office Grouping R'000
Revenue	231 298	146 427	83 741	1 130
Gross profit	**142 089**	**86 379**	**54 756**	**954**
Other income	3 237	3 093	59	85
Selling and administration expenses	(71 434)	(42 166)	(15 446)	(13 822)
Executive share-based payment expense (IFRS2)[1]	(24 094)	-	-	(24 094)
Movement in credit loss allowances	(4 180)	(697)	(3 492)	9
EBITDA	**45 618**	**46 609**	**35 877**	**(36 868)**
Depreciation and amortisation	(14 384)	(6 775)	(7 435)	(174)
Depreciation on right-of-use assets	(3 551)	(1 251)	(1 775)	(525)
Operating profit/(loss)	**27 683**	**38 583**	**26 667**	**(37 567)**
Finance income	702	140	249	313
Other operating gains	780	-	821	(41)
Share of losses from equity accounted investments	(25)	-	-	(25)
Finance costs	(7 770)	(1 943)	(4)	(5 823)
Finance costs on lease liabilities	(986)	(528)	(279)	(179)
Profit/(loss) before taxation	**20 384**	**36 252**	**27 454**	**(43 322)**

This segment report includes the R24.1 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 and accordingly the Normalised Segment Performance, presented on page 17, is a better representation of the segments' performance.

The **Telecom Grouping:**

- The lockdown had little to no impact on the Telecom Grouping's fixed annuity of line rentals but it did have a short-term impact on the variable minute revenue. Revenue for the six months to 31 August 2020 decreased by 8% due to the national lockdown associated with COVID-19. A significant number of SME's closed their doors either temporarily or moved to a to a work-from-home operating environment or closed permanently due to the extended financial pressure from lack of custom. The initial hard lockdown (level 5) resulted in a substantial reduction in voice traffic revenue for the month of April 2020.
- The fixed annuity-based revenue (which constitutes 63% of total revenue) increased by 17% from prior year and can be celebrated during a time of unprecedented uncertainty, notwithstanding challenges experiences with FST and with the Cell C dispute.
- Voice traffic revenue has shown a significant improvement in the months following April 2020 and are almost back to "pre-COVID" levels.
- The prior period's gross margin of 74.3%, benefited from once-off credits to cost of sales, adjusted downwards to this period's gross margin of 59%, which is sustainable. Had it not been for the benefits of these once-off credits in the prior period, cost of sales would have increased by 3%.
- A once off acceleration of depreciation and amortisation of R5 million negatively impacted the Telecom Grouping in the prior period.

The **Fintech Grouping:**

- The prior period's gross margin of 72.3% benefited from once-off credits to cost of sales, adjusted downwards to this period's gross margin of 65.4%, which is sustainable.
- Huge Connect increased the number of POS (point of sale) devices connected by 15% and is steadily growing its fixed annuity revenue stream (94% of which is fixed annuity revenue).
- The awarding by The Standard Bank of South Africa Limited of a contract for the provision of payment connectivity services was implemented and has started and is expected to continue to contribute meaningfully to revenue growth in the future.

Segment Report (continued)

SEGMENT REPORT

For the six months ended 31 August 2020

The **Corporate Office Grouping**:

- 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.
- Operating expenses for the six months to 31 August 2020 were substantially lower than the operating expenses for the six months to 31 August 2019, primarily as a result of a cost reduction drive by the Executive.

MTN migration
99%
Complete
(as at 25 November 2020)

Fixed & variable annuity revenue makes up
95%
of total revenue

Telecom Grouping Fixed Annuity revenue grew by
17%

Fixed annuity revenue makes up
76%
of total revenue

Fintech Grouping increased number of card machines connected by
15%

Fintech Grouping increased normalised profit after tax by
14%

Corporate Office Grouping decreased opex by
45%

Segment Highlights

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.

Figures in Rand	Telecom Grouping R'000	Fintech Grouping R'000	Corporate Office Grouping R'000	Total 31 August 2020 R'000
Region				
South Africa	146 347	79 736	1 130	227 213
Africa	80	4 005	-	4 085
	146 427	**83 741**	**1 130**	**231 298**
Major goods/service lines				
Network devices	4 625	15	-	4 640
Network services	135 139	83 726	-	218 865
Software licence fees	-	-	1 130	1 130
Communication equipment	6 663	-	-	6 663
	146 427	**83 741**	**1 130**	**231 298**
Timing of revenue recognition				
Goods transferred at a point in time	11 286	15	-	11 301
Services transferred over time	135 141	83 726	1 130	219 997
	146 427	**83 741**	**1 130**	**231 298**

Figures in Rand	Telecom Grouping R'000	Fintech Grouping R'000	Corporate Office Grouping R'000	Total 31 August 2019 R'000
Region				
South Africa	159 000	79 390	1 137	239 527
Africa	105	5 044	-	5 149
	159 105	**84 434**	**1 137**	**244 676**
Major goods/service lines				
Network devices	41 717	1 670	-	43 387
Network services	113 320	82 764	-	196 084
Software licence fees	193	-	1 137	1 330
Communication equipment	3 875	-	-	3 875
	159 105	**84 434**	**1 137**	**244 676**
Timing of revenue recognition				
Goods transferred at a point in time	11 705	1 670	-	13 375
Services transferred over time	147 400	82 764	1 137	231 301
	159 105	**84 434**	**1 137**	**244 676**

Basic & Headline Earnings per share

NORMALISED BASIC & HEADLINE EARNINGS PER SHARE

For the six months ended 31 August 2020

Figures in Rand	**Unaudited 31 August 2020 (6 months) R'000**	Audited 29 February 2020 (12 months) R'000	Reviewed 31 August 2019 (6 months) R'000
Weighted average number of shares in issue	**165 248**	**165 037**	**164 774**
Normalised profit attributable to equity holders of the parent	35 522	95 023	48 494
Basic earnings per share (cents)	**21.50**	**57.58**	**29.43**

Figures in Rand	**Unaudited 31 August 2020 (6 months) R'000**	Audited 29 February 2020 (12 months) R'000	Reviewed 31 August 2019 (6 months) R'000
Weighted average number of shares in issue	**165 248**	**165 037**	**164 774**
Normalised profit attributable to equity holders of the parent	35 522	95 023	48 494
Gain on disposals of plant and equipment	(795)	(1 575)	(514)
Gain on bargain purchase on joint venture	-	(138)	-
Impairment of investment on joint venture	-	458	-
Taxation effects	223	351	144
Adjusted normalised profit attributable to equity holders of the parent	34 950	94 119	48 124
Headline earnings	**21.15**	**57.03**	**29.21**

This normalised basic and headline earnings per share is the responsibility of the Board and is provided to shareholders to illustrate the performance of the Group had the Group not had to raise the R24.1 million IFRS2 share-based payment expense relating to the Executive Share Option Agreements. However, because of its nature it may not fairly present the basic and headline earnings per share.

Treasury Shares

As at 31 August 2020 the Company had 175 607 077 (August 2019: 175 627 077) ordinary shares in issue, of which 9 646 926 ordinary shares are held by Huge Telecom as treasury shares. 177 900 (August 2019: 737 989) ordinary shares are held by The CI Trust, which has been classified in terms of IFRS 10 as an entity controlled by Huge Connect and therefore by Huge Group. 1 943 311 (August 2019: nil) ordinary shares are held by Huge Group as a result of the share repurchase programme and were cancelled and returned to authorised share capital after 31 August 2020.

Basic & Headline Earnings per share (continued)

BASIC & HEADLINE EARNINGS PER SHARE

For the six months ended 31 August 2020

Figures in Rand	**Unaudited 31 August 2020 (6 months) R'000**	Audited 29 February 2020 (12 months) R'000	Reviewed 31 August 2019 (6 months) R'000
Weighted average number of shares in issue	**165 248**	**165 037**	**164 774**
Normalised profit attributable to equity holders of the parent	35 522	95 023	48 494
Executive share-based payment expense (IFRS2)[1]	(24 094)	-	-
Profit attributable to equity holders of the parent	11 428	95 023	48 494
Basic earnings per share (cents)	**6.92**	**57.58**	**29.43**

The basic and headline earnings per share includes the R24.1 million IFRS2 share-based payment expense relating to the Executive Share Option Agreements. The Board is of the view that the expense is a non-cash IFRS charge unrelated to the actual performance of the Group and therefore the normalised basic and headline earnings per share presented on page 21 is a better representation of the Group's performance.

Figures in Rand	**Unaudited 31 August 2020 (6 months) R'000**	Audited 29 February 2020 (12 months) R'000	Reviewed 31 August 2019 (6 months) R'000
Weighted average number of shares in issue	**165 248**	**165 037**	**164 774**
Profit attributable to equity holders of the parent	11 428	95 023	48 494
Gain on disposals of plant and equipment	(795)	(1 575)	(514)
Gain on bargain purchase on joint venture	-	(138)	-
Impairment of investment on joint venture	-	458	-
Taxation effects	223	351	144
Adjusted profit attributable to equity holders of the parent	10 856	94 119	48 124
Headline earnings	**6.57**	**57.03**	**29.21**

Notes to the Interim Financials

Directors responsibility

The Directors of the Group take full responsibility for the preparation of the condensed consolidated interim financial statements. The condensed consolidated interim financial statements have not been reviewed or audited.

Board approval

These condensed consolidated interim financial statements were authorised for issue on 25 November 2020 by the Huge Group Limited board of directors and published on 30 November 2020.

Preparer and supervisor of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements for the period ended 31 August 2020 were prepared under the supervision of the Chief Financial Officer of the Company, SL Sequeira CA(SA).

Basis of preparation

The condensed consolidated interim financial statements for the six months ended 31 August 2020 are prepared in accordance with the requirements of the JSE's Listings Requirements (**Listings Requirements**) for interim financial statements and the requirements of the Companies Act, No 71 of 2008 applicable to interim financial statements. The interim financial statements were prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (**IFRS**), SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council (**FRSC**), and do also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 29 February 2020, which have been prepared in accordance with IFRS.

Any information included in this announcement that might be perceived as a forward-looking statement, has not been reviewed by the Company's auditors but is in accordance with section 8.40(a) of the Listings Requirements.

Principal accounting policies

The accounting policies applied in the preparation of the condensed consolidated interim financial statements comply with IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated financial statements.

A number of amendments to accounting pronouncements are effective from 1 March 2020 but they do not have a material effect on the Group's interim financial statements.

Impact of the COVID-19 pandemic

The Directors have assessed the impact of COVID-19 and the national lockdown on the historical performance of the individual subsidiary companies in the Group and although there was an impact on the Group, the impact is not considered to be material. The impact was largely limited to the month of April 2020, whereafter improvements were seen. The Group 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 Huge'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.

Notes to Interim Financials (continued)

Impact of the COVID-19 pandemic (continued)

Huge 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.

Financial Instruments & Financial 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 instruments at amortised cost

The fair values of financial instruments measured at amortised cost approximate their carrying amounts.

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 Futuregrowth interest-bearing borrowings, MIA loans acquired through the Pansmart acquisition as well as equity as disclosed in the statement of changes in equity on page 13.

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.

Notes to Interim Financials (continued)

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.

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

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 other 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 such as 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. 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 where it is not in possession of collateral.

Notes to Interim Financials (continued)

Exposure to credit risk (continued)

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 a credit loss allowance matrix to measure the expected credit losses (**ECL's**) 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. 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.

As at 29 February 2020 and 31 August 2020, management included an overlay to consider the expected impact of COVID-19. The changes in percentage movements in the default rates within the credit ratings were analysed at reporting date at a customer profile level and these changes were then applied to existing ECL ratios. This overlay did not materially increase the ECL for trade receivables. The customer collections and credit loss trends, as a consequence of COVID-19, are being assessed on a continual basis in the underlying operating companies as well as the Group as a whole to ensure any changes are managed and reported.

Employee share-based transactions

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 2020, 560 089 Shares (August 2019: 468 038) were transferred by The CI Trust to share beneficiaries at a grant price of R3.70 (August 2019: R6.30). The remaining 177 900 Shares are ceded as security for the loan between Huge and The CI Trust.

Shares that have been allocated to share beneficiaries are not restricted.

Expense arising from share-based payment transactions

Total expenses of R1 221 899 (August 2019: R2 202 513) related to equity-settled share-based payment transactions were recognised in HY2021 and HY2020 respectively.

Notes to Interim Financials (continued)

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**). The options contemplated in the Option Agreements (the **Options)** were approved three days prior to the end of FY2020, at that time the share price was below the Strike Price (defined below) and the Options were not favourable to the Executives to warrant exercising.

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 R5.31 per share (the **Strike Price**).

A valuation of the Options was performed at 29 August 2019, using the Binomial Option Pricing Model.

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; 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.

Charges relating to the Executive Option Agreements

IFRS requires the Company to create a share-based payment equity reserve equal to the independent calculation of the value of the options and to do so by making non-cash charges in the income statement. An independent valuer determined that the value of the options is R41 988 875 and the Company will create a share-based payment reserve of this amount by charging the Company's income statements over time. This period's expense amounts to R24 093 368 (August 2019: nil), leaving R17 875 550 to be charged to future income statements (R10 516 335 in the next 6 months and another R7 359 215 in FY2022).

Share Repurchase Programme

Following the announcement on 15 January 2020, the Company repurchased 1 963 311 Huge Shares amounting to R7 209 014 at an average price of 367 cents per share. 20 000 of these Shares were delisted on 20 April 2020 and the remaining have been delisted subsequent to 31 August 2020.

Related Party Transactions & Balances

Relationships	At 31 August 2020
Subsidiary companies	Huge Capital Huge Connect Huge Management Huge Media Huge Messaging Huge Networks Huge Payments Huge Services Huge Software Huge Technologies Huge Telecom Pansmart
Entitites 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 (the **Executive**)	JC Herbst AP Openshaw SL Sequeira

Related party balances

Loan accounts – Owing by related parties

Loan accounts – Owing by associate companies **Figures in Rand**	**Unaudited 31 August 2020 (6 months) R'000**	Audited 29 February 2020 (12 months) R'000	Reviewed 31 August 2019 (6 months) R'000
Huge Cellular	69 607	68 297	58 313
Huge Soho	2 407	2 407	2 407
Total	**72 014**	**70 704**	**60 720**

Consulting fees paid to related parties **Figures in Rand**	**Unaudited 31 August 2020 (6 months) R'000**	Audited 29 February 2020 (12 months) R'000	Reviewed 31 August 2019 (6 months) R'000
Casa Da Luz Proprietary Limited[1]	120	720	360
VM Mokholo[2]	-	200	-
Total	**120**	**920**	**360**

[1] Casa Du Luz Proprietary Limited entered into a capital raising fee consulting agreement in prior years which came to an end May 2020.

[2] VM Mokholo entered into a once-off consulting arrangement in relation to the Windfall transaction that took place in FY2020.

Related Party Transactions & Balances (continued)

Surety fees paid to related parties

Figures in Rand	Unaudited 31 August 2020 (6 months) R'000	Audited 29 February 2020 (12 months) R'000	Reviewed 31 August 2019 (6 months) R'000
JC Herbst[1]	-	1 159	-
Total	**-**	**1 159**	**-**

[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.

Purchases from related parties

Figures in Rand	Unaudited 31 August 2020 (6 months) R'000	Audited 29 February 2020 (12 months) R'000	Reviewed 31 August 2019 (6 months) R'000
Huge Services[2]	-	-	173
Total	**-**	**-**	**173**

[2] 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.

Loan accounts – Owing to related parties

Figures in Rand	Unaudited 31 August 2020 (6 months) R'000	Audited 29 February 2020 (12 months) R'000	Reviewed 31 August 2019 (6 months) R'000
GB Shiers	(300)	(450)	(600)
J Ingram	(300)	(450)	(600)
Total	**(600)**	**(900)**	**(1 200)**

Huge Telecom concluded sale of shares agreements (the **Sale Agreements**) with J Ingram, GB Shiers and EM Kerby. In terms of the Sale Agreements, Huge Telecom acquired all of the shares held by J Ingram, GB Shiers and EM Kerby in Huge Messaging (formerly Ambient Mobile Proprietary Limited). The loans are paid in equal monthly instalments and the balance will be fully settled in HY2022.

Supplementary Information

Subsequent Events

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 in the 2020 Integrated Report on pages 47-51.

COVID-19

The Directors have assessed the potential impact, including the impact of the pandemic on Huge's performance and liquidity in the short to medium term. The going concern assumption, as adopted in the preparation of the interim financial statements, remains applicable. The Directors will continue to monitor this position as more data becomes available and as circumstances change.

Resignation of non-executive Director

Huge announced on 23 September 2020 that Steve Tredoux, an independent non-executive director, resigned from the Board. The Board wishes to extend its gratitude to Mr Tredoux for his significant contribution to the Company over the past twelve years and wishes him all the best for his future endeavours.

MTN Migration

As at 25 November 2020, the MTN Migration is all but complete. Further details can be found in the CEO's Comments.

Charges relating to the Executive Option Agreements

IFRS requires the Company to create a share-based payment equity reserve equal to the independent calculation of the value of the options and to do so by making non-cash charges in the income statement. An independent valuer determined that the value of the options is R41 988 875 and the Company will create a share-based payment reserve of this amount by charging the Company's income statements over time. This period's expense amounts to R24 093 368 (August 2019: nil), leaving R17 875 550 to be charged to future income statements (R10 516 335 in the next 6 months and another R7 359 215 in FY2022).

Dividends

The Board is cognisant that these are very uncertain times and it is prudent to preserve cash due to uncertainties relating to COVID-19. Ordinary shareholders are advised that the Board has decided that no interim dividend will be declared (HY2020: 6.25 cents per ordinary share).

Litigation

The Company and Group engage in a certain level of litigation in the ordinary course of business. The Directors have considered all pending and current litigation involving the Company and the Group and are of the opinion that, unless specifically provided, none of these will result in a loss to the Group.

The Board is closely monitoring the dispute between Huge Cellular and Cell C Service Provider Company Proprietary Limited (**Cell C SPC**) and the claims that Cell C SPC have made (the **Cell C SPC Claims**) against Huge Cellular. The Cell C SPC Claims are the subject of an arbitration, the outcome of which is unknown. The details of the arbitration are subject to legal privilege. If any claim relating to the Cell C SPC Claims is made against Huge, Huge will make the disclosures required in terms of IAS37.

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 the Interim Financial Results.

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 these Interim Financial Results, which affects the financial position of the Group or the results of its operations to the date of this report.

Supplementary Information (continued)

Governance

The Group recognises the need to conduct its business with integrity, transparency and equal opportunity, and subscribes to good corporate governance as set out in the King IV Report on Corporate Governance.

Sponsor

Nedbank Corporate and Investment Banking a division of Nedbank Limited
Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, 2196

Registered office

Unit 6, 1 Melrose Boulevard, Melrose Arch, Johannesburg, 2076 (PO Box 1585 Kelvin, 2054)

Transfer Secretaries

Computershare Investor Services Proprietary Limited
2nd Floor, Rosebank Towers, 15 Bierman Avenue, Rosebank, 2196

Directors

Non-Executive: Dr DF da Silva (Chairman), SP Tredoux *, DR Gammie**, BC Armstrong**, CWJ Lyons** and VM Mokholo

* SP Tredoux resigned on 23 September 2020
** Independent

Executive

JC Herbst (Chief Executive Officer), AP Openshaw (Chief Operating Officer), SL Sequeira (Chief Financial Officer)

Date of release

Johannesburg
30 November 2020

Huge Group Limited
(Registration number 2006 023587 06
Share code: HUG ISIN ZAE 000102042

Glossary

A2X Markets	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 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
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
EBITDA	earnings before interest, taxation, depreciation and amortisation
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).
EPS	earnings per share
FRIP	Financial reporting investigation panel
Futuregrowth	Futuregrowth Asset Management Proprietary Limited, registration number 1996/018222/07, financing agent of Huge
Group	Huge and its subsidiary companies
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
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

Glossary (continued)

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
JSE	the JSE Limited, registration number 2005/022939/06
Listing Requirements	Listings Requirements the Listings Requirements of the JSE
The MIA Family Trust	means the trustees for the time being of The Mia Family Trust (Master's reference No. IT 4648/99), a trust duly registered in accordance with the laws of the Republic of South Africa, which holds 49.75% of the shares in Pansmart
MIA Telecomms	means MIA Telecomms Proprietary Limited, registration number 1998/024633/07, a private company duly incorporated in accordance with the laws of South Africa
MIA Loan	means loans that existed on acquisition of Pansmart on 13 May 2019
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
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)

huge group

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