2019

INTEGRATED REPORT

FOR THE YEAR ENDED FEBRUARY

About this report

Our Report

Reporting scope and boundary

This Integrated Report is Huge's primary report to its shareholders and other stakeholders for the financial year 1 March 2018 to 28 February 2019. It provides information on Huge's business model, strategy, operational and financial performance and illustrates how Huge has created value through connectivity. Management aims to provide a balanced and accurate assessment of matters relating to Huge's financial, economic, social and governance position. This Integrated Report includes the Consolidated Annual Financial Statements and is available at www.hugegroup.com.

The reporting process has been guided by the Integrated Reporting Framework of the International Integrated Reporting Counsel, the King IV Report on Corporate Governance, the JSE Listings Requirements and the Companies Act, 71 of 2008 (as amended).

Materiality

This Integrated Report focuses on information which the directors believe is material to shareholders' understanding of Huge's ability to create value in the short, medium and long term. The materiality test applied by the Board is based on internal and external matters, both positive and negative, that substantially affect the ability of Huge to deliver its strategy and which could have a material impact on revenue, profitability and growth.

Assurance

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

Feedback

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

#HugeGroupLtd **@HugeGroupLtd**

Forward-looking statements

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

Approval

The Board of Huge Group Limited has approved the publication of this Integrated Report for the year ended 28 February 2019.

Duarte da Silva
Chairman

James Herbst
Chief Executive Officer

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01 Our Huge story

Key performance highlights

Gross dividend declared of
12.5 cents
per share

Total revenue increased by
8%
from R401 million to R433 million

EBITDA increased by
16%
from R129 million to R149 million

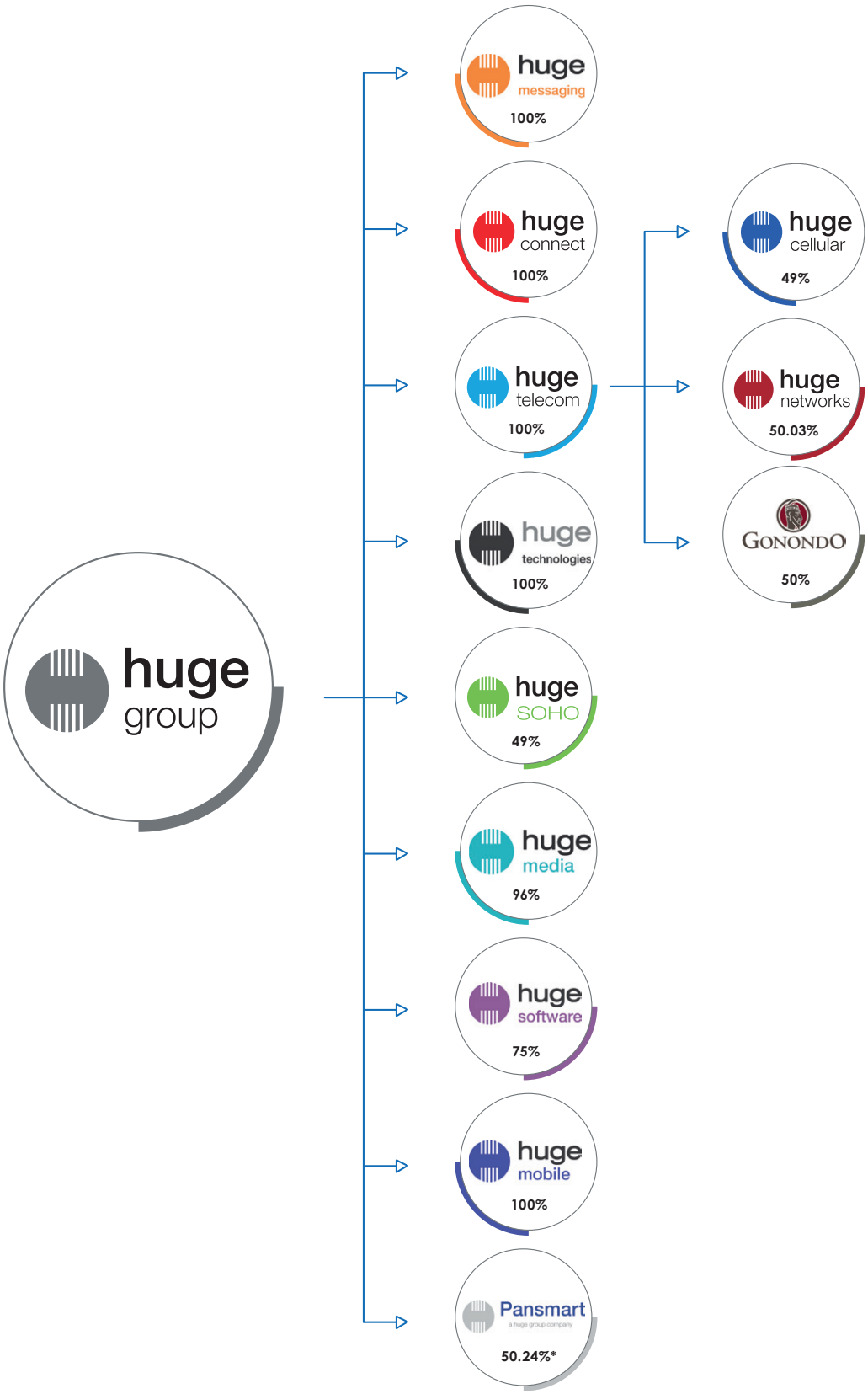
Operating profit increased by
8%
from R113 million to R122 million

Net profit after tax increased by
17%
from R77.1 million to R90.5 million

Basic earnings per share increased by
20%
from 47.40 cents per share to 56.84 cents per share

Headline earnings per share increased by
14%
from 49.1 cents per share to 55.81 cents per share

Group Organogram



** With effect from 13 May 2019*

01 Our Huge story continued

Chairman's letter

In a challenging year, Huge has sought to balance its growth aspirations with cash generation, positioning itself for longer term growth, while also delivering earnings growth. This has enabled Huge to declare a dividend of 12.5 cents per share.

DUARTE DA SILVA *Chairman*

In the three years since moving its listing onto the Main Board of the JSE, Huge has delivered 450% growth in profit after tax. It has also expanded its offering to include numerous products and services. It has increased its market capitalisation substantially and it has created a head office structure which will enable future expansion.

What we said in 2018

Sustainable earnings growth momentum, leveraged off a tangible customer real estate asset, is expected to underpin the embedded value of Huge for its stakeholders

In the post-2019 election climate, the President of South Africa has received a clear mandate from the voting public. The market-friendly persona of Cyril Ramaphosa bodes well for foreign investment and a potential economic upswing. Sadly, this is offset by the harsh realities of high unemployment, the threat of a further ratings downgrade and negative economic growth. Accordingly, this creates challenges for strengthening consumer confidence and introduces the possibility of prescribed assets in the investment space. For investors, shares which deliver a yield have become more attractive. From an economic perspective, companies which can support the sustainability and growth of SMEs become more relevant in a national context.

Huge Group has, like many South African companies, been impacted by the prevailing negative economic environment, particularly with regard to the impact on SMEs. The Group has also faced challenges in respect of personnel changes, stock market volatility and a demanding M&A environment.

Notwithstanding these challenges, the Group has produced pleasing growth in earnings in the year under review. Following engagement with its shareholders, Huge has shifted its emphasis to cash generation. In doing so, the Board has sought to balance the Group's growth aspirations with its cash flow requirements. Achieving this has resulted in the Group being structurally positioned for longer term growth, while improving its cash generation and delivering consistent earnings growth. The Board is therefore delighted to have declared a gross cash dividend of 12.50 cents per share.

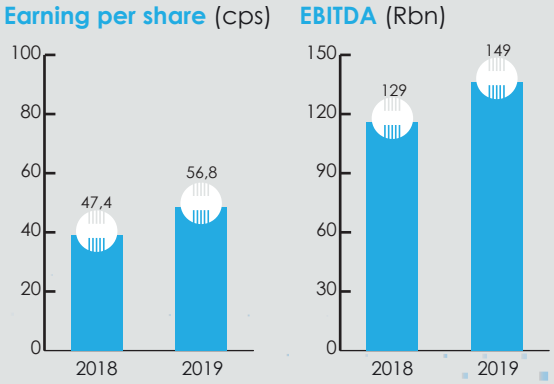
This shift in emphasis toward cash generation had several consequences for the Group, including the appointment of suitably aligned personnel and a change in the contractual commitments with service providers.

20%

increase in EPS from 47.40 to 56.84 cents per share

16%

increase in EBITDA from R129 million to R149 million



Acquisitive activity

What we said in 2018

Acquisitive activity is essential to the Growing Huge Strategy. Each investment made by Huge will be intentionally designed to increase the cumulative size of its customer real estate. Specific focus will be given to opportunities that complement and strengthen existing service and product offerings, including bolt-on acquisitions

Huge has proven that it not only has the ability to identify, consummate and integrate substantial businesses, but that it also has the ability to create shareholder value from these acquisitions.

During the period under review, the Board considered numerous potential targets. We ultimately decided to focus on two significant opportunities, which aligned with the Growing Huge Strategy.

The first potential target possessed an attractive and substantial SME customer base. However, the due diligence revealed that the target had no contractual or direct billing relationship with its end customer. This fundamentally implied that Huge could not integrate and broaden its customer real estate – which is a primary criterion of Huge's investment strategy. In addition, a significant concentration risk to one customer was identified. The Investment Committee elected to withdraw from the sale process as a result of these factors.

The second potential target would have enabled Huge to enter the payment service provider space and by implication become a Fintech participant. Unfortunately, minority shareholders exercised pre-emptive rights, blocking Huge's ability to invest.

We are disappointed by our failure to conclude a sizeable transaction in this financial period despite incurring substantial costs in attempting to do so. Fortunately, the Group was successful in concluding two strategic bolt-on acquisitions in line with the Growing Huge Strategy.

The Board continues to search for acquisitions which will deliver Huge's strategic imperatives of broadening its customer real estate and transitioning into Fintech. Ultimately, Huge aspires to become a Top 100 listed company on the JSE, with a market capitalisation in excess of R11.5 billion.

Chairman's letter (continued)

What we said in 2018

The acquisition of Huge Connect would inevitably lead Huge into services related to payment connectivity and ultimately Fintech, where we anticipated delivering disruptive and innovative solutions to our customers in partnership with financial institutions

Fintech remains a priority and the data mining of our customer real estate continues. Huge has also been developing a number of Fintech products, in conjunction with partners, and we expect that these should be introduced to the customer real estate in the near future. Huge Connect continues to provide Huge with a gateway into Fintech where Huge can create, in partnership with financial institutions, disruptive and innovative solutions for its customer real estate.

What we said in 2018

Between 2014 and 2018, the Huge share price increased from R0.85 to R8.70. Liquidity is an essential requirement for most shareholders, and hence a tradability improvement of the Huge share is a key focus for the Board.

Notwithstanding Huge's focus on delivering earnings, it appears that the market is disappointed with Huge for not having delivered a significant acquisition during FY2019. Over the last three financial years, Huge has unwound the price/earnings multiple from above the market average to one which is now below the average. Despite this recalibration in the price/earnings multiple, the share price is still strong relative to the small cap sector of companies.

In order to improve the liquidity of the share, a focused strategy to *inter alia* diversify the current shareholding is required. This will be facilitated and augmented when acquisitions are completed by issuing shares as part of the purchase consideration. The focus will continue to be the acquisition of target companies with strong cash generation.

Huge's investment strategy:

In order for Huge to pursue an acquisition, the target must:

- have a large customer real estate
- operate in the SME space
- have a direct contractual relationship with its customers
- have the ability to bill its customers directly
- have scale
- generate annuity revenues

Strategic delivery

What we said in 2018

On 1 March 2018, the Board approved a comprehensive strategy, the Growing Huge Strategy. The Growing Huge Strategy seeks to ensure that Huge continues to grow, both organically and by way of acquisition, in the short, medium and long-term

The Growing Huge Strategy was implemented on 1 March 2018 with a three-year implementation period. The Board is very pleased that the implementation of the Growing Huge Strategy is showing meaningful progress across each of its operating companies, with most strategic objectives having already exceeded the 50% threshold.

Cell C / FST

What we said in 2018

We negotiated sizeable decreases in our variable cost base and migrated customers onto a new network, while also pioneering and commercialising the Full Suit Telephony (FST) offering and revising our internal operating model. This will result in the gross profit for the Telecom Grouping increasing as it fully exploits the cost of sales reduction benefits available as a result of these initiatives.

In February 2017, Huge Cellular concluded an Enterprise Supply Agreement (**ESA**) with Cell C Service Provider Company (**Cell C**) which contemplated the development of the FST service and which would allow the Group, though Huge Telecom, to sell customers FST as a substitute for last mile copper telephone cable connections. FST is a wireless GSM-based telephone connection and its introduction as a substitute for copper telephone cable connections is a world first. FST was expected to deliver substantial increases in unit sales of telephone lines and substantial increases in revenues. The development of FST was expected to take nine months to complete and the launch of FST was expected to take place in November 2017. It was therefore contemplated that FST would have only a small effect on FY2018 but a much more material effect on FY2019.

In anticipation of the launch and success of FST, Huge Cellular paid significant amounts to Cell C for access to the Cell C network. From March 2017 until the launch of FST in November 2017, Huge Cellular paid Cell C R56 million for future access to the Cell C network. When FST was launched in November 2017 the initial unit sales were phenomenal (in excess of eight times monthly sales in the previous six months), suggesting that Huge Telecom could grow its monthly sales of telephone lines by at least eight times. However, when the FST service was launched it encountered technology challenges and had to be partially withdrawn from the market. It took the better part of FY2019 to resolve these challenges which had the effect of curtailing Huge Telecom's growth expectations. Meanwhile, Huge Cellular continued to pay Cell C for future access to the Cell C network and from December 2017 to August 2018 Huge Cellular paid Cell C a further R74 million, bringing its total payments to Cell C for future access to the Cell C network to R130 million. However, with the challenges relating to FST, Huge Cellular was only able to deplete R50 million of the R130 million it had paid to Cell C and by the end of August 2018, the balance of future services owed by Cell C to Huge Cellular was R80 million.

In terms of the ESA, Huge Cellular had the right but not the obligation to extend the term of the ESA for a further period of three years commencing on 1 March 2019 and terminating on 28 February 2022. Huge Cellular elected to not renew the ESA. This decision was made in light of the fact that the balance of future services owed by Cell C to Huge Cellular was estimated at c. R50 million by 28 February 2019. In addition, by renewing the ESA, Huge Cellular would be agreeing to pay Cell C a further R255.4 million for the renewal period. Attempts were made to extend the ESA on different commercial terms but ultimately the negotiations failed and the ESA came to an end on 28 February 2019.

Notwithstanding the challenges relating to FST, it has been proven to be a viable substitute for copper last mile connectivity and as a result, other mobile telephone network operators in South Africa are eager to partner with Huge Cellular in taking FST to the market. With the necessary reparative activity underway, the Board looks forward to reporting higher growth in Huge Telecom in the near future.

Management changes

What we said in 2018

In prior years, the Board sought to strengthen its management team. During 2016 and 2017, the Board appointed Duarte da Silva as Chairman and Zunaid Bulbulia as a non-executive director and subsequently as Chief Financial Officer.

In securing the sustainability of the Group as a whole, the Board seeks to build a management team which will develop and support sustainable structures where the Group is not wholly dependent on key individuals.

Chairman's letter (continued)

The appointment of a Chief Operating Officer has bolstered the management team significantly. Andy Openshaw joined Huge on 1 March 2019 and we expect that he will provide valuable input to the Growing Huge Strategy, that he will assist the Group in implementing this strategy and will also assist Huge in fulfilling its organic growth aspirations; we also expect that he will help identify acquisitive opportunities for the Group as a whole.

Mr Bulbulia, in his position as Chief Financial Officer, was instrumental in negotiating key components of the ESA with Cell C. His extensive industry experience was also invaluable in the formation and implementation of the Growing Huge Strategy. Unfortunately, Mr Bulbulia's external interests meant that he did not have the capacity demanded by a growing company such as Huge.

Following her appointment as Chief Financial Officer on 25 March 2019, Mrs Sequeira will focus on the continued enhancement of Huge's financial reporting capabilities and on strengthening Huge's internal financial control mechanisms.

Rob Burger took over from Gunter Engling as the Managing Director of Huge Telecom, with a mandate to shift the emphasis to sustainable growth coupled with positive cash flow.

Strengthened balance sheet

What we said in 2018

The larger size, earnings diversification and improved cash flows of Huge have provided it with improved access to debt and equity capital markets. The Group ended the financial year with total debt position of R104 million and a debt to equity ratio of 14%. The Board intends to maintain an optimal capital structure in terms of its Capital Structure Policy, which provides for a debt to equity ratio ceiling of 25% as a guiding parameter

During FY2019, the Group concluded a R200 Million Term Facility Agreement with Futuregrowth Asset Management Proprietary Limited (the Facility). The Facility replaced the R90 Million Term Facility Agreement concluded as part of the acquisition of Huge Connect and Huge Networks and provides the Group with access to capital at improved interest rates. The Group generated EBITDA for FY2019 of R149 million, with a debt to EBITDA ratio of 0.70.

Group B-BBEE

What we said in 2018

Huge aims to be a proactive contributor to good corporate citizenship and compliance with the ICT Sector Charter is a key strategic objective of the Growing Huge Strategy. In so doing, it has developed the B-BBEE Compliance Plan and the Investment Committee had been tasked by the Board to identify B-BBEE partners with whom a suitable ownership model could be explored.

Improvement in the B-BBEE status of Huge remains a key strategic objective of the Growing Huge Strategy as it continues to implement the processes identified under the BBBEE Compliance Plan.

The Group concluded ownership transactions with a B-BBEE partner in respect of both Huge Cellular and Huge Soho. This B-BBEE partner is 60% black women owned and has a long-standing relationship with Huge. It is anticipated that these entities will be able to deliver significant empowerment through various supply contracts that Huge anticipates will be concluded in the financial year ended 2020. The Group looks forward to reporting on growth in the next reporting period.

Subsidiary companies undergo the annual verification process following the approval of the annual financial statements. Huge Connect is expected to achieve compliance with the ICT Sector Charter. Huge Telecom is expected to have shown improvement in achieving a compliant status but is not expected to meet the minimum requirements during the next verification.

Future prospects

In fortifying the sustainability of the Group, the Board has sought to build a management team which can support the Growing Huge Strategy, which includes growing by acquisition. The Board is of the view that the changes which have taken place recently will augment this strategy.

The Board continues to believe that Huge Telecom's FST is a game changer. FST has been proven and accepted by the market and its application will become more pervasive, as is being evidenced by the appetite of a wider audience of mobile telephone network operators and customers. The Board views Huge Telecom as an important growth engine for the Group. The bolt-on acquisitions have positioned the Telecom Grouping well to grow organically at rates of growth higher than those it has previously enjoyed.

The Board continues to explore initiatives to participate in the digital world with particular reference to payments by leveraging Huge Connect's real estate of circa 32 000 customers and circa 180 000 connected devices. Huge Connect provides Huge with a platform to pursue high growth opportunities and a gateway into Fintech.

The Board has engaged with various shareholders during the year under review and based on these engagements has decided to balance the growth objectives of the Growing Huge Strategy with income objectives of its shareholders, which has enabled the Board to propose the declaration of a dividend to shareholders. Further, the Board believes that Huge is optimally positioned to deliver value to its SME customer real estate, who comprise a critical component of the country's economic recovery, by assisting them in remaining sustainable and growth positive.

Note of thanks

I would like to thank my fellow directors for their oversight and guidance to Huge during the year. I would also like to recognise all members of the Huge staff, led by James Herbst, for the significant contribution they have made to delivering Huge achievements.

01 Our Huge story continued

Our operating context

The environment in which Huge operates impacts on its ability to deliver the Growing Huge Strategy

Topic	> Issue
SME customer base	Huge's customer real estate is predominantly SMEs
Challenging political, social and economic environment	The low growth rate prevalent in the country has a negative impact on sustainability of SMEs
Abundance of communication infrastructure	Huge is able to operate across various infrastructure platforms which provides it with improved purchasing and delivery power
Explosion in fintech opportunities	Investment in fintech is a strategic initiative of the Growing Huge Strategy but with a plethora of opportunities comes a concomitant degree of risk
Rapid growth of Huge	Huge has grown exponentially in the last five years and anticipates that it will continue to do so in the future

> Our response

Huge is an entrepreneurial business which is skilled in delivering to SMEs. Large service providers are not well positioned to deliver value to an SME customer base. SME customers have a sensitivity to price but cannot substitute quality, which is a core tenant of their own requirements to deliver their business imperative. Huge is able to deliver quality solutions at a low cost.

Focus on the SME market provides Huge Group entities with the ability to cross-sell solutions from a captive distribution point.

There is a positive outlook for economic recovery under the current political government regime. Huge's local focus is based in the view that it remains easier to make R15 in the South African economy than it is to make US$1 in an international market.

The key to successful economic reform lies in the ability of SMEs to grow. In order to grow, SMEs require cost effective and efficient means of communication, which Huge can provide. While the susceptibility of SMEs to economic challenges has increased Huge's churn rate, Huge remains well positioned to assist SMEs in remaining sustainable and growing the economy.

Huge has the ability to arbitrage the best cost structure for its customer real estate. As infrastructure has been commoditised, differentiation can only take place at a service level. Huge believes it has proven itself in this regard. Huge's expanded product and service offering also allows it to design options which match the customer's needs.

Huge recognises that to be successful, its SME customer base has an imperative to deliver the same value as their larger competitors. To do so, these businesses require good quality connectivity at a low cost. Huge is well positioned to provide this for its customer base.

Through its Investment Committee, Huge focuses on accurate modelling and risk mitigation. Huge aims to build and acquire capacity and invests in the correct skills to leverage fintech opportunities correctly.

Huge will therefore only invest in brownfields opportunities, which have a track record of delivery and ongoing commitment from the founding management teams, who retain 'skin in the game'.

The past two financial years have seen considerable commitment from the Board in capacitating the head office to deliver the Growing Huge Strategy.

Huge's growth strategy leverages the value from the compounding impact of growth in annuity revenue, which will deliver the cash generative growth required from investors.

01 Our Huge story continued

The Huge Business Model

HUGE INPUTS

FINANCIAL CAPITAL

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

SOCIAL AND RELATIONSHIP CAPITAL

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

MANUFACTURED CAPITAL

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

NATURAL CAPITAL

Fleet of 45 vehicles installing products and delivering services to our customer real estate

INTELLECTUAL CAPITAL

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

HUMAN CAPITAL

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

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

OUR BUSINESS

huge group

huge connect

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

huge networks

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

huge software

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

huge telecom

We provide a wireless full suite telephony service that gives our customers a replacement for their traditional "telco" fixed line services.

OUR SERVICE PROVIDERS

vodacom, Telkom, MTN, Virgin mobile, Telkom Mobile, Cell C

Working with a common base of service providers, the Group operates within a federal management model where each entity takes control of their own operations.

OUR BUSINESS ENABLERS

All our solutions are designed, developed and produced which means our people can create and implement, customer specific solutions at highly competitive tariffs.

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

OUR CUSTOMERS

SMEs
Corporates
Individuals

BENEFITING FROM OUR OUTPUTS

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

OUR BUSINESS PARTNERS

The Group then works with Business Partners and internal and direct sales teams who drive the sales of our products and services.

HUGE OUTCOMES

FINANCIAL CAPITAL

- Paid dividend of **12,5** cents
- Secured **R200 million** facility at favourable interest rates
- Generates **R74 million** cash from operations
- Increased EBITDA by **16%** to **R149 million**

SOCIAL AND RELATIONSHIP CAPITAL

- **R44 193 968** paid in commisions to Business Partners
- Cash, ICT equipment and services to the value of **R604 401** paid in support of education and welfare facilities
- **R1.34 million** paid in regulatory and licence fees

MANUFACTURED CAPITAL

- **R242.7 million** paid to service providers to provide products and services to our customer real estate

NATURAL CAPITAL

- Our technicians travelled **2 330 585km**, producing 527 tons of carbon emissions, in support of our customer real estate

INTELLECTUAL CAPITAL

- **R4.5 million** spend on research, development and furthering innovation
- Ability to develop bespoke technology to drive internal efficiencies

HUMAN CAPITAL

- **R130 million** paid in salaries
- Loss Time Injury Frequency Rate of **0.0001**
- **600 780** man-hours worked, of which only 37 were lost to minor injuries sustained in the workplace
- **R7 million** paid in fees to professional advisors

01 Our Huge story continued

Creating Huge Value for Stakeholders

	SHAREHOLDERS	FUNDERS	EMPLOYEES
How did this stakeholder assist Huge to deliver the Growing Huge Strategy?	Shareholders provide Huge with equity capital. Huge requires the equity capital to grow. Shareholders provide the equity capital in the hope of a return.	Debt providers provide Huge with debt capital, which we require in order to grow. This debt capital is provided in return for an acceptable rate of interest.	Employees provide Huge with the skills to deliver on a services-based business model. Employees assisted Huge in generating returns on capital employed. Given the substitution of capital in place of labour in a modern enterprise, the human component retained in a business is central to its ability to function.
How did Huge create value for this stakeholder?	Huge has increased the return on shareholders' capital significantly, with earnings per share increasing from 12.8c to 56.4c in the last five years. Huge distributed circa R21.9 million to shareholders in the form of a dividend, bringing total dividends paid to R27 million. This shift in emphasis toward cash generation had several consequences for the Group, including the appointment of suitably aligned personnel and a change in the contractual commitments with service providers.	Huge offers debt providers with interest income. During FY2019, Huge paid R12.5 million to Futuregrowth in interest payments on our facilities.	In three years, Huge's staff complement has grown from 120 to 344 employees. For FY2019 Huge paid salaries of R130 million.
How do we plan to continue creating value with this stakeholder in the future?	Ultimately Huge aspires to becoming a top 100 listed company on the JSE, with a market capitalisation in excess of R11.5 billion.	Huge can create avenues for debt investment if we are successful in delivery of the Growing Huge Strategy.	Huge continues to seek new ways of growing organically and growing organically at a greater rate. We will also continue to seek new ways of creating efficiencies and we are in the process of developing models which reward employees for their participation in the Growing Huge Strategy. Huge's growth aspirations must be achieved in an environment where people want to come to work and enjoy their work experiences. Fostering the Group's culture is key to the Growing Huge Strategy.
Link to Six Capitals Report			

CUSTOMERS	SERVICE PROVIDERS	BUSINESS PARTNERS	PROFESSIONAL ADVISORS
Huge's customer real estate is the reason why Huge is in business and continues to operate. Huge's customer real estate underpins the Growing Huge Strategy and provides the foundation from which Group is able to deliver value to its other stakeholders.	Service providers supply Huge with good quality products and services which are suitable to enable Huge to deliver value to our customer real estate.	Business Partners provide Huge with an efficient, effective, fast and broad-based method of distributing our products and services to our customer real estate.	A key tenant of Huge's risk management is based on utilising suitably experienced and expert professional advisors. Doing so enables Huge to structure transactions and commercial arrangements in a manner which best protects the value of its stakeholders.
Huge continues to seek ways of providing its customer real estate with simple, understandable, quality services at good value. Communications is an essential service or utility without which customers have no way of conducting their business. Huge provides its customer real estate with access to connections and facilitates economic expansion.	Service providers are a direct beneficiary of the Growing Huge Strategy. They are first in line to share in Huge's success. Over the past years, Huge has spent R242 million with our service providers.	Huge's business model of relying largely on an indirect distribution model has facilitated the incubation and growth of many Business Partners. At the end of FY2019 the Group had 560 active Business Partners. During FY2019, Huge paid R44.1 million to its Business Partners in the form of commissions. Where Huge has not built a large direct sales capacity in the form of a direct distribution model, we have created the potential for substantial employment and value creation among our Business Partners network.	During FY2019, Huge paid R7 million in fees to professional advisors.
Huge recognises that it has the ability to assist SMEs in remaining sustainable in a challenging economic environment. Huge looks forward to continuing to play a role in assisting SMEs in growing the South African economy. Referrals will assist Huge to grow its customer real estate.	Huge intends working with its service providers to bring new and innovative services to Huge's customer real estate. We also intends to work with services providers to continue delivering cost effective and efficient solutions through an expanded network of trusted Business Partners.	While there are sectors of the Group which support a direct sales approach, Huge continues to rely mainly on our Business Partners. Huge will seek to add to our network of Business Partners. In addition, Huge facilitates the formation of new entities and in a number of cases, new empowerment entities.	As the Board views risk management as central to the delivery of the Growing Huge Strategy, it anticipates that it will continue to rely on professional advisors who support the development of Huge.

02 Strategic Performance

Question and answer with the Chief Executive Officer, James Herbst

Huge experienced a year of solid gains, while also enhancing its management team and concluding bolt-on acquisitions and empowerment transactions. Despite challenges, the Group ended the year in a pleasing position for future successes.

JAMES HERBST *Chief Executive Officer*

While Huge has, like many South African companies, been impacted by the tough local economic environment in the year ending February 2019, Huge has produced growth in earnings, declared a dividend, taken on a new Chief Financial Officer and Chief Operating Officer, completed two bolt-on acquisitions and finalised a B-BBEE transaction. Here, Chief Executive Officer James Herbst discusses the year in review and Huge's future plans.

Q Could you please summarise the last year in the life of the Huge Group?

A We have had a year of fun, but not without its challenges: but challenges are fun.

We had an incoming Chief Operating Officer - Andy Openshaw, previously of Reunert and a new Chief Financial Officer - Samantha Sequeira, previously of Virgin Mobile. That transition is difficult and that process needs to be managed, but I'm excited about the future now that we have the requisite capacity.

The general business environment has been very tough. Our customers are predominantly SMEs and they've suffered in the tough economic climate. This last year where we've lost customers, it is not because of competition but because our customers are simply going out of business.

The subsidiary companies are generally in good shape, at a revenue level they haven't shot the lights out but they have had solid gains. Operating efficiencies have come through this year and with further technological improvements in the future, we can implement a lot more efficiencies.

The top line results have been pleasing and at the margin level I'm comfortable. All in all, the results have positioned us well for the next year and I am looking forward to it.

Q Huge didn't deliver on any significant acquisitions last year - what was the reason for that?

A Acquisitions aren't an exact science. Often pricing is incorrect, valuations are incorrect or proposals may not pass the due diligence process. If the asset is an attractive asset, there will be a lot of people competing for it.

We did engage on two significant transactions last year. After going through the processes, we had to make decisions which meant that we didn't bring them home.

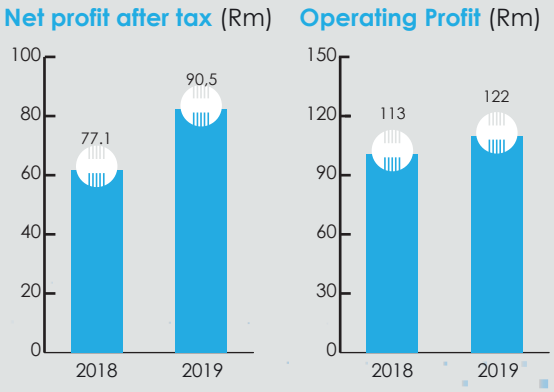
It is disappointing, but our Board has a very commercial outlook and they are trying to do the right things when making an acquisition. Huge cannot buy any asset at any price – it must be the right asset, at the right price. We feel the market is disappointed by our lack of acquisitions, but to balance that, we have concluded two bolt-on acquisitions.

17%

increase in net profit after tax from R77.1 million to R90.5 million

8%

increase in operating profit from R113 million to R122 million



Q Can you give us a bit of background on those two bolt-on acquisitions and the main driver behind them?

A We engaged in two business combinations. The first is Otel, which operates in the voice over IP, internet service provider and data provider space and is similar to Huge Networks, but slightly bigger.

We were approached to invest in Otel, but upon review decided it would be better suited to a merger with Huge Networks. We did what in corporate finance terms is described as "an asset for unlisted paper swap". Otel's shareholders gave us assets and we gave them unlisted shares in Huge Networks. The result of the merger with Otel will expand our existing business and we've increased our staff compliment from 17 to 77. With the additional capacity on board, diversified risk and an increased customer real estate, the market may see revenue growth, earnings contributions and a much bigger business in the medium to long term.

In the second business combination, which was concluded after the financial year end, we acquired a controlling stake in Pansmart, a supplier of Panasonic PABXs in South Africa. The founders of that business had built it to a sustainable level over the last three years. Pansmart has a route to market and multiple customers. We also have, in Huge Telecom, a very big distribution capability, with over 750 business partners, who can now become resellers for Pansmart.

While these bolt-on acquisitions are miniscule at a Rand outflow level, their contribution to the Growing Huge Strategy going forward will be significant.

Q The market is by-and-large moving to the cloud and IP telephony – yet you've bought a PABX provider. What is the rationale for a move that some would see as going backwards?

A Cloud is an interesting concept. When you talk about the cloud, it does not mean there is no infrastructure, it just means that the infrastructure is controlled by a third party. You can provide services using third party infrastructure, or you can do so using your own. When you use your own infrastructure, it is typically on-site, *versus* third party being typically off-site. You gain access to that off-site infrastructure 'in the cloud'.

The decision to go onsite or cloud really comes down to economics. What's the cost of the infrastructure in the cloud *versus* on premises? What's the total cost of ownership, not just the infrastructure but managing that infrastructure?

We have to focus on the economics, which is why we bought Pansmart, which delivers physical infrastructure. The Pansmart offering is one of the lowest entry-level PABXs on the market. We can sell that to the SME market for R3 000. When you look at the cost of delivering the same solution through the cloud, using third party infrastructure and management, it works out more expensive.

Question and answer with the Chief Executive Officer, James Herbst (continued)

Q How does the lack of 5G spectrum impact Huge, and specifically its FST product?

A Full suite telephony (FST) uses GSM as the transmission protocol. We're the first company worldwide to deliver such a service on a fixed location basis.

We think it's going to become the norm in delivering last mile services to a fixed location and I believe it will completely substitute copper cables.

The beauty of GSM - which is a 2G application – is that it is not a big consumer of data. You only need throughput of 32kb/s to be able to pass on a voice message. This means we can sit behind the technology curve on the oldest part of the technology stack, without a significant technology risk. This makes our business model so attractive.

FST is simply a telephone line. You use a single geographic number for calling name presentation and anyone calling your number will be routed to a mobile network operator that controls that number. Underlying that number are a whole range of telephone lines which are wireless, instead of copper.

GSM doesn't require the establishment of a network. The mobile network operators have built enough towers and transmission to satisfy consumer needs and all we do is piggy-back off that infrastructure. As the mobile network operators move up the technology curve from 3G to 4G to LTE, we are provided with access to excess capacity on older technologies, which we can get a very low price. This allows us to deliver telephony solutions to SMEs at substantially reduced prices.

Q You had some technological setbacks with FST this year. How far along are you in resolving those and when can you expect to fully take it to market?

A From a technology perspective, the viability of FST has now been proven. Initially, we were faced with significant challenges and we were engaging with a single operator. However, there are other operators able to provide the same service and what remains is to secure the commercial arrangements to be able to deliver the technology. Its public knowledge that we've had a debate with one of our suppliers but we do believe we can resolve that matter.

Q That would be the dispute with Cell C?

A Correct. In anticipation of the launch and success of FST we paid substantial amounts to Cell C for access to its network in the first 18 months of supply. We also made substantial advance payments for future services. Due to technical challenges, FST then had to be partially withdrawn, but we had still made those payments. We consequently have an accrued right of advance payments and for the next 12 months have the luxury of not having to make any further payments. This has the effect of making Huge Telecom in particular, but also Huge Group, even more cash positive. In future, we will then look to secure arrangements where we are not required to make such significant commitments in advance.

Q Cell C dispute and tough market conditions notwithstanding, you've been able to declare a dividend this year for the first time since 2015. What has Huge done in the past year that has enabled this?

A Where you are building a company and investing in things like working capital, inventory in particular, there is less cash to distribute. We have now solved that for our shareholders, and we are very pleased that we can pay a dividend this year. I have been asked if that would become a policy, but I think we do everything at Huge in context. The dividend is not cast in stone, but next year if we are cash generative and have excess cash, we will look to distribute that to our shareholders. We believe our shareholders should share in the rewards of our efforts on an ongoing basis.

Q You've done a broad-based black economic empowerment transaction in the last year, can you provide more details on that and how both parties are going to benefit from that in the long term?

A Our view as a board is that transformation is critical and must be done in a sustainable manner. The B-BBEE transaction we have concluded has been done in an economically sensible manner.

We have divested and reduced our shareholdings in two wholly-owned subsidiaries - Huge Soho and Huge Cellular – which have now become portals for enterprise development and supplier development. We will capacitate these entities and help to grow them with our B-BBEE partner – Windfall, which is controlled by Vincent Mokholo and Sylvia Mokholo. Vincent is a non-executive director of Huge Group and we've worked with him for over 20 years. Doing business is about trust and we have a long relationship with our B-BBEE partners which embodies trust, loyalty and good business practice. We think that these transactions will add significant value to both Huge and to Windfall.

Scan the following QR code to watch Huge Group Integrated Report 2019 – Interview with the Chief Executive Officer

Scan the following QR code to watch Huge Group Integrated Report 2019 – Staff Tribute

Otel Transaction

Huge Networks concluded a transaction with Otel which contemplated the acquisition by Huge Networks of the businesses of Otel Communications and Otel Business and which came into effect on 27 February 2019. The purchase consideration for the Otel Transaction was settled in ordinary shares of Huge Networks, such that, after the issue of shares of Huge Networks, Huge Telecom's shareholding in Huge Networks decreased from 100% to 50.03% (the **Otel Transaction**).

The Otel Transaction allows Huge to progress the Growing Huge Strategy by scaling its operations and growing Huge's customer real estate. The Otel Transaction expands the national reach and footprint of Huge, allows Huge Networks to become a more substantial provider of end-to-end ICT services, provides Huge Networks with an opportunity to enter new customer segments and leverage economies of scale. Going forward, Huge Networks will be well-positioned to capitalise on the further expansion of the ISP and ICT service provider industry through various organic and acquisition growth strategies.

Pansmart Transaction

Huge Group acquired a 50.24% interest in Pansmart Proprietary Limited (**Pansmart**) with effect from 13 May 2019. The acquisition provides Huge with control over an authorised distributor of Panasonic's voice, video and CCTV products.

Pansmart is a strong challenger in the South African PABX market, with a full technical and sales competency. The hybrid PABXs that Pansmart distributes include embedded analogue voice ports which provide simple and cost effective PABX and GSM Voice solutions. Pansmart's Panasonic PABX and Huge Telecom's GSM-based FST offering is a powerful connectivity combination. The acquisition expands upon Huge Telecom's customer real estate and provides a new brand offering to Huge Group's portfolio of products.

Windfall B-BBEE Transactions

Huge understands the importance of B-BBEE in the national context and the value of transformation in improving the socio-economic challenges prevalent in the country. Improvement in the B-BBEE status of Huge remains a key strategic objective of the Growing Huge Strategy. During the prior reporting period, Huge implemented the B-BBEE Compliance Plan with the aim of its major subsidiary companies into compliance with the ICT Sector Charter.

As part of the B-BBEE Compliance Plan, the Group concluded ownership transactions with Windfall 111 Properties Proprietary Limited (**Windfall**) in respect of both Huge Cellular and Huge Soho. Windfall is 60% black women owned and has a long-standing relationship with Huge.

It is anticipated that these entities will be able to deliver significant empowerment through various supply contracts that Huge anticipates will be concluded in the financial year ended 2020. The Group looks forward to reporting on growth in this area in its next integrated report.

02 Strategic Performance continued

Evolution and context

2007-2011

RE-ENGINEER BUSINESS MODEL AND GROW AT SCALE

- Reverse listing of TelePassport on AltX through acquisition by Huge
- Change of name of TelePassport to Huge Telecom
- Acquisition of Centracell and merger of Centracell with Huge Telecom
- Conclusion of first wholesale agreement for wireless GSM based telephony services

2014-2016

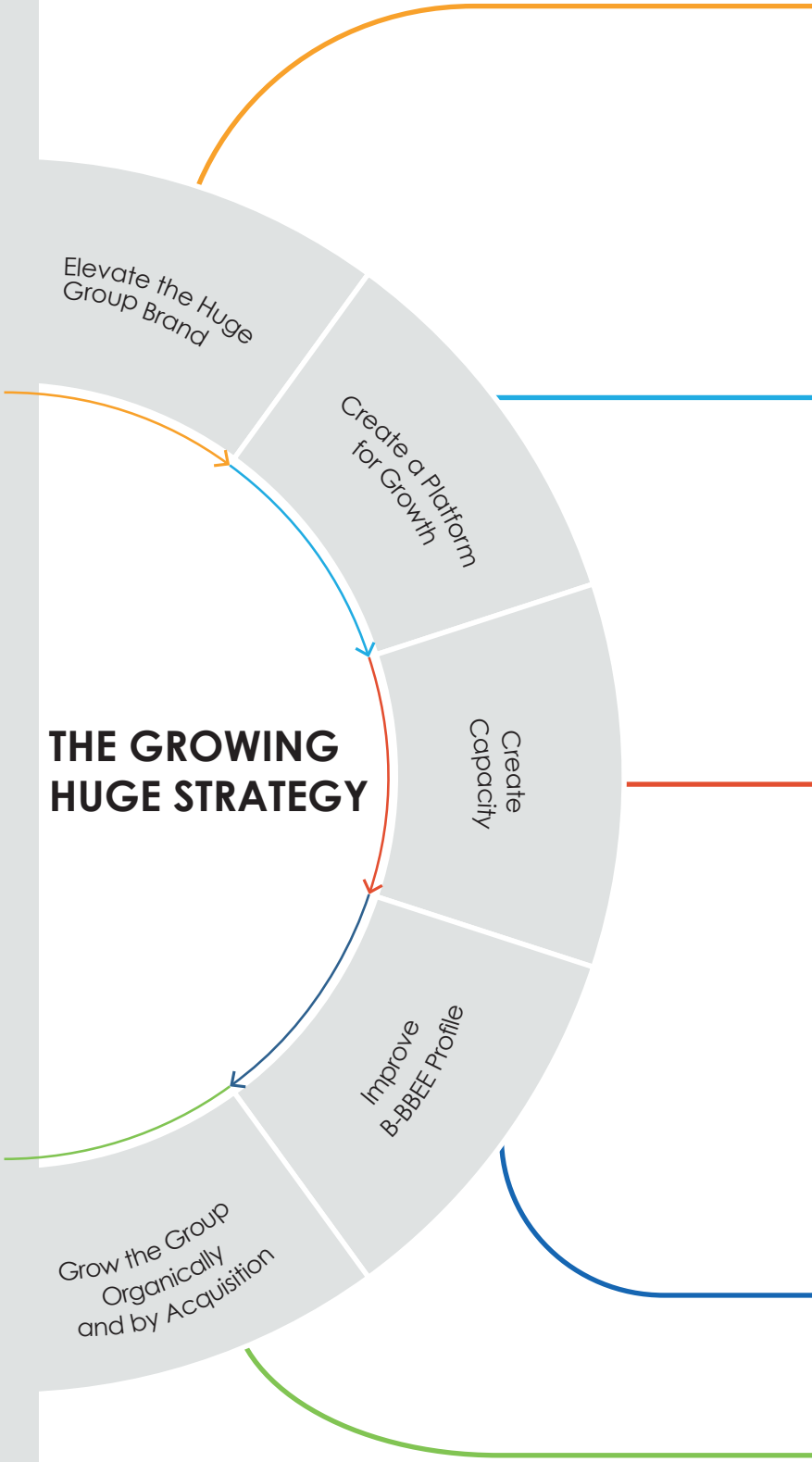
ACCELERATE FOOTPRINT AND REAL ESTATE EXPANSION

- Signed Business Partner Agreement No. 287
- Increased our real estate of customers to 5 000
- Undertook a Rights Offer of 20 000 000 shares at 100c per share, which was fully subscribed
- Settled material litigation
- Signed Business Partner Agreement No. 537
- Installed our 33 400th telephone line
- Increased our gross margin above 40%
- Increased PAT by 75% from R11 million to R20 million

2017- PRESENT

REFINE AND LIST THE BUSINESS, LAUNCH GROWTH STRATEGY

- Acquired Huge Connect and Huge Networks
- Implemented the Growing Huge Strategy
- Launched full suite telephony
- Strengthened Board and management team
- Invested in head office structure able to deliver the objectives of the Growing Huge Strategy
- Shifted focus towards cash generation and strengthened balance sheet
- Delivered 450% growth in PAT since listing on the Main Board of the JSE
- Improved B-BBEE profile of subsidiary companies through empowerment transactions
- Continued to pursue acquisition opportunities to broaden customer real estate and transaction into Fintech



OBJECTIVES

Understand the ability to expand the Huge brand in the business community	• Develop and execute a Group marketing strategy • Develop and execute a digital marketing strategy
Leverage and expand the existing network of Business Partners and the customer real estate	• Create growth in the existing Business Partner distribution network which is capable of pulling and pushing growth • Create a comprehensive product and service offering • Cross sell into the existing customer real estate • Expand customer real estate outside the existing network of Business Partners
Leverage existing product and service offerings	• Leverage customer real estate with a full suite of Huge products and services • Strive to achieve the highest levels of product and service delivery • Diversify customer real estate
Expand into new products and services	• Expand existing product and service offering • Explore new solutions and innovative opportunities • Access a substantial share of the data market
Identify new strategic partners	• Identify opportunities to broaden Huge's exposure to markets • Extend distribution network to increase product and service delivery
Create a people centric organisation	• Develop a culture centred on people who can deliver the Group's strategic objectives • Develop a fit-for-purpose staff complement • Entrench an ethical value system in which Huge operates
Advance measurements and data collection	• Identify and implement internal, operational measurements • Identify and implement external, industry measurements
Implement automation in key areas of the operations	• Streamline workflows through automated systems • Increase automation and decrease human dependent activities
Improve internal process management	• Develop uniform processes that are simple in application but effective in delivery
Review and refine operating models	• Promote a solutions-driven culture among staff and ensure that staff are adequately skilled and resourced to deliver a complete service offering to customers
Develop and implement comprehensive B-BBEE plans	• Develop and implement comprehensive B-BBEE plans to ensure compliance by the Group and the subsidiary companies
Invest in earnings accretive businesses	
Deliver bolt-on acquisitions at subsidiary company level	
Increase investor base and share liquidity	
Add service diversification and amass customer real estate	

STRATEGY ACHIEVEMENTS

Declared a dividend of **12.5 cents**

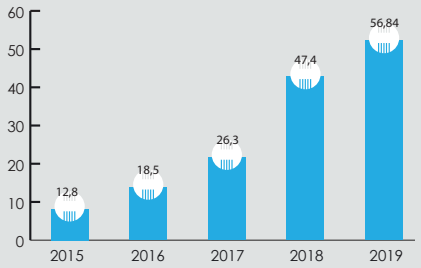
Basic earnings per share increased by **20%**

Net profit after taxation increased by **17%**

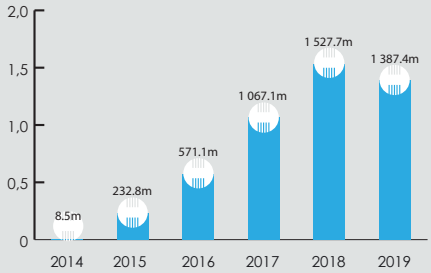
EBITDA increased by **16%** to **R149 million**

Total revenue increased by **8%**

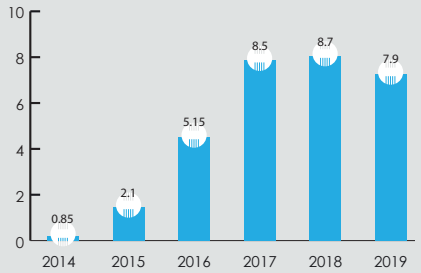
Earnings per share (cps)



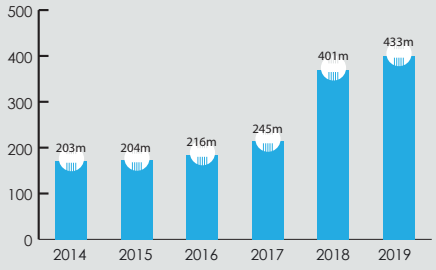
Market capitalisation (Rbn)



Share Price (R)



Revenue (R)



02 Strategic Performance continued

Strategic report

Create a platform for growth

	huge connect			huge networks			huge telecom		
Strategic initiative	**60 – 100% delivered**	**30 – 60% delivered**	**<30% delivered**	**60 – 100% delivered**	**30 – 60% delivered**	**<30% delivered**	**60 – 100% delivered**	**30 – 60% delivered**	**<30% delivered**
Leverage and expand existing network of Business Partners and customer real estate		●		●				●	
Leverage existing product and service offerings			●		●			●	
Expand into new products and services and customer bases		●		●			●		
Identify new strategic partners			●	●				●	

2018 **2019** **2020** **2021**

Create capacity

	huge connect			huge networks			huge telecom		
Strategic initiative	**60 – 100% delivered**	**30 – 60% delivered**	**<30% delivered**	**60 – 100% delivered**	**30 – 60% delivered**	**<30% delivered**	**60 – 100% delivered**	**30 – 60% delivered**	**<30% delivered**
Create a people centric organisation			●			●		●	
Advance measurements and data collection	●					●	●		
Implement automation in key areas			●			●	●		
Improve internal process management		●			●		●		
Review and refine operating models		●			●		●		

2018 **2019** **2020** **2021**

Improve B-BBEE profile

	huge connect			huge networks			huge telecom		
Strategic initiative	**60 – 100% delivered**	**30 – 60% delivered**	**<30% delivered**	**60 – 100% delivered**	**30 – 60% delivered**	**<30% delivered**	**60 – 100% delivered**	**30 – 60% delivered**	**<30% delivered**
Develop and implement comprehensive B-BBEE plans									

2018 **2019** **2020** **2021**

Grow the Group

	huge connect			huge networks			huge telecom		
Strategic initiative	**60 – 100% delivered**	**30 – 60% delivered**	**<30% delivered**	**60 – 100% delivered**	**30 – 60% delivered**	**<30% delivered**	**60 – 100% delivered**	**30 – 60% delivered**	**<30% delivered**
Deliver bolt-on acquisitions at subsidiary company level									

2018 **2019** **2020** **2021**

Elevate the Huge Brand

	huge connect			huge networks			huge telecom		
Strategic initiative	**60 – 100% delivered**	**30 – 60% delivered**	**<30% delivered**	**60 – 100% delivered**	**30 – 60% delivered**	**<30% delivered**	**60 – 100% delivered**	**30 – 60% delivered**	**<30% delivered**
Understand the ability to expand the Huge brand in the business community									

2018 **2019** **2020** **2021**

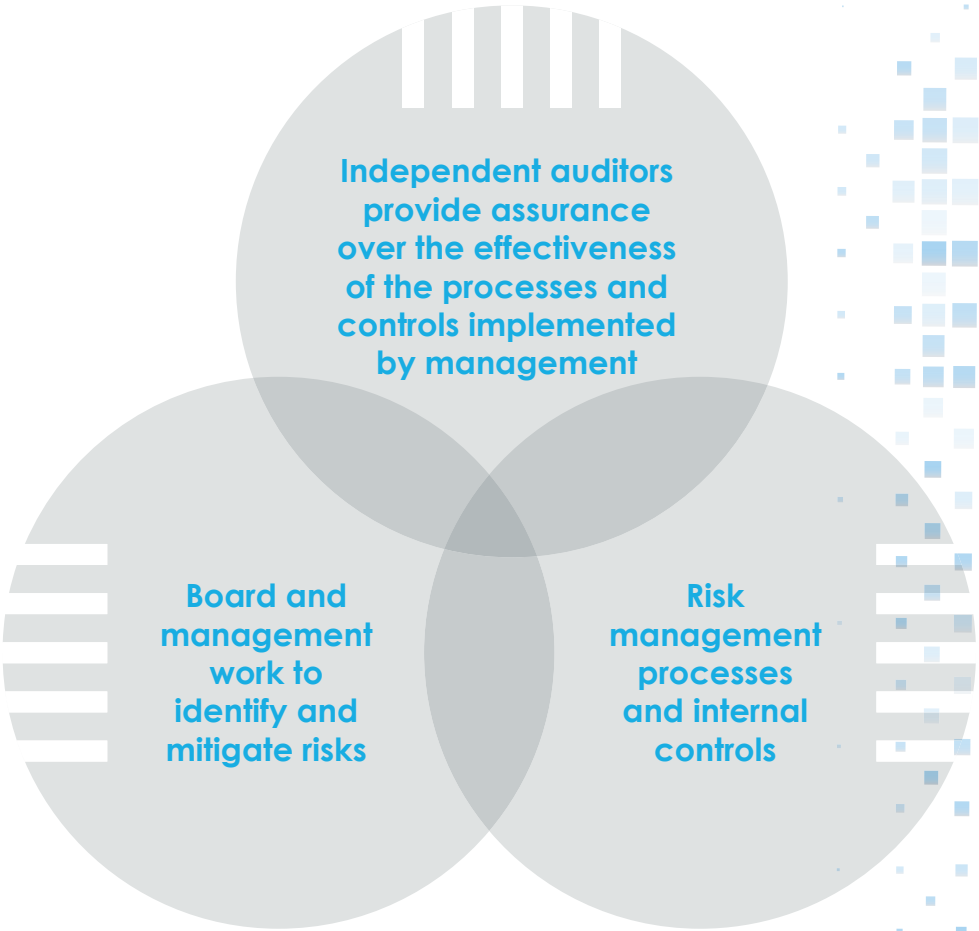
02 Strategic Performance continued

Managing risks and opportunities

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

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

- risks and opportunities arising from the context in which Huge operates
- potential upside or opportunity presented by risks which could have an otherwise negative effect on achieving Huge's strategic objectives
- Huge's dependence on resources and relationships
- the design and implementation of appropriate risk responses
- the establishment and implementation of business continuity arrangements which allow Huge to continue operating in instances of business disruption
- the integration and embedding of risk management in business activities and the culture of the company



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

First line	Line management is responsible for monitoring and managing risk and opportunity
Second line	Risk management functions in each subsidiary company, including those at Group level, review and consider risk and opportunity matters
Third line	Huge utilises the services of various external consultants to assist with managing risk in respect of revenue recognition and regulatory compliance
Fourth line	Independent auditors consider and review risk management and internal control processes throughout the Group and raise any areas which may require further attention
Fifth line	Risk Committee and the Audit Committee provide the Board with advice and recommendations in respect of risk management and opportunities

Managing risks and opportunities (continued)

CATEGORY	RISK	MITIGATING ACTION	OPPORTUNITY
Competition	Competitive forces attack the Huge business model and debase the revenue stream	• Differentiation from competitors • Competitive pricing • Improve customer retention methods • Create alternative avenues to market	Creation of partnerships which decrease competitive landscape, while improving expertise in delivering service, expanded offerings and increasing customer real estate
Regulatory	Changes in regulation require a change to the business model or increased expenditure to ensure compliance	• Ongoing monitoring and active engagement with regulatory structures to ensure a comprehensive understanding of risks • Improved and streamlined governance processes which maintain business agility with suitable risk mitigation	Adopting a proactive rather than reactionary response to regulatory changes creates a competitive advantage, particularly if it offers the 'first to market' opportunity
Political, economic and social	Foreign and local political, economic and social activity which has an impact on Huge's operating environment	• Ongoing monitoring of current affairs, specifically those which impact government policy, the stock market, technological changes and social behaviour	Awareness provides Huge with the opportunity to adjust its business model to circumvent risks over which it had little control
Technology	Changes in technology which result in the creation of new avenues to market and specifically expose Huge to disintermediation risk	• Rigorous monitoring of market trends and developments • Diversification of product and service offerings • Industrialisation of the Huge business model • Manage control over and aggregate the value chain	Business models are always developed with the future in mind, specifically for the purpose of being resilient to change. In addition, the ability to aggregate the value chain provides Huge with the platform for a consolidated offering, increasing its purchasing power

03 Governance

GOVERNANCE REPORT

Overview

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

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

Board of Directors

Audit Committee	Risk Committee	Remuneration Committee	Nomination Committee	Investment Committee	Social and Ethics Committee
• Audit and appointment of independent auditor • Financial controls and risks • Internal controls • Financial disclosures • IT infrastructure and budget	• Risk management plan • Risk registers • IT risks • Legal register • Compliance register	• Remuneration Policy • Remuneration implementation Plan • Review performance of senior managers • Reporting to and engaging with shareholders	• Board skills and diversity • Board, Committee and member evaluations • Board education and training • Succession planning	• Material investment activities • Investor relations • Appointment of professional advisors	• Statutory compliance • Stakeholder engagement • B-BBEE and transformation • Ethics management • Internal culture

Huge Group Executive Committee

Executive Committees of major subsidiary companies

King IV

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

Governance requirements

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

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

The board of directors

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

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

The role of the Chairman and the Chief Executive Officer are separate. The Chairman of the Board, Duarte da Silva, is not independent and accordingly, the Board has appointed Steve Tredoux to act as the Lead Independent Director. The Board has considered the duration of Mr Tredoux's tenure and is satisfied that he remains independent. The Board views the role of its non-executive directors as essential to protecting shareholders' interests, including those of minority shareholders. Members of the Board remain up to date with Group activities and developments through regular interaction with the executive directors and members of the senior management team. Directors are entitled to receive independent professional advice at the expense of the Company and have unrestricted access to the management team, independent auditor and the Company Secretary.

The Board composition is set out on pages 32 to 33 of this Report, including a brief CV of each director. The categorisation of members is made in line with the Companies Act, King IV and the Listings Requirements. The Board Charter places specific responsibilities on the Chairman, Lead Independent Director, Chief Executive Officer and Company Secretary in respect of overseeing the implementation of sound corporate governance practices. The Chairman is required, *inter alia*, to set the ethical tone for the Board and the Company and provide overall leadership to the Board, ensure that conflicts of interest are managed appropriately and ensure that members of the Board play a full and constructive role in the affairs of the Company. The Lead Independent Director is required, *inter alia*, to fulfil the functions of the Chairman whenever the Chairman is absent or conflicted, serve as a sounding board for the Chairman and act as an intermediary between members of the Board and the Chairman. The Chief Executive Officer is required, *inter alia*, to oversee the implementation of the Board approved strategy and supporting policies. The key responsibilities of Board members are set out in further detail in the Board Charter and Committee Charters, which are available at www.hugegroup.com.

Chief Financial Officer

Samantha Sequeira was appointed as the Chief Financial Officer on 25 March 2019, the position having previously been held by Zunaid Bulbulia, who resigned with effect from 31 December 2018. The Audit Committee has evaluated the expertise and performance of Mrs Sequeira and is satisfied that she has the appropriate knowledge, skills and experience to perform the functions required by her office. The Audit Committee is also satisfied that she is supported by adequate and competent staff.

Company Secretary

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

Board appointments and rotation

The Nomination Committee oversees the formal process for appointing and evaluating directors. The Company's MOI requires that at least one third of non-executive directors must retire at the Company's annual general meetings on an annual basis. These retiring members of the Board may be re-elected, provided they are eligible. The Board, through the Nomination Committee,

recommends the eligibility of these directors for re-election, taking into account their past performance and contribution to the Board.

Accordingly, the Board recommends that Dennis Gammie, Vincent Mokholo and Steve Tredoux, who are standing for re-election, be duly re-elected to the Board by shareholders. Furthermore, the Board recommends that the appointments of Andy Openshaw and Samantha Sequeira, who were appointed subsequent to the last annual general meeting, be confirmed by shareholders.

Gender and Racial Diversity Policy

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

Succession planning

During the reporting period, the Board, through the Nomination Committee, undertook a comprehensive review of key executive and senior management positions with specific regard to succession planning. Key individuals were identified who could fulfil short-term appointments on an emergency basis, as well as individuals who could provide long-term succession to these positions. Personal development plans for these individuals are under way to ensure that they are adequately prepared to assume responsibility for key executives and senior management positions.

Directors' dealings in Huge shares

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

Board remuneration

Non-executive members of the Board are remunerated for their services to the Company by way of a monthly retainer and an attendance fee. Where required, reasonable travel expenses are paid. Shareholders approve these fees on an annual basis at the annual general meeting. Further information on the non-executive director fees are set out in the Remuneration Report on pages 42 to 47.

Board attendance

Directors	Board meetings	Special Board meetings	Audit Committee	Special Audit Committee	Risk Committee	Investment Committee	Social & Ethics Committee	Remuneration Committee	Nomination Committee
No. of meetings held during the year	5	3	5	1	3	3	3	4	2
DF da Silva	5	3	–	–	3	3	–	4	–
SP Tredoux	4	3	4	1	3	–	3	–	–
JC Herbst	5	3	–	–	–	3	–	–	–
Z Bulbulia[1]	4	1	–	–	–	2	3	–	–
BC Armstrong	5	3	–	–	3	–	–	–	2
DR Gammie	5	3	5	1	3	–	–	4	2
CWJ Lyons	5	3	5	1	–	3	–	–	2
VM Mokholo	5	3	–	–	–	–	3	4	–
KE Robinson[2]	–	–	–	–	–	–	3	–	–

1 Z Bulbulia resigned with effect from 31 December 2018.

2 KE Robson is the Company Secretary and a member of the Social and Ethics Committee.

APPLICATION OF KING IV AND SECTION 3.84 OF THE JSE LISTINGS REQUIREMENTS IN RESPECT OF BOARD GOVERNANCE

King IV Principle and/or recommended principle (RP)	JSE Listings Requirements	Principle	Huge Application	Outcomes from evaluation processes	Actions or enhancements for the future
Principle 6 RP2 Principle 7 RP6 Principle 8 RP44(c)	3.84(a)	A policy must be in place which evidences the clear balance of power and authority at Board level to ensure that no one director has unfettered powers of decision-making.	The processes and procedures set out in the Board charter ensure that in undertaking its duties, the Board maintains a balance of power and authority and no one director has unfettered powers of decision-making.	The Board is satisfied that this requirement has been maintained throughout the year.	The Board will continue to monitor this requirement and ensure that it remains upheld.
Principle 7 RP31 to 34	3.84(b)	The Company must have appointed a separate Chief Executive Officer and Chairman. The Chairman must be independent, alternatively a lead independent director must be appointed.	The Company has appointed a separate Chief Executive Officer and Chairman. As the Chairman is not independent, a Lead Independent Director has been appointed.	The Board is satisfied that it has sufficient independence among its leadership.	The Board will continue to assess the independence of its leadership on a regular basis.
Principle 8 RP51	3.84(c)(i)	The Company must appoint an Audit Committee.	The Company has appointed an Audit Committee which meets the requirements of the Companies Act and King IV.	The Committee is satisfied that its charter adequately provides for the application of the King IV recommendations. The Committee has fulfilled its roles and responsibilities and continues to implement the recommended practices of King IV.	The Committee continues to monitor compliance with its roles and responsibilities. Future focus will be given to the advancement of the Company's assurance processes.
Principle 8 RP36(b) RP65	3.84(c)(ii)	The Company must appoint a Remuneration Committee	The Company has appointed a Remuneration Committee. The Board Chairman is also the Chairman of the Committee, however, the Board is of the view that Dr da Silva is the most suitable member for this role.	The Committee is satisfied that its charter adequately provides for the application of the King IV recommendations. The Committee has fulfilled its roles and responsibilities and continues to implement the recommended practices of King IV.	The Committee will continue to monitor the implementation of performance measurements and give consideration to suitable incentive schemes.
Principle 8 RP68	3.84(c)(iii)	The Company must appoint a Social and Ethics Committee.	The Company has appointed a Social and Ethics Committee which meets the requirements of the Companies Act and King IV.	The Committee is satisfied that its charter adequately provides for the application of the King IV recommendations. The Committee has fulfilled its roles and responsibilities and continues to implement the recommended practices of King IV.	The Committee continues to monitor compliance with its roles and responsibilities. Future focus will be given to the advancement of the Company's B-BBEE compliance, and improvements in its racial and gender diversity.
Principle 7 RP20	3.84(d)	A brief CV of each director standing for election or re-election must accompany the Notice of the Annual General Meeting.	This has been included on pages 32 and 33 of this Integrated Report.	–	–
Principle 7 RP7(b) RP 27 RP30(c)	3.84(e)	The capacity of each director must be categorised as executive, non-executive or independent.	The Board charter provides for each director to be categorised as executive, non-executive and independent directors in accordance with the requirements of the Companies Act and King IV.	The Board considered the balance of executive, non-executive and independent directors to be adequate.	The Board will continue to consider the balance of executive, non-executive and independent directors.

King IV Principle and/or recommended principle (RP)	JSE Listings Requirements	Principle	Huge Application	Outcomes from evaluation processes	Actions or enhancements for the future
Principle 8 RP59(f)	3.84(f) and (g)	The Company must appoint an executive financial director and the Audit Committee must confirm that it is satisfied with the expertise and experience of the financial director; and that it is satisfied that the appropriate financial reporting procedures are in place and operating.	The Audit Committee charter and annual work plan require the Committee to make the requisite assessments on an annual basis.	S Sequeira was appointed as Chief Financial Officer on 25 March 2019. The Audit Committee is of the view that Mrs Sequeira is suitably skilled and experienced for the position. The Audit Committee is also satisfied that there are adequate resources in the finance team and the appropriate financial reporting procedures have been suitably implemented.	The Audit Committee will continue to assess the expertise and experience of the financial director and the appropriateness and operation of the financial reporting procedures.
Principle 8 RP59(a)	3.84(g)(iii)	The Company must satisfy itself that the auditor is independent of the company and must request confirmation of independence from the auditor upon appointment and annually thereafter for every re-appointment.	The Audit Committee charter requires the Audit Committee to review the independence of the auditor on appointment and on an annual basis, when recommending the re-appointment of the auditor to shareholders.	The Audit Committee assessed the independence of Moore Stephens upon appointment and has assessed its independence in making the recommendation to shareholders to reappoint Moore Stephens at the Company's annual general meeting.	The Audit Committee will continue to assess the independence of Moore Stephens on an annual basis.
Principle 10 RP98	3.84(h)	The Board must consider and satisfy itself, on an annual basis, as to the competence, qualifications and experience of the Company Secretary.	The Board charter requires the Board to consider the competence, qualifications and experience of the Company Secretary on an annual basis.	During FY2019, the Board evaluated the performance of Mrs Robinson and considered her competence, qualifications and experience to be adequate for the position.	The Board will continue to assess the performance of the Company Secretary on an annual basis.
Principle 7 RP10 RP11 RP30(b)	3.84(i)	The Board must consider and explain how it has applied the policy on gender diversity in the nomination and appointment of directors and report on progress thereof on agreed voluntary targets.	The Board Charter requires the Board to consider gender diversity in making appointments. In addition, the ICT Sector Charter makes certain compliance requirements in this regard.	The Board takes this matter very seriously and has, through its B-BBEE compliance plans, commenced a process to identify suitable candidates for appointment to the Board and the boards of subsidiary companies.	This matter is monitored on an ongoing basis by the Nomination Committee and the Social and Ethics Committee. Performance against specific targets will be provided in future reporting.
Principle 7 RP10 RP11 RP30(b)	3.84(j)	The Board must consider and explain how it has applied the policy on racial diversity in the nomination and appointment of directors and report on progress thereof on agreed voluntary targets.	The Board charter requires the Board to consider racial diversity in making appointments. In addition, the ICT Sector Charter makes certain compliance requirements in this regard.	The Board takes this matter very seriously and has, through its B-BBEE compliance plans, commenced a process to identify suitable candidates for appointment to the Board and the boards of subsidiary companies.	This matter is monitored on an ongoing basis by the Nomination Committee and the Social and Ethics Committee. Performance against specific targets will be provided in future reporting.
Principle 14 RP37	3.84(k)	The Remuneration Policy and Remuneration Implementation Report must be tabled for separate, non-binding advisory votes by shareholders at the annual general meeting.	The Remuneration Committee is responsible for the development of the Remuneration Policy and overseeing the implementation thereof. The Remuneration Policy makes provision for Board engagement with shareholders where the Remuneration Policy and Remuneration Implementation Report receives less than 75% approval.	The Remuneration Report and the Remuneration Implementation Report are set out on pages 42 to 47 and have been tabled for a separate, non-binding advisory vote at the Company's forthcoming annual general meeting.	The Remuneration Committee will consider any feedback received in respect of the Remuneration Policy and the Remuneration Implementation Report.

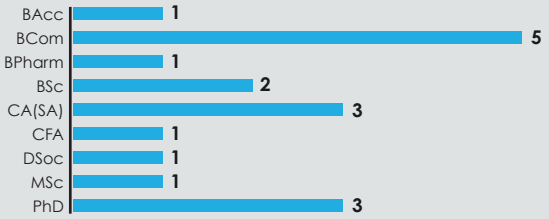
A comprehensive list of the Board's approach to adopting the principles and recommendations of King IV can be found on www.hugegroup.com/huge-group-unlocking-business-opportunity-governance-charters/

BOARD COMPOSITION

COMPREHENSIVE TABLE

	Duarte da Silva	Steve Tredoux	James Herbst	Andy Openshaw
Position	Non-executive chairman	Lead independent director	Chief Executive Officer	Chief Operating Officer
Age	54	59	48	55
Qualifications	PhD (Eng); BSc (Mech Eng)	–	BCom, BAcc, CFA, CA(SA)	BPharm
Committee membership	*Chairman:* Remuneration Committee Member: Risk and Investment Committees	*Chairman:* Social and Ethics Committee Member: Audit and Risk Committees	*Member:* Investment Committee	–
Date appointed	1 March 2016	26 March 2008	1 September 2006	1 March 2019
Board tenure	3	11	12	–
Years of relevant experience	25	30	20	20
Present appointments and responsibilities external to Huge	Consultant, Casa Da Luz	Rhodes University Council, Audit Committee and Finance and general Projects Committee	–	Chairman, Radford Dale
Prior appointments and responsibilities	• Regional Head of African Operations at Macquarie • Chief Executive Officer of Macquarie First South • Deputy Chairman of McCarthy Bank • Executive director Merrill Lynch South Africa • Top rated technology analyst	• Chairman of the Huge Group • Various directorships at Huge Group and Huge Telecom • Group Executive – Sales and Retail Marketing for MTN Group • Held senior management and accounting positions at National Data Systems, Copyreel Production, AVVID and TL Electronics	• Chief Financial Officer, Huge Group • Managing Director, Huge Telecom • Chief Financial Officer, DataPro Group (now Vox Telecom) • Private client portfolio manager, Fleming Martin Private Asset Management and BoE	• Chief Executive Officer, Reunert Communication Cluster • Chief Executive Officer of ECN • Held senior sales and marketing positions at Glaxo Pharmaceuticals • Founding partner of Professional Pet Products (Vets Choice)

Board qualifications



3 Doctoral
3 CA(SA)
5 BCom
2 BSc
5 Other

45 Combined year on the Board

180 Combined years of industry experience

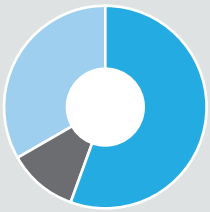
51 Average age

Samantha Sequeira	Brian Armstrong	Dennis Gammie	Craig Lyons	Vincent Mokholo
Chief Financial Officer	Independent non-executive director	Independent non-executive director	Independent non-executive director	Non-executive director
30	57	65	48	45
CA(SA)	BSc (Eng), MSc (Eng), PhD	CA(SA)	BCom, D.Soc (Economics)	BSc (Unv. Limpopo) Telecom MBA (Informa Academy UK)
–	*Member:* Risk and Nomination Committees	*Chairman:* Audit, Risk and Nomination Committees *Member:* Remuneration Committee	*Member:* Audit, Nomination and Investment Committees	*Member:* Remuneration and Social and Ethics Committees
25 March 2019	1 September 2017	28 June 2012	30 June 2017	2 July 2007
–	1.6	6	1.9	11
5	30	35	20	20
–	Professor in the Chair of Digital Business (Wits Business School)	–	Non-executive director on various boards, committees and investment funds	Operations Director, Mano Coal
• Financial Director, Virgin Mobile South Africa • Practice manager, ARC Inc • Audit manager, ARC Inc • Financial Manager, Propertuity Management • Financial Manager, Sandbox Holdings	• Group Chief Operating Officer and Group Chief Commercial Officer, Telkom SA • Vice president for Middle East and Africa, BT Group Plc • Director of the Division for Information and Communications Technology, CSIR • Managing Director, AST Networks (now Gijima)	• Chief Financial Officer, the Aveng Group • Financial Director, Murray & Roberts Materials • Financial Director, a subsidiary of the Imperial Group • Acting Managing Director, steel manufacturing and underground mining subsidiary of the Aveng Group	• Chief Executive Officer, Mvelaphanda Strategic Investments • Extensive strategic, management and finance experience in various industries • Co-founded, lead and managed two South African investment companie	• Chairman, Huge Group • Client Services Director, TelePassport • Deputy Managing Director, Huge Telecom • Director, Ambient Mobile, a portion of which he served as its Chief Executive Officer

Board independence

Executives	3
Non-executives	2
Independent non-executives	4

Tenure



0 - 3 years	5
4 - 9 years	1
10 - 12 years	3

Huge Group Board of Directors

DUARTE DA SILVA (54)

NON-EXECUTIVE CHAIRMAN

PhD (Eng); BSc (Mech Eng)

APPOINTED: 1 March 2016

CHAIRMAN:
Board
Remuneration Committee

MEMBER:
Risk Committee

STEVE TREDOUX (59)

LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR

APPOINTED: 26 March 2008

CHAIRMAN:
Social and Ethics Committee

MEMBER:
Audit Committee
Risk Committee

VINCENT MOKHOLO (45)

NON-EXECUTIVE DIRECTOR

BSc (Unv. Limpopo) Telecom
MBA (Informa Academy UK)

APPOINTED: 2 JULY 2007

MEMBER:
Social and Ethics Committee
Remuneration Committee

DENNIS GAMMIE (65)

INDEPENDENT NON-EXECUTIVE DIRECTOR

CA(SA)

APPOINTED: 28 June 2012

CHAIRMAN:
Audit Committee
Risk Committee
Nomination Committee

MEMBER:
Remuneration Committee

CRAIG LYONS (48)

INDEPENDENT NON-EXECUTIVE DIRECTOR

BCom, DSoc (Economics)

APPOINTED: 1 JUNE 2017

MEMBER:
Audit Committee
Nomination Committee
Investment Committee

BRIAN ARMSTRONG (57)

INDEPENDENT NON-EXECUTIVE DIRECTOR

BSc (Eng), MSc (Eng), PhD

APPOINTED: 1 September 2017

MEMBER:
Risk Committee
Nomination Committee

JAMES HERBST (48)

CHIEF EXECUTIVE OFFICER

BCom, BAcc, CA (SA), CFA

APPOINTED: 1 September 2006

MEMBER:
Investment Committee

ANDY OPENSHAW (55)

CHIEF OPERATING OFFICER

BPHARM

APPOINTED: 1 March 2019

SAMANTHA SEQUEIRA (30)

CHIEF FINANCIAL OFFICER

CA(SA)

APPOINTED: 25 March 2019

KAREN ROBINSON (42)

COMPANY SECRETARY

LLB, LLM, FCIS

APPOINTED: 1 September 2017

MEMBER:
Social and Ethics Committee

Huge Group Executive Committee

JAMES HERBST

Chief Executive Officer

BAcc, CFA, CA(SA)

Relevant skills and experience:

20 years of investment experience

15 years of telecommunications experience

ANDY OPENSHAW

Chief Operating Officer

BPharm

Relevant skills and experience:

20 years of telecommunications experience

Previously Chief Executive Officer of Reunert Communication Cluster

(Appointed 1 March 2019)

SAMANTHA SEQUEIRA

Chief Financial Officer

CA(SA)

Relevant skills and experience:

Five years of financial management experience

Previously Financial Director, Virgin Mobile South Africa

(Appointed 25 March 2019)

ANDRE LESSING

Managing Director: Huge Connect

PrEng

Relevant skills and experience:

27 years of telecommunications experience

Previously Managing Director of ConnectNet Broadband Wireless

MARIUS OBERHOLZER

Managing Director: Huge Networks

NDipEng, MBA, DBA

Relevant skills and experience:

25 years of telecommunications experience

Previously Managing Director of Sainet Internet

CRAIG ROWAN

Managing Director: Huge Software

BAcc.Sci (Hons)

Relevant skills and experience:

22 years of accounting experience

Previously independent accounting professional

ROB BURGER

Managing Director: Huge Telecom

CA(SA)

Relevant skills and experience:

17 years of experience in the telecommunications industry

Previously held various senior roles in credit, commercial, finance and sales at Vodacom Business

KAREN ROBINSON

Company Secretary

LLB, LLM, FCIS

Relevant skills and experience:

15 years of governance experience

Previously Company Secretary of Gold Fields

AUDIT COMMITTEE

Mandate from the Board

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

Legislation, regulation and governance

- The Audit Committee has adopted a formal charter which is reviewed annually
- The Board is satisfied that the Audit Committee has complied with its charter and its legal and regulatory responsibilities set out in the Listings Requirements and Companies Act
- The Audit Committee has considered the requirements of King IV and certain recommended practices still require application

Membership

- Three independent non-executive directors with suitable skills and experience
- All members of the Board attend the Audit Committee meetings by invitation
- The independent auditor attends relevant sections of the Audit Committee meetings and have unrestricted access to the members of the Audit Committee
- The Chairman of the Audit Committee also chairs the Risk Committee, which ensures that the functions of these committees align in understanding and overseeing the risk management and financial risk management processes

Meetings held during the year

- Five scheduled meetings
- One special meeting

Responsibilities

- Reviewing the Consolidated and Separate Annual Financial Statements prior to approval, both with management and in a separate forum with the independent auditor
- Reviewing the appropriateness of the accounting policies and ensuring that the Consolidated and Separate Annual Financial Statements fairly present the financial performance, financial position and cash flows of the Company and the Group as at 28 February 2019
- Considering and pre-approving any proposed agreements in respect of non-audit services to be provided by the independent auditor
- Reviewing arrangements for combined assurance
- Receiving and addressing any concerns or complaints relating to the accounting policies, internal controls, internal financial controls or auditing of the Consolidated and Separate Annual Financial Statements
- Making submissions to the Board on any matter related to the Company's accounting policies, financial controls, records and reporting procedures

Key focus areas for FY2019

- Reviewed the appointment of BDO as the Group's independent auditor and recommended the appointment of Moore Stephens as independent auditor
- Reviewed the independence of Moore Stephens to act as the Company's independent auditor and confirmed such independence to the Board
- Reviewed the terms of engagement and fees of Moore Stephens and compliance with relevant legislation
- Considered the impact of changes to the application of IFRS15 in respect of DIBs and PPE
- Considered the impact of IFRS10 resulting in the consolidation of The ConnectNet Incentive Trust, as well as the impact of IFRS2 in the accounting treatment, as well as current and future share-based payments
- Reviewed the JSE's report back on proactive monitoring for 2018

Key focus areas for FY2020

- Review of the adequacy and effectiveness of internal control over financial reporting
- Enhanced engagement with internal and external resources relative to discharging the Audit Committee's functions

Key disclosures

- The Audit Committee Report to Shareholders is on pages 77 to 78 of the annual financial statements and includes key disclosures by the Audit Committee

Annual performance evaluation

- The Audit Committee assessed its performance and effectiveness during the period under review and was found to be functioning and discharging its duties satisfactorily.

RISK COMMITTEE

Mandate from the Board

- Assists the Board in ensuring that management identifies and implements appropriate risk management controls
- Assists the Board in reviewing both upside risk and downside risk which may affect the Company
- Assists the Board in ensuring that risk is governed in a manner which promotes the delivery of the Growing Huge Strategy

Legislation, regulation and governance

- The Risk Committee has adopted a formal charter which is reviewed annually
- The Board is satisfied that the Risk Committee has complied with its charter

- The Risk Committee has considered the requirements of King IV and certain recommended practices still require application

Membership

- Four non-executive directors, the majority of whom are independent
- Chairman of the Risk Committee is independent
- All members of the Board attend the Risk Committee meetings by invitation
- Chairman of the Risk Committee also chairs the Audit Committee, which provides the Risk Committee with the ability to interact closely with the functions performed by the Audit Committee to ensure that there is an adequate understanding of the risk management processes

Meetings held during the year

- Three scheduled meetings

Responsibilities

- Ensuring that effective risk management policies and strategies are in place and are recommended to the Board for approval
- Ensuring that the material risks are identified and that appropriate risk management processes were in place
- Reviewing the adequacy of the risk management plan
- Monitoring the Company's risk identification and assessment methodologies
- Ensuring that appropriate resources are directed towards areas of high risk
- Ensuring that stakeholder risk management as an integral part of the groupwide risk management plan
- Reviewing the insurance and other risk transfer arrangements and considering whether appropriate coverage is in place
- Reviewing the Company's sustainability risk on a regular basis

Key focus areas for FY2019

- Monitored the effective implementation of risk management policies and strategies by management
- Reviewed and approved the Company and Group risk registers, ensuring that the risks are identified on a quantitative and qualitative basis, according to probability and impact
- Reviewed the Company's IT governance structures and procedures

Key focus areas for FY2020

- Review of the Company's risk appetite and risk tolerance levels, relative to reward or opportunity risk
- Review of the Company's exposure to security risk

Key disclosures

- The Materiality and Risk Report is on pages 24 to 26, which sets out the key disclosures of the Risk Committee

Annual performance evaluation

- The Risk Committee assessed its performance and effectiveness during the period under review and while it was found to be functioning and discharging its duties satisfactorily

INVESTMENT COMMITTEE

Mandate from the board

- Assists the Board in deliberating any strategic investment activity and interactions with the investment community

Legislation, regulation and governance

- The Investment Committee has adopted a formal charter which is reviewed annually
- The Board is satisfied that the Investment Committee has complied with its charter

Membership

- Four members, including executive and non-executive directors
- All members of the Board attend the Investment Committee meetings by invitation

Meetings held during the year

- Four scheduled meetings

Responsibilities

- Consider potential acquisition opportunities and make representations to the Board
- Monitor compliance with the Company's Investor Relations Policy
- Monitor compliance with the Company's Capital Structure Policy
- Review activities relating to investor relations and communications
- Review and recommend the appointment of service providers in respect of the Company's investment activities

Key focus areas for FY2019

- Consider potential acquisition opportunities, including any due diligence activities undertaken in respect of potential targets and make recommendations to the Board

Key focus areas for FY2020

- Review and make recommendations to the Board in respect of delivering the strategic objective of growing the Group through acquisitive action

Key disclosures

- The Investment Strategy on page 6 discloses to shareholders the criteria which the Investment Committee considers in respect of potential acquisition opportunities

Annual performance evaluation

- The Investment Committee assessed its performance and effectiveness during the period under review and it was found to be functioning and discharging its duties satisfactorily

REMUNERATION COMMITTEE

Mandate from the Board

- Assists the Board it in discharging its responsibilities relating to the remuneration of the Company's executive directors and senior management of the Group
- Oversees the development of, and monitors the consistent application of, the Group's Remuneration Policy and Remuneration Implementation Plan
- Assists the Board in ensuring that the disclosure of remuneration matters is accurate, complete and transparent

Legislation, regulation and governance

- The Remuneration Committee has adopted a formal charter which is reviewed annually
- The Board is satisfied that the Remuneration Committee has complied with its charter and its legal and regulatory responsibilities set out in the Listings Requirements and Companies Act
- The Remuneration Committee has considered the requirements of King IV and certain recommended practices still require application

Membership

- Three non-executive directors, of which one is independent
- The Board Chairman is also the Chairman of the Remuneration Committee; however, the Board is of the view that Dr da Silva is the most suitable candidate for this role, due to his experience in respect of aligning remuneration practices with strategic delivery
- Vincent Mokholo, while not independent, is considered by the Board to be an important appointment to the Remuneration Committee, due to his experience in respect of remuneration matters
- All members of the Board attend the Remuneration Committee meetings by invitation
- Executive directors do not participate in the deliberations relating to their own remuneration

Meetings held during the year

- Four scheduled meetings

Responsibilities

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

Key focus areas for FY2019

- Considered the Remuneration Policy and approved an amendment to the remuneration philosophy which provided for the Company to pay market related industry salaries in the median, rather than the upper, quartile.
- Engaged with shareholders on executive remuneration
- Approved a budget increase of 5.5% for Huge employee remuneration
- Assessed the performance of the Chief Executive Officer against agreed criteria and recommended the award of a performance-based incentive
- Mandated executive management to develop performance criteria for senior executives
- Mandated executive management to develop an incentive scheme for senior executives and employees

Key focus areas for FY2020

- Enhanced review of remuneration trends, practices, performance appraisals and benchmarking
- Implementation of the performance measurement targets and incentive scheme for executive directors, senior executives and employees

Key disclosures

- The Remuneration Report on pages 42 to 47, which includes the key disclosures of the Remuneration Committee

Annual performance evaluation

- The Remuneration Committee assessed its performance and effectiveness during the period under review and it was found to be functioning and discharging its duties satisfactorily.

NOMINATION COMMITTEE

Mandate from the Board

- Assists the Board to determine the process for nominating, electing and appointing members to the Board and its committees
- Assists the Board in considering succession planning procedures
- Oversees the Board and committee evaluation processes
- Assesses the independence of non-executive directors

Legislation, regulation and governance

- The Nomination Committee has adopted a formal charter which is reviewed annually
- The Board is satisfied that the Nomination Committee has complied with its charter
- The Nomination Committee has considered the requirements of King IV and certain recommended practices still require application

Membership

- Three independent non-executive directors
- Chairman of the Nomination Committee is independent
- All members of the Board attend the Nomination Committee meetings by invitation

Meetings held during the year

- Two scheduled meetings

Responsibilities

- Overseeing succession planning for the Board, committees, executive directors and senior management and ensuring that suitable processes are implemented
- Considering the rotation of directors and making recommendations to the Board in respect of directors retiring by rotation and standing for re-election at the annual general meeting of shareholders, after assessing the credentials and fitness for office of each director
- Considering the members of the Audit Committee and making recommendations to the Board in respect of the re-election to the Audit Committee at the annual general meeting of shareholders, after assessing the credentials and fitness for office of each member
- Developing criteria for the selection of candidates to serve on the Board
- Reviewing the structure and composition of the Board committees and recommending changes to the Board where appropriate
- Evaluating the effectiveness of the committees and reporting its findings to the Board
- Keeping abreast of corporate governance practices and making recommendations to the Board for participation in continued professional development
- Reviewing the adequacy of the directors' and officers' liability insurance coverage for all Board directors and prescribed officers
- Reviewing and monitoring the Company's application of the Gender and Racial Diversity Policy

Key focus areas for FY2019

- Implementation of succession planning processes for the Board, committees, executive directors and senior management
- Considered the suitability of appointments of the Chief Operating Officer and the Chief Financial Officer and recommended same to the Board for approval

Key focus areas for FY2020

- Review of committee structure and membership
- Oversee the implementation of the succession planning processes for executive directors and senior management
- Overseeing arrangements in respect of continued professional development for members of the Board, executives and senior management

Key disclosures

- The Gender and Racial Diversity Policy is on page 29 of the Governance Report. A groupwide succession planning exercise was conducted during FY2019 and is discussed on page 29 of the Governance Report

Annual performance evaluation

- The Nomination Committee was constituted by the Board during the prior reporting period and will undergo its inaugural evaluation process during the next reporting period

SOCIAL AND ETHICS COMMITTEE

Mandate from the Board

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

Legislation, regulation and governance

- The Social and Ethics Committee has adopted a formal charter which is reviewed annually
- The Board is satisfied that the Social and Ethics Committee has complied with its charter and its legal and regulatory responsibilities as set out in the Companies Act and the Listings Requirements
- The Social and Ethics Committee has considered the requirements of King IV and certain recommended practices still require application

Membership

- Three members, the majority of whom are non-executive directors
- Chairman of the Social and Ethics Committee is independent
- All members of the Board attend the Social and Ethics Committee meetings by invitation

Meetings held during the year

- Three scheduled meetings

Responsibilities

- Monitoring the Company's compliance with the Revised B-BBEE Codes and the ICT Sector Charter
- Ensuring that the Company is, and is seen to be, a good corporate citizen
- Ensuring that the Company complies with the relevant labour and employment legislation
- Ensuring that the Company complies with the relevant consumer protection legislation
- Considering the impact of the Company on the environment, as well as matters related to the health and safety of its employees
- Overseeing policy implementation which supports ethical behaviour

Key focus areas for FY2019

- Monitoring the implementation of B-BBEE compliance plans
- Reviewed the Company and Group gender and racial diversity policies
- Reviewed the Group's environmental and safety reports
- Overseeing the development of a revised Code of Ethics as a key component of the strategic initiative of the Growing Huge Strategy to create a people centric organisation, which entrenches an ethical value system across the Group

Key focus areas for FY2020

- Monitor the implementation of B-BBEE compliance plans across the Group
- Monitor the implementation of the revised Code of Ethics on a groupwide basis

Key disclosures

- The Social and Ethics Committee Report to shareholders is on page 48 of the Governance Report, which discloses to shareholders how it has discharged its obligations.

Annual performance evaluation

- The Social and Ethics Committee assessed its performance and effectiveness during the period under review and it was found to be functioning and discharging its duties satisfactorily

REMUNERATION REPORT

BACKGROUND STATEMENT

Dear Shareholder,

The Board engaged with shareholders on various matters during the course of the reporting period. Following on from these engagements, Huge shifted its emphasis to cash generation and balanced its aspirations for growth accordingly. Notwithstanding the shift in emphasis, the Board remains committed to the delivery of the Growing Huge Strategy and in so doing, ensuring that the Company's Remuneration Policy is suitably structured.

During the year under review, considerable work was done by executive management in developing performance measures and targets which are expected to be fully implemented by the start of the next financial year. In addition, suitable incentive schemes aligned with these performance measures and targets will similarly come into effect. As Huge drives the Growing Huge Strategy, the Board will engage with institutional investors and major shareholders in the appropriate manner with regard to proposals to introduce long-term incentives as a component of remuneration.

During the prior reporting period, the Remuneration Committee revised its charter with reference to the principles and recommended practices in King IV. In addition, the Board adopted the **2018 Remuneration Policy** (the **Remuneration Policy**), which was approved by shareholders at the annual general meeting on 30 August 2018 as part of the Remuneration Report. The Remuneration Policy can be found at www.hugegroup.com/policies. Since adopting the Remuneration Policy, the Remuneration Committee approved an amendment to the remuneration philosophy which provided for the Company to pay market related industry salaries in the median, rather than the upper, quartile.

Various factors influenced remuneration practices at Huge over the course of the year. While the Company generated greater amounts of cash, it did not deliver a significant acquisition in line with market expectations. The budgeting process for the current financial year took into account the challenging economic environment, as well as shareholders' expectations in respect of continued earnings growth.

In line with the Remuneration Policy, the Board approved a general increase in remuneration costs for the current financial year for all Group companies of 5.5%, which was the official average inflation rate for FY2019 (FY2018: 5.3%). Whilst the Board approved the overall percentage, the managing directors of the subsidiary companies were given the latitude to increase individual salaries in a manner they deemed most prudent and efficient for achieving their strategic objectives. Generally, a higher percentage increase was applied to employees at lower levels of remuneration.

At the Company's annual general meeting held on 30 August 2018, 96.38% of the votes cast by shareholders supported the Remuneration Policy and 100% of the votes cast by shareholders supported the Remuneration Implementation Report. Non-executive director fees received the support of 100% of the votes cast.

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

- *Non-executive Directors: Practices and Remuneration Trends Report, PWC, 12th Edition*
- *Executive Directors: Practices and Remuneration Trends Report, PWC, 10th Edition*

The Remuneration Committee is of the view that it has achieved the stated objectives of its charter and will continue to focus on the alignment of the Company's Remuneration Policy with the sustainable delivery of the Growing Huge Strategy.

Duarte da Silva
Chairman of the Remuneration Committee

Duarte da Silva
Chairman of the Remuneration Committee

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

The Board has considered this recommended practice and believes that the appointment of Dr da Silva as the Chairman of the Remuneration Committee is in the best interests of the Company. Dr da Silva has substantial experience in respect of remuneration structures, particularly with regard to aligning same to strategic delivery. The balance of the Remuneration Committee membership comprises a non-executive director and independent non-executive director.

REMUNERATION POLICY

Governance of Remuneration

The Remuneration Committee assists the Board in discharging its responsibilities relating to the remuneration of Huge's executive directors and managing directors; developing and monitoring Huge's Remuneration Policy and Remuneration Implementation Plan; and ensuring that the disclosure of remuneration matters is accurate, complete and transparent.

The Remuneration Committee updated its charter during the prior reporting period in order to align it with the principles and recommended practices of King IV. All members of the Remuneration Committee are non-executive directors of the Company. The Remuneration Committee met four times during the reporting period and the full report of its activities can be found on page 39.

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

Key principles of the Remuneration Policy

The Remuneration Policy sets out Huge's remuneration philosophy. During the prior financial year, the Remuneration Committee agreed that it was necessary to amend the Remuneration Policy to reflect the Company's practice of paying market related industry salaries in the median quartile rather than paying market related industry salaries in the upper quartile. In determining remuneration, the Company gives consideration to the scarcity of the skills required, whether a position constitutes a critical position and the extent to which an employee is considered "top talent".

Accordingly, one of the objectives of the Company's remuneration philosophy is the delivery of the Growing Huge Strategy, particularly with regard to:

- creating incentives that will deliver growth, both organically and acquisitively;
- promoting and entrenching a culture of excellent service delivery; and
- improving gender and racial representation and overall B-BBEE compliance.

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

Overview of the Remuneration Policy

Remuneration elements and design principles for executives and employees

Huge remunerates its employees on the following basis:

- Salaries are calculated on a total gross package (**TGP**) basis
- Salaries are reviewed annually durig February and increases are implemented with effect from 1 March
- In benchmarking salaries, comparatives are made against market related industry salaries in the median quartile
- Executive director remuneration is considered in light of peer group comparatives and relevant remuneration surveys

Various employee benefits are available to employees, as part of their TGP. These benefits however depend upon the subsidiary company by which they are employed. Benefits include:

- Membership of provident fund
- Membership of medical scheme
- Car insurance benefits
- Study assistance

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

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

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

Framework and performance measures used to assess strategic objectives and positive outcomes, including the relative weighting of each performance measure and the period of time over which it is measured

Executive director contracts provide for the award of performance-based incentives on an annual basis in June of each calendar year, after the publication of the annual financial statements. The amount of this award is determined by the Board, acting on the recommendation of the Remuneration Committee and with reference to the financial performance of Huge in the prior year. Consideration is also given to non-financial performance which contributed to the long-term sustainability of Huge.

In prior years the Board, in conjunction with the executive directors, agreed not to award performance incentives. This decision was not based on the performance of the executive directors, which the Board had otherwise considered satisfactory and in line with its expectation. For the period under review, the Board has approved a performance incentive for Mr Herbst in respect of FY2019.

Mr Herbst was evaluated against the following agreed criteria, which criteria was equally weighted and measured over the previous 12-month period:

- Stabilising the executive management team
- Closing out M&A activity with at least one large transaction
- Ensuring Huge Telecom remained a viable, high growth engine for the Group
- Delivering core earnings growth in excess of 20%

In assessing Mr Herbst's performance against the aforementioned criteria, the Board recognised that there were key personnel changes during that period but noted that the current health of the Group is a tribute to Mr Herbst's ability to step in and assume managerial responsibility when executives exited the Group.

The Board remains committed to concluding significant M&A transactions which will deliver Huge's growth aspirations, despite the demanding M&A environment currently being experienced. Mr Herbst is considered a key driver of the Company's acquisition activity.

Notwithstanding the challenges experienced in bringing full suite telephony (**FST**) to the market, it has proved to be a viable offering which will position Huge Telecom for solid growth in the future.

The Group has produced pleasing earnings growth despite a challenging year and the Board is satisfied that, excluding IFRS adjustments and once-off items, this objective has been achieved.

The Board is of the opinion that Mr Herbst has demonstrated outstanding capabilities in the following areas:

- Drive
- Commitment
- Adapting to change
- Communication
- Attention to detail
- Negotiation
- Managing and mitigating risks
- Planning
- Problem solving
- Strategic thinking

The Board is of the view that Mr Herbst has met its expectations as far as decision-making, leadership and relationship building is concerned. Overall, the Board is satisfied that Mr Herbst has delivered against the agreed performance criteria.

Explanation of how the Remuneration Policy addresses fair and reasonable remuneration of executive directors in the context of overall employee remuneration

The Board and executive directors are of the view that Huge has a duty to narrow the earnings gap between employees in the lowest remuneration levels and those in the highest. This practice continues to be implemented incrementally through the process of annual increases across the Group.

Application and justification of remuneration benchmarks

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

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

Basis for setting the fees for non-executive directors

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

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

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

REMUNERATION IMPLEMENTATION REPORT

Summary of remuneration activities and decisions taken

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

- Approved an annual budget increase of 5.5% to the remuneration of employees of Huge
- Assessed the performance of the Chief Executive Officer against agreed criteria
- Mandated executive management to develop performance criteria for senior executives, which process is currently underway

Executive director remuneration

Fixed remuneration

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

Particular regard was had to the operational responsibilities undertaken by Mr Bulbulia, in addition to his responsibilities as Chief Financial Officer. The Remuneration Committee agreed that an inflationary related increase was not appropriate for Mr Bulbulia. Having cognisance of the market related remuneration of Chief Financial Officers in small capitalisation companies in the financial services sector, it was agreed that Mr Bulbulia's remuneration should be increased by 31.9% (2017: 0%).

The Remuneration Committee recommended an increase of 5.22% (2017: 6.6%) for Mr Herbst. This was below the median increases of 15.1% for Chief Executive Officers in small capitalisation companies in the financial services sector.

The Remuneration Committee also considered and approved an annual salary increase of 5.3% for members of executive management.

The annual salary increases for executive directors in respect of the current financial year will be reviewed by the Remuneration Committee during June 2019 and, if approved by the Board, will be applied retrospectively from 1 March 2019. The Remuneration Committee recommended, and the Board approved, an annual salary increase of 5.5% for Mr Herbst.

Total remuneration outcomes (actual amounts paid) for executive directors and prescribed officers for the period ended 28 February 2019

Director	Salary	Risk, retirement and medical contributions	Total salary and benefits	Incentive payments	Total annual remuneration
JC Herbst[1]	R3 847 152	R150 907	R3 998 059	R0	R3 998 059
Z Bulbulia[2]	R3 995 487	R0	R3 995 487	R0	R3 995 487
Prescribed officers:					
RR Burger[3]	R590 073	R92 732	R682 806	R0	R682 806
G Engling[4]	R2 000 470	R132 388	R2 132 858	R0	R2 132 858
A Lessing[5]	R2 086 909	R92 913	R2 179 822	R0	R2 179 822
SM Oberholzer[6]	R1 791 790	R53 436	R1 851 226	R0	R1 851 226
CWE Rowan[7]	R674 312	R0	R674 312	R0	R674 312

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

1 *In FY2018, JC Herbst received apportioned remuneration in respect of his appointment as the Chief Executive Officer of Huge Group and Managing Director of Huge Telecom. During FY2019, Mr Herbst's remuneration has been only in respect of his appointment as the Chief Executive Officer of Huge Group.*

2 *Z Bulbulia resigned with effect from 31 December 2018 and received an ex gratia payment of R660 000.*

3 *Following his appointment as Acting Managing Director and subsequently Managing Director of Huge Telecom, RR Burger became a prescribed officer of the Company on 7 November 2018.*

4 *Prior to his resignation as Managing Director of Huge Telecom on 6 November 2018, G Engling was a prescribed officer of the Company.*

5 *A Lessing, in his capacity as Managing Director of Huge Connect, is a prescribed officer of the Company. Mr Lessing receives personal car insurance through a company insurance scheme which benefits the employees of Huge Connect.*

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

7 *CWE Rowan, in his capacity as Managing Director of Huge Software, is a prescribed officer of the Company.*

Variable remuneration

Based on the outcomes of the performance appraisal of the Chief Executive Officer, the Board has approved a discretionary incentive for Mr Herbst in respect of FY2019 of 100% of his annual gross remuneration for that period, being R3.96 million.

The Board is cognisant that Mr Herbst has been at the helm of the Group since 1 March 2008. In the last two years the Group experienced an inflection point in terms of both earnings and size. Mr Herbst was last awarded an incentive of R1.5 million, which was awarded in February 2014.

Ex gratia payments to executive directors

During the reporting period, Mr Bulbulia resigned with effect from 31 December 2018. While the Company was under no obligation to make any payments to Mr Bulbulia upon his resignation, it was agreed by the Board that an *ex gratia* payment of R660 000 would be made to Mr Bulbulia upon his departure from the Company.

Non-executive director remuneration

During the reporting period, the following remuneration was paid to non-executive directors in accordance with the approval by shareholders of the special resolution tabled at the annual general meeting held on 30 August 2018:

Director	Total retainer paid during FY2019	Total Board attendance fees paid during FY2019	Total fees paid for attendance at special Board meetings[1]	Total
DF da Silva	R630 000	R80 000	R37 000	R747 000
SP Tredoux	R334 800	R64 000	R37 000	R425 300
VM Mokholo	R334 800	R80 000	R37 000	R451 800
DR Gammie	R334 800	R80 000	R37 000	R451 800
CWJ Lyons	R334 800	R80 000	R37 000	R451 800
BC Armstrong	R334 800	R80 000	R37 000	R451 800

Note: These figures exclude VAT payments, where applicable.

[1] *Three special board meetings where held during FY2019. Due to the fact that two of the special meetings endured for a full day, directors were remunerated on the basis of standard board attendance fees.*

During the reporting period, Craig Lyons and Steve Tredoux provided consulting services to the Board, which related specifically to the enhancement of Board functionality. Mr Lyons and Mr Tredoux were paid R32 000 and R38 606 respectively, which fees were pre-approved by the Remuneration Committee. The rendering of these consulting services and the related payment were not considered by the Board to impede the independence of Mr Lyons and Mr Tredoux. Dr da Silva received an additional fee related to the preparation for the annual general meeting.

Casa da Luz Proprietary Limited, a professional advisory service represented by Dr da Silva, rendered consulting services to the Group, for which the Group paid R838 100. Accordingly, Dr da Silva is not considered by the Board to be independent.

Increase in remuneration payable to non-executive directors

Having due regard to the growth that Huge is experiencing, its future expectations in respect of growth and the formation of the Group structure, the Board will propose an increase in fees to non-executive directors for FY2020.

In determining the fees payable to the Chairman and the non-executive directors, consideration has been given to the following:

- increased risk and responsibility on non-executive directors
- the market related increases to non-executive directors' remuneration applied to small capitalisation companies in the financial services sector, where the fees increased by 6.3% and 7% for the Chairman and non-executive directors respectively
- the 5.5% increase applied to employee remuneration

Accordingly, the Remuneration Committee has recommended that the monthly retainer payable to non-executive directors for FY2020 be increased as follows:

	Current	Proposed	% increase	Prior year increase
Chairman	R52 500	R60 000	14.3%	16.3%
Non-executive directors	R27 900	R31 000	11%	5.3%

The Remuneration Committee has recommended that the Board meeting attendance fees for FY2020 be increased as follows:

	Current	Proposed	% increase	Prior year increase
Board attendance fees	R16 000	R18 000	12.5%	14.2%
Special Board attendance fees	R5 000	R6 000	20%	0%

The Chairman's monthly retainer payable in FY2019 is in the proximity of the upper quartile for small capitalisation companies in the financial services sector. The non-executive directors' monthly retainer was in the proximity of the median for small capitalisation companies in the financial services sector.

Applying the percentages proposed in respect of FY2020, the monthly retainer payable to the Chairman would remain within the upper quartile and the monthly retainer payable to the non-executive directors would be positioned between the median and upper quartile for small capitalisation companies in the financial services sector.

As a result of the increased volume of matters being brought to the Board for deliberation, an increase of 12.5% for Board meeting attendance is proposed. No increase in special Board attendance fees was applied in the previous two financial years and accordingly, an increase of 20% has been proposed.

The proposed increases to non-executive director remuneration will be tabled at the annual general meeting by way of special resolution where shareholders will be asked to consider and approve the proposed increase. If approved, the increase will take effect from 1 March 2019.

NON-BINDING ADVISORY VOTE

The Remuneration Policy and the Remuneration Implementation Report will be presented to shareholders for separate, non-binding advisory votes at the annual general meeting. Should shareholders vote against the Remuneration Policy and the Remuneration Implementation Report by more than 25%, the Remuneration Committee will engage with shareholders.

Subsequent to any shareholder engagement, the Company will include the following detail in the Background Statement of its next Remuneration Report:

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

Interests of directors and prescribed officers

Details of directors' and prescribed officers' contractual interests in Huge are set out on pages 139 to 140 of the annual financial report.

Social and Ethics Committee Report to shareholders

Ethics

The Board has a duty to ensure that Huge is governed ethically and effectively, in a manner which promotes an ethical culture across the Group. In implementing its strategic and operational objectives, the Group should be seen to be a responsible corporate citizen.

Huge has revised its Code of Ethics to align with the increased size of the business and to position it for further expansion, particularly with regard to and increased number of employees. The key principles set out in the Code of Ethics include:

- We shall comply with the laws of the countries and industries in which we operate
- We shall demonstrate integrity and professionalism in everything we do
- We shall maintain a zero tolerance outlook to fraud and corruption, both internally and externally
- We shall maintain accurate financial records
- We shall use Company resources responsibly
- We shall show mutual respect for and tolerance of others
- We shall provide a safe working environment for our employees
- We shall respect the privacy of others and the confidentiality of the information to which we are privy
- We shall be accountable for our actions
- We are committed to building long term relationships with all of our stakeholders
- We shall exhibit responsible corporate citizenship
- We shall avoid conflict of interest where possible
- We shall strive not to have a negative impact on the natural world around us

Anti-racism

The Board has approved a policy specifically focused on creating awareness in support of anti-racism at Huge. The directors and employees are expected to be accountable for their actions and realise that any racist remarks or actions will have serious consequences. The Group acknowledges that it is operating in a multi-cultural working environment and a key value is to respect all.

Huge encourages directors and employees to recognise the need to respect the feelings, wishes, or rights of others no matter their race, gender, ethnic or social origin, religion, colour, sexual orientation, disability, conscience, belief, culture, or language preference. Huge is committed to upholding all the rights of our Constitution and the guidelines in this policy.

Non-discrimination

The Board has approved a policy specifically focussed on creating awareness in support of non-discrimination. All directors and employees contribute to the creation of a discrimination free and inclusive workplace and a healthy workplace culture. The Group is an equal opportunity employer. At all stages of the employment relationship, employees will be treated on their merit and value according to how well they perform their duties.

The Board believes that all directors and employees should be able to work in an environment free from discrimination, victimisation, sexual harassment, vilification and the seeking of unnecessary information on which discrimination might be based. The Group considers these behaviours unacceptable and will not be tolerated.

Social Media

The Board has approved a policy to regulate and monitor directors' and employees' use of social media platforms. The Board recognises that social media is a place where people exchange information, opinions and experiences to learn, to develop and to have fun. Whether directors or employees are handling a corporate account or use an account of their own, they should remain positive and productive. This policy provides practical advice to avoid issues that might arise through the careless use of social media in the workplace.

The Board acknowledges and is aware that the use of social media offers an untapped source of business and marketing opportunities for the Group. However, the Board has also recognised that various risks are associated with the use of social media platforms for the Group as well as for its directors and employees.

Transformation

During the reporting period, Huge implemented its B-BBEE Compliance Plan with the aim of bringing its major subsidiary companies into compliance with the ICT Sector Charter. Huge continues to focus on being a proactive contributor to good corporate citizenship.

During the reporting period, the Group concluded two empowerment transactions in terms of which it sold a controlling stake in two of its subsidiary companies to a B-BBEE partner. These companies are now positioned to become enterprise development and supplier development entities the Group and external customers. The Board is confident that these entities will create value for the Group and its B-BBEE partner.

In addition, both Huge Connect and Huge Telecom made progress in their targets to become compliant with the ICT Sector Charter. Both subsidiary companies will be reassessed following the finalisation of the annual financial statements. It is anticipated that while Huge Telecom will not have reached a compliant status at this assessment, Huge Connect will have achieved compliance at a commercially acceptable level.

Steve Tredoux
Chairman of the Social and Ethics Committee

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Chief Financial Officer's Report

Despite the prevailing negative local economic environment, personnel changes and a demanding M&A environment, the Group produced satisfying revenue growth, maintained healthy gross profit margins, increased cash flows and enhanced returns to shareholders.

SAMANTHA SEQUEIRA *Chief Financial Officer*

Introduction:

Huge Group delivered a solid financial performance off the back of a challenging year for all South African companies.

Despite the prevailing negative local economic environment, personnel changes and a demanding M&A environment, the Group produced satisfying revenue growth, maintained healthy gross profit margins, increased cash flows and enhanced returns to shareholders by way of a dividend declaration post financial year-end.

Overview of performance:

Group revenue increased by 8%, taking into account a full year's contribution from Huge Connect, Huge Networks and Huge Software. Group gross profit margins, noting the inclusion of depreciation in cost of sales, remained healthy at 55%.

Group EBITDA showed an increase of 16% from R129 million to R149 million, after adding back depreciation in cost of sales and depreciation in selling and administration expenses. The termination of the ESA with Cell C has improved the Group's conversion of EBITDA into free cash, which is expected to improve while Huge Cellular depletes the amounts owing by Cell C to Huge Cellular in terms of the ESA. No further cash outflows relating to GSM transmission costs are expected for the 2020 financial year.

Group operating expenses, excluding depreciation, increased by 15% largely as a result of the inclusion of Huge Connect, Huge Networks and Huge Software for a full 12 months and the inclusion of IFRS 2 share-based payments attributable to the Fintech Grouping and Telecom Grouping. On a like-for-like basis, Group operating expenses decreased by 3%.

Net profit after tax increased by 17% as a result of tax efficiencies within the Group. The efficiencies have resulted in an effective tax rate of 19%, which the Group will continue to enjoy for the medium-term.

Basic earnings per share increased by 20% and headline earnings per share increased by 14%.

Fintech Grouping

The Fintech Grouping comprises of Huge Connect, which is a large cash-generating unit of the Group. Huge Connect produced solid revenue gains of 17% and a gross profit increase of 4%. The gross profit margin remained strong at 63%, which is evidence of the performance potential of the Fintech Grouping.

Huge Connect increased the number of card machines connected by 60% and grew its customer base by 12%, supporting the organic growth objectives of the Growing Huge Strategy.

Telecom Grouping

The Telecom Grouping comprises of Huge Telecom, Huge Networks, Huge Cellular, Huge Media, Huge Messaging, Huge Mobile, Huge Soho and Huge Technologies.

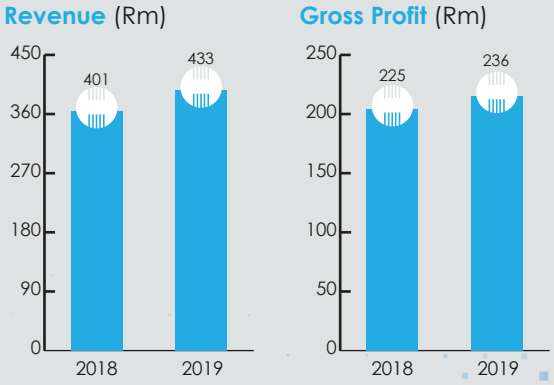
The Telecom Grouping increased its annual fixed annuity income by 25%. Notwithstanding challenges experienced with FST and tough trading conditions, the Telecom Grouping enjoyed an operating profit increase of 12% and maintained a healthy operating profit margin of 26%.

8%

increase in revenue from R401 million to R433 million

55%

gross profit margin maintained



Huge Networks concluded agreements with Otel Communications and Otel Business, which contemplated the acquisition by Huge Networks of the business of Otel. The agreements became unconditional on 27 February 2019. The purchase consideration for the businesses of Otel was settled in Huge Networks ordinary shares, such that, after the issue of shares, Huge Telecom's shareholding in Huge Networks decreased from 100% to 50.3%.

The Otel business acquisition is an important bolt-on acquisition allows for network synergies and efficiencies, access to new customer segments and the potential to scale Huge Group's operations, grow its customer real estate and expand its national footprint.

Corporate Office Grouping

The Corporate Office Grouping comprises Huge Group itself, Huge Software as well as The ConnectNet Incentive Trust.

The creation of the Corporate Office Grouping is a recent development, having only taken place in the 2018 financial year. Previously, costs related to Huge Group were absorbed at subsidiary company level. Given the need to support the implementation of the Growing Huge Strategy, the formation of suitably resourced head office structure has been essential. The Corporate Office Grouping includes consulting and professional fees, all insurance costs, statutory and listing costs, audit and legal fees for the Group. The head office also funds all corporate action events. Ultimately, the intention is that the head office costs included in the Corporate Office Grouping will be funded from the returns generated by future acquisitions. During the 2019 financial year, the operating costs relating to the Corporate Office Grouping increased by 40%.

Capital structure and finance costs

During the period under review, the Group concluded a R200 Million Term Facility Agreement with Futuregrowth Asset Management (the **Facility**). The Facility replaced the R90 Million Term Facility Agreement concluded as part of the acquisition of Huge Connect and Huge Networks. As at financial year-end, Huge Group had drawn down R55 million of the Facility, the bulk of which has been invested in a high interest-bearing endowment. The principal amounts outstanding are payable in quarterly tranches of R10 million, with the final quarterly tranche due for payment in December 2023. Interest on the Facility is payable on a quarterly basis. The Group's gross debt position has moved from R104 million to R171 million, while it still has access to R50.5 million in terms of the Facility.

The Facility provides the Group with access to cash resources at improved interest rates. The lower cash requirements in Huge Telecom, in addition to the Facility, have placed Huge Group in a favourable position for fueling sustainable growth. This will also enable expansion into new services and product offerings.

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

Cash flow/cash generation

Huge Group generated R74 million in cash flows from operating activities, utilised R133 million in investing activities and generated R52 million from financing activities. Along with the additional capital raised through the Facility, the Group's liquidity position remains strong with R51 million unutilised borrowings and R45 million available in endowments.

Chief Financial Officer's Report (continued)

Significant accounting policies

During the period under review, the Group adopted IFRS 15 Revenue from Contracts with Customers.

The nature and changes in the annual financial statements relating to the adoption of this standard resulted in the recognition of a contract asset, amounting to R15 million, in respect of Renewal Dealer Incentive Bonuses (**Renewal DIB's**) paid to Business Partners. The average customer contract period is 27 months, and this is the period over which the contract asset is amortised. An assessment was performed for the 2018 financial period and no prior period adjustments were required due to the immaterial nature of the contract assets, on both a quantitative and a qualitative basis. The contract asset is recognised as an asset as it represents the incremental costs of maintaining contracts with customers.

The ConnectNet Incentive Trust

The ConnectNet Incentive Trust prepared financial statements for the first time and for the 23-month period ended 28 February 2019. Huge Group consolidated The ConnectNet Incentive Trust during the 2019 financial year, resulting in the recognition of donation income of R14 million. A separate share-based payment expense of R 7 million (calculated in accordance with IFRS 2) has been recognised in the Statement of Profit or Loss and Other Comprehensive Income for the year under review. In each of the 2020 and 2021 financial years, an additional R3.5 million in share-based payment expenses will be recognised, which will offset the R14 million in donation income, resulting in no impact on Huge's equity.

Management's view relating to the above matter has been included in the Director's Report (paragraph 20 Basis for consolidation of The ConnectNet Incentive Trust).

DEFINITIONS

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

A2X Markets	A2X Proprietary Limited, a stock exchange licenced in terms of the Financial Markets Act, 19 of 2012, on which the Company has a secondary listing
the Act	the Companies Act, 71 of 2008 (as amended)
AFS	Consolidated Annual Financial Statements in the case of the Group, and Separate Annual Financial Statements in the case of the Company
AGM	the annual general meeting of the Company
AltX	the Alternative Exchange of the JSE
B-BBEE	Broad-Based Black Economic Empowerment
BDO	BDO South Africa Incorporated, the independent auditor of the Group until 15 March 2019
the Board	the board of directors of the Company as constituted from time to time
CGU	cash generating unit
the Companies Act	the Companies Act, 71 of 2008 (as amended)
ConnectNet Broadband Wireless	ConnectNet Broadband Wireless Proprietary Limited (now Huge Connect Proprietary Limited), registration number 2004/005721/07, a wholly owned subsidiary of Huge
ConnectNet Broadband Wireless Group	ConnectNet Broadband Wireless and Sainet Internet, collectively
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.
DIBs	Discretionary Incentive Bonuses
EBITDA	earnings before interest, taxation, depreciation and amortisation
EPS	earnings per share
FirstRand Bank	FirstRand Bank Limited, registration number 1929/001225/06, and the bankers to Huge
functional currency	South African Rands
Futuregrowth	Futuregrowth Asset Management Proprietary Limited, registration number 1996/018222/07, financing agent of Huge
FY2018	the financial year commencing 1 March 2017 and ending on 28 February 2018
FY2019	the financial year commencing 1 March 2018 and ending on 28 February 2019
FY2020	the financial year commencing 1 March 2019 and ending on 28 February 2020
Gonondo	Gonondo Telecom Proprietary Limited, registration number 2006/027671/07, a 50% held joint venture company, of which 50% is held by Huge Telecom
Goodwill	the goodwill acquired by Huge on the acquisition of Huge Software, Huge Connect, Huge Networks and Huge Telecom
Group	Huge and its subsidiary companies
GSM	Global System for Mobile communication and in the context of this Report, refers to a digital mobile telephone system
HEPS	headline earnings per share
Huge or the Company	Huge Group Limited, registration number 2006/023587/06, a company of which the Shares are listed on the JSE and A2X Markets
Huge Cellular	Huge Cellular Proprietary Limited, registration number 2008/004068/07, a 49% held associate company of Huge Telecom. On 26 February 2019, Huge Telecom undertook a B-BBEE transaction in which it disposed of 51% of Huge Cellular to Windfall. 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 wholly owned subsidiary company of Huge
Huge Media	Huge Media Proprietary Limited (formally Eyeballs Mobile Advertising Proprietary Limited), registration number 2007/004818/07, a 96% owned subsidiary company of Huge

DEFINITIONS (continued)

Huge Messaging	Huge Messaging Proprietary Limited (formally Ambient Mobile Proprietary Limited), registration number 2008/001288/07, a wholly owned subsidiary company of Huge
Huge Mobile	Huge Mobile Proprietary Limited (formally Le Gacy Telecom (FRA) 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 following the Otel Transaction, which became effective on 27 February 2019. Prior to this date, Huge Networks was a wholly owned subsidiary company of Huge Telecom
Huge Soho	Huge Soho Proprietary Limited, registration number 2002/022642/07, a 49% held associate company of Huge. On 26 February 2019, Huge undertook a B-BBEE transaction in which it disposed of 51% of Huge Soho to Windfall. Prior to the transaction, Huge Soho was a wholly owned subsidiary company of Huge
Huge Software	Huge Software Proprietary Limited (formally Accknowledge Systems Proprietary Limited), registration number 2005/042514/07, a 75% subsidiary company of Huge
Huge Technologies	Huge Technologies Proprietary Limited (formally Huge Software and Technologies Proprietary Limited), registration number 2008/006066/07, a wholly owned subsidiary company of Huge
Huge Telecom	Huge Telecom Proprietary Limited, registration number 1993/003902/07, a wholly owned subsidiary company of Huge
IFRS	International Financial Reporting Standards
IntelPay	IntelPay Proprietary Limited, registration number 2014/112952/07, a wholly owned subsidiary company of Huge, acquired on 27 March 2019
JSE	the JSE Limited, registration number 2005/022939/06
King III	King Report on Corporate Governance (2009)
King IV	King IV Report on Corporate Governance for South Africa, 2016
Listings Requirements	the Listings Requirements of the JSE
MNOs	Mobile Network Operators
MOI	Memorandum of Incorporation
Moore Stephens	Moore Stephens MWM Incorporated, the independent auditor of the Group from 18 March 2019
Nedbank	Nedbank Limited, registration number 1951/000009/06
Otel	Otel Business and Otel Communications, collectively
Otel Business	Otel Business Proprietary Limited, registration number 2008/006890/07
Otel Communications	Otel Communications Proprietary Limited, registration number 2015/034240/07
Otel Transaction	the acquisition by Huge Networks of the businesses of Otel
Pansmart	Pansmart Proprietary Limited, registration number 2015/142454/07
PPE	Plant, property and equipment
SAICA	South African Institute of Chartered Accountants
Sainet Internet	Sainet Internet Proprietary Limited (now Huge Networks Proprietary Limited), registration number 2014/009214/07, a wholly owned subsidiary company of Huge Telecom
SENS	Stock Exchange News Service
Shares	ordinary par value Shares of R0.0001 each
SOHO	Small Office Home Office
SOHOR	Small Office Home Office Residential
SSFs	Single Stock Futures
Telemasters	Telemasters Holdings Limited, registration number 2006/015734/06
Telkom	Telkom SA SOC Limited, registration number 1991/005476/30
VAT	Value Added Tax
Windfall	Windfall 111 Properties Proprietary Limited, registration number 2013/169340/07, a company controlled by Mr V Mokholo (a related party to Huge given that V Mokholo is a non-executive director of the Company) and Mrs S Mokholo

APPROVAL OF THE FINANCIAL STATEMENTS

for the year ended 28 February 2019

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

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

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

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

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

The Group's independent auditor is responsible for independently auditing and reporting on the Group's AFS. The AFS have been examined by the Group's independent auditor and the Independent Audit's Report is presented on pages 71 to 76.

The AFS set out on pages 79 to 151, which have been prepared on a going concern basis, were approved by the Board of Directors on 28 June 2019 and were signed on its behalf by:

Duarte da Silva
Chairman

James Herbst
Chief Executive Officer

Samantha Sequeira
Chief Financial Officer

COMPANY SECRETARY CERTIFICATION

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

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

Karen Robinson
Company Secretary

28 June 2019

CERTIFICATE BY PREPARER OF THE FINANCIAL STATEMENTS

These consolidated and separate annual financial statements were compiled internally under the ultimate supervision of Samantha Sequeira CA(SA).

Samantha Sequeira
Chief Financial Officer
28 June 2019

DIRECTORS' REPORT

The directors submit their report for the year-ended 28 February 2019.

1. Nature of business

Huge is an investment holding company holding 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 conducts its business principally within South Africa but also in Botswana, Lesotho, Mozambique, Namibia, eSwatini, Zambia and Zimbabwe.

Huge has four principal subsidiary companies:

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

Huge Connect is a telecommunications services company with a focus on growing its payment connectivity 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 32 000 merchants as customers. The company has also expanded into other markets for payment connectivity, including connectivity for ATMs, integrated points of sale, medical/script verifications, telemetry applications, 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 Networks is a subsidiary of Huge Telecom. Prior to the end of the financial year, Huge Networks concluded a transaction with Otel which contemplated the acquisition by Huge Networks of the businesses of Otel and which came into effect on 27 February 2019. The purchase consideration for the Otel Transaction was settled in ordinary shares of Huge Networks, such that, after the issue of shares, Huge Telecom's shareholding in Huge Networks decreased from 100% to 50.03%.

Huge Messaging is a company which develops messaging software and systems for use by Group companies and for sale to third parties. It has developed and made commercial 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 client'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.

During the reporting period, Huge Telecom, which held 50.2% of Huge Messaging, entered into a Sale of Shares Agreement in terms of which it acquired 49.8% of the shares from the minority shareholders. Huge Messaging became a wholly owned subsidiary company of Huge Telecom. Subsequently, Huge acquired 100% of the shares of Huge Messaging from Huge Telecom. As a result, Huge Messaging became a wholly owned subsidiary company of Huge.

Huge Media is engaged in the on-going development and licencing of software for innovative and affordable real time, permission based, high impact and targeted advertising to mobile phones. Huge Media is a 96% held subsidiary company of Huge.

Huge Software develops, maintains and supplies the WebAccounting accounting 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. The cloud-based accounting software caters fully for debtor, creditor and inventory management. Additional module functionality includes, but is not limited to, the management of manufacturing processes and customer relationship management tools. Huge Software is a 75% held subsidiary company of Huge.

Huge Technologies is a company which develops billing software and acquires, develops and manufactures connectivity devices for its own use and for sale and rental to third parties. It owns proprietary billing and rating software, known as the Huge Integrated Value Engine, or the HIVE, and it licences this to Huge Telecom and a company in Namibia. Huge Technologies is a wholly owned subsidiary company of Huge.

Huge Telecom is a voice connectivity or telephony services business that makes use of GSM to provide a wireless 'last mile' connection from the customer's premises to the core of a mobile telephone network. The "last mile" is the final connection from the core network to the customer's premises. Its 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.

Gonondo is a joint venture company in which the joint venture partners are Huge Telecom and Adapt IT Proprietary Limited. Both partners share equally in the profit of the joint venture. Gonondo is a cloud telecommunications intelligence and management solutions provider which supplies telecommunications management services to customers throughout South Africa.

Directors' report (continued)

2. Financial results

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

Full details of the financial position, results of operations and cash flows of the Group are set out in these AFS. The Board's view of the qualification by the independent auditor is set out at paragraph 20 of the Director's report.

3. Going concern

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

- The current cash balances of the Group;
- The access of the Group to lines of credit during the Forecast Period;
- The headroom in the current debt facilities of the Group and the ability of the Group to take on additional debt as a result of this headroom, as well as the appetite of the debt providers to advance further debt during the Forecast Period;
- The continuing increase in monthly annuity sales, together with the resulting revenue increases and profitability improvements during the Forecast Period;
- The operating cash flow generation projections of the Group for the Forecast Period;
- The capital expenditure projections of the Group for the Forecast Period;
- The changes in the working capital requirements of the Group for the Forecast Period;
- The expected further improvement in the Group's profitability as reflected in the budget for the year that will end on 28 February 2020, which budget was approved by the Board during February 2019.

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

4. Borrowing powers

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

5. Interest in subsidiary companies, joint venture and associates

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

Name of subsidiary, joint venture and associate	shareholding %	2019	2018
Huge Cellular (associate)	49%	5 219 781	608 222
Huge Connect	100%	41 145 254	51 176 317
Huge Media	96%	868 989	4 667 827
Huge Messaging	100%	658 992	147 858
Huge Mobile	100%	(94 504)	(88 230)
Huge Networks	50%	(1 550 404)	4 120 410
Huge Software	75%	(36 324)	28 987
Huge SOHO (associate)	49%	(308 489)	(364 268)
Huge Technologies	100%	9 267 940	1 117 491
Huge Telecom	100%	32 882 975	22 203 750
Gonondo (joint venture)	50%	(37 621)	(144 110)
The CI Trust	100%	9 174 308	–
		97 190 898	**83 474 254**

6. Goodwill

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

During the current and prior financial year, the Group assessed the recoverable amount of Goodwill and in each year determined that no impairment was required.

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

7. Authorised and issued share capital

AUTHORISED SHARE CAPITAL

The authorised share capital of the Company as at 28 February 2019 is 1 000 000 000 Shares.

ISSUED SHARE CAPITAL

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

Since incorporation and up until 28 February 2019, the Company and its subsidiary company, Huge Telecom, repurchased and acquired 31 505 483 Shares.

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

The number of Shares in issue at 28 February 2019 is 175 627 077 (2018: 175 602 077).

SHARES ISSUED

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

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

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

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

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

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

Directors' report (continued)

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

Date of issue	Number of Shares issued	Price per Share (in cents)	Proceeds (in Rand)
22 February 2017	4 000 000	615	24 600 000
28 February 2017	10 650 000	615	65 497 500
	14 650 000		**90 097 500**
07 March 2017	988 000	615	6 076 200
20 March 2017	14 500 000	615	89 175 000
27 March 2017	5 356 598	615	32 943 078
05 April 2017	249 685	615	1 535 563
13 April 2017	2 450 000	615	15 067 500
24 April 2017	829 268	615	5 099 998
	24 373 551		**149 897 339**
30 March 2017	25 208 333	600	151 249 998
06 September 2017	468 740	800	3 750 000
	25 677 073		**154 999 998**
21 September 2018	25 000	900	225 000
	64 725 624		**395 219 837**

REPURCHASE BY THE COMPANY OF ITS SHARES AND ACQUISITIONS BY THE COMPANY'S SUBSIDIARY COMPANIES OF ITS SHARES

At the last AGM of the Company held on 30 August 2018, shareholders gave the Company or any of its subsidiary companies a general authority, in terms of section 48 of the Companies Act and by way of special resolution, to repurchase or acquire the Shares of Huge.

This general authority remains valid until the next AGM, which is to be held on 29 August 2019. Shareholders will be requested at that meeting to consider a special resolution to renew this general authority, which will remain valid until the following AGM.

SHARES OF THE COMPANY REPURCHASED BY THE COMPANY

During the year the Company did not repurchase any of its own Shares (2018: 0 Shares). The Company has, since incorporation, repurchased and cancelled in aggregate 21 858 557 shares.

TREASURY SHARES

As at 28 February 2019, the Company had 175 627 077 Shares in issue, of which 9 646 926 Shares are held by Huge Telecom as treasury Shares. 1 206 027 Shares are held by The CI Trust, which has been classified in terms of IFRS10 as an entity controlled by Huge Connect and therefore by Huge. As a result of the consolidation of The CI Trust, the investment in Huge Shares has been reclassified as treasury Shares. This is set out in note 20 of the AFS. Accordingly, 10 852 953 (2018: 9 646 926) of the issued Share capital of the Company are treasury Shares, constituting 6.2% (2018: 5.5%).

FORWARD ISSUE OF SHARES

In terms of an announcement published on SENS on 3 January 2017, shareholders of Huge were advised that the Company had concluded a subscription agreement, dated 27 December 2016, with Praesidium Capital Management Proprietary Limited, in its capacity as general partner of the SA Hedge Fund en Commandite Partnership **(Praesidium)**, in terms of which Praesidium has agreed to subscribe for 17 500 000 Shares, at a subscription price of 850 cents per Share. This subscription agreement was cancelled during the reporting period and no Shares were issued in respect of this subscription agreement.

8. Directorate

8.1 Composition of the Board

The Board consists of the following members:

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

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

- Z Bulbulia resigned with effect from 31 December 2018

Subsequent to the reporting period, the following changes in directorship were made:

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

8.2 Rotation of directors

Directors retiring in terms of the Company's MOI, all of whom are eligible and offer themselves for re-election, are DR Gammie, VM Mokholo and SP Tredoux. Executive directors who were appointed after the last AGM, AP Openshaw and SL Sequeira, will stand for election by shareholders at the AGM to be held on 29 August 2019.

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

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

	Direct	Indirect	Total	%
2019 – Number of Shares held				
JC Herbst[1]	268 370	24 445 549	24 713 919	14.071
CWJ Lyons[2]	–	200 000	200 000	0.113
	268 370	**24 645 549**	**24 913 919**	**14.184**
2018 – Number of Shares held				
JC Herbst	268 370	24 445 549	24 713 919	14.074
AD Potgieter	569 984	3 440 275	4 010 259	2.284
D Deetlefs	250 000	188 174	438 174	0.249
CWJ Lyons	–	200 000	200 000	0.114
	1 088 354	**28 273 998**	**29 362 352**	**16.721**

[1] *The indirect shareholding of JC Herbst is non-beneficial and is held by Eagle Creek Investments 223 Proprietary Limited, Pacific Breeze Trading 417 Proprietary Limited and Silver Meadow Trading 3 Proprietary Limited.*

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

Directors' report (continued)

9. Directors' interest in the share capital of the Company (continued)

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

	Direct	Indirect	Total	%
2019 Number of Shares held				
A Lessing[3]	–	4 694 044	4 694 044	2.673
DD Meintjes[4]	–	1 751 434	1 751 434	0.997
SM Oberholzer[5]	–	5 448 907	5 448 907	3.103
K Schmulian[6]	15 021	1 065 688	1 080 709	0.615
KB Sinclair[7]	–	4 049 613	4 049 613	2.306
	15 021	**17 009 686**	**17 024 707**	**9.694**
E van Heerden[8]	1 803	–	1 803	0.001
RF Mushonga[9]	–	–	–	–
	16 824	**17 009 686**	**17 026 510**	**9.695**

As at 28 February 2018, the following directors of major subsidiary companies held Shares in the issued share capital of the Company:

	Direct	Indirect	Total	%
2018 Number of Shares held				
A Lessing[3]	–	4 694 044	4 694 044	2.673
DD Meintjes[4]	–	1 751 434	1 751 434	0.997
SM Oberholzer[5]	–	5 448 907	5 448 907	3.103
K Schmulian[6]	5 007	1 065 688	1 070 695	0.610
KB Sinclair[7]	–	4 049 613	4 049 613	2.306
	5 007	**17 009 686**	**17 014 693**	**9.689**
E van Heerden[8]	1 803	–	1 803	0.001
RF Mushonga[9]	16 260	–	16 260	0.009
	23 070	**17 009 686**	**17 032 756**	**9.699**

[3] *An indirect shareholding of A Lessing, a director of Huge Connect, amounting to 4 689 025 Shares is held by K2017038068 South Africa Proprietary Limited, while 15 057 (2018: 5 019) Shares are held by an associate, CJ Lessing.*

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

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

[6] *The indirect shareholding of K Schmulian, a director of Huge Connect, is held by K2017038099 South Africa Proprietary Limited.*

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

[8] *E van Heerden is a director of Huge Connect and Huge Networks.*

[9] *During the reporting period, RF Mushonga was a director of Huge Telecom. He resigned with effect from 18 April 2018. Following his resignation, Mr Mushonga disposed of his shareholding.*

Save as for disclosed above, there has been no other change in directors' interests in the share capital of the Company subsequent to year-end and prior to the publication of this report.

10. Restricted Shares

Shareholder	Pledged as security for warranties[10]	Subject to 24-month lock-in[11]	The CI Trust[12]	Total
2019 – Number of Shares held				
K2017038068 South Africa Proprietary Limited – A Lessing	2 937 430	1 751 595	_	4 689 025
DM Holdco Proprietary Limited – DD Meintjes	1 097 182	654 252	_	1 751 434
K2017082648 South Africa Proprietary Limited – SM Oberholzer	3 413 456	2 035 451	_	5 448 907
K2017038099 South Africa Proprietary Limited – K Schmulian	667 598	398 090	_	1 065 688
K2017038086 South Africa Proprietary Limited – KB Sinclair	2 536 871	1 512 742	_	4 049 613
	10 652 537	**6 352 130**	**–**	**17 004 667**
Datawireless Proprietary Limited	377 337	225 007	_	602 344
K2017038129 South Africa Proprietary Limited	1 735 754	1 035 034	_	2 770 788
K2017038154 South Africa Proprietary Limited	400 559	238 854	_	639 413
CNet Empowerment Proprietary Limited	1 706 728	1 017 726	_	2 724 454
The CI Trust – Initial transfer	_	_	1 206 026	1 206 026
	14 872 915	**8 868 751**	**1 206 026**	**24 947 692**
The CI Trust – 2018 allocation to Share beneficiaries	–	–	129 415	129 415
The CI Trust – 2019 allocation to Share beneficiaries	–	–	131 226	131 226
	14 872 915	**8 868 751**	**1 466 667**	**25 208 333**

Directors' report (continued)

10. Restricted shares (continued)

Shareholder	Pledged as security for warranties[10]	Subject to 24-month lock-in[11]	The CI Trust[12]	Total
2018 – Number of Shares held				
K2017038068 South Africa Proprietary Limited – A Lessing	2 937 430	1 751 595	_	4 689 025
DM Holdco Proprietary Limited – DD Meintjes	1 097 182	654 252	_	1 751 434
K2017082648 South Africa Proprietary Limited – SM Oberholzer	3 413 456	2 035 451	_	5 448 907
K2017038099 South Africa Proprietary Limited – K Schmulian	667 598	398 090	_	1 065 688
K2017038086 South Africa Proprietary Limited – KB Sinclair	2 536 871	1 512 742	_	4 049 613
	10 652 537	**6 352 130**	_	**17 004 667**
Datawireless Proprietary Limited	377 337	225 007	_	602 344
K2017038129 South Africa Proprietary Limited	1 735 754	1 035 034	_	2 770 788
K2017038154 South Africa Proprietary Limited	400 559	238 854	_	639 413
CNet Empowerment Proprietary Limited	1 706 728	1 017 726	_	2 724 454
The CI Trust – Initial transfer	_	_	1 337 252	1 337 252
	14 872 915	**8 868 751**	**1 337 252**	**25 078 918**
The CI Trust – 2018 allocation to Share beneficiaries			129 415	129 415
	14 872 915	**8 868 751**	**1 466 667**	**25 208 333**

[10] *In terms of the subscription and repurchase agreement entered into between Huge and ConnectNet Broadband Wireless Group on or about 30 March 2017, Huge subscribed for 185 new ordinary shares in ConnectNet Broadband Wireless for a total subscription consideration of R418 million, R266.75 million of which was settled in cash and R151.25 million of which was settled by the issue of renounceable letters of allocation. Subsequent to the subscription, ConnectNet Broadband Wireless repurchased 122 existing ordinary shares in its share capital from the relevant shareholders for a total consideration of R275 million, of which R123.75 million was settled in cash and R151.25 million was settled by the delivery of renounceable letters of allocation in respect of 25 208 333 Shares in Huge at 600 cents per Share. ConnectNet Broadband Wireless renounced 25 208 333 Shares in Huge in favour of the relevant shareholders. The relevant shareholders agreed to pledge 14 872 915 Shares in Huge as security for the payment of any claims instituted by Huge against the relevant shareholders for, amongst other things, a breach of a profit warranty that the cumulative aggregate operating profit of the ConnectNet Broadband Wireless Group for the financial years ended 28 February 2018, 28 February 2019 and 29 February 2020 will be no less than 80% of the cumulative aggregate operating profit target of R239.9 million, which determination shall be made within 15 business days of the date of finalisation of the financial statements of the ConnectNet Broadband Wireless Group for the year ended 29 February 2020.*

[11] *In terms of the subscription and repurchase agreement, 10 335 518 Shares issued to the relevant shareholders were the subject of a 24-month lock-in undertaking, which expired on 29 March 2019. Subsequent to the closing of the subscription and repurchase agreement, the relevant shareholders, of their own volition, created a trust to be known as The CI Trust and decided to donate 1 466 667 Huge Group Shares and R1.2 million in cash to The CI Trust. The donation was not part of the subscription and repurchase agreement and was in no way linked to the subscription and repurchase agreement. However, the Shares that were the subject of the donation were part of the 10 335 518 Shares that were subject to the 24-month lock-in undertaking. The CI Trust was established by the relevant shareholders for the benefit of certain employees, directors and/or consultants of the ConnectNet Broadband Wireless Group to inter alia assist the relevant shareholders in making sure that the ConnectNet Broadband Wireless Group achieved the targets for the profit warranty referred to in footnote 10 above.*

[12] *During August 2018, 131 226 Shares (2017: 129 415) were transferred by The CI Trust to Share beneficiaries, being certain existing employees, directors and/or consultants to the ConnectNet Broadband Wireless Group. Of the remaining 1 206 026 Shares, 355 852 Shares will be allocated to Share beneficiaries after 28 February 2019, 474 471 after 29 February 2020. The residual balance of 355 851 Shares being available for allocation to future employees, directors and/or consultants. Shares that have been allocated to Share beneficiaries are not restricted.*

11. Directors' personal financial interests

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

12. Special resolutions

The Company passed the following special resolutions at its AGM held on 30 August 2018:

12.1 General authority to acquire (repurchase) Shares

The granting of a general authority to the directors of the Company, and to the directors of any subsidiary company of the Company, to repurchase ordinary par value Shares previously issued by the Company, subject to the MOI of the Company, the Companies Act, and the restrictions placed on this authority by the JSE.

12.2 Non-executive directors' remuneration

The approval of the non- executive directors' remuneration for the financial year commencing 1 March 2018, in terms of section 66(9) of the Companies Act.

12.3 General authority to enter into funding agreements, provide loans or other financial assistance

The granting of a general approval in terms of section 45 of the Companies Act, to the Company and its directors, and to any subsidiary company of the Company and their directors, to enter into funding agreements, guarantee loans or other obligations, secure debts or obligations or to provide loans and financial assistance to any one or more of the subsidiary companies of the Company from time to time, subject to the provisions of the Listings Requirements.

13. Significant announcements

CAPITAL STRUCTURE AND FINANCE FACILITIES:

21 December 2018

The Company concluded a R200 million Term Facility Agreement with Futuregrowth.

APPOINTMENT OF AP OPENSHAW AS CHIEF OPERATING OFFICER

27 December 2018

The Company appointed Andy Openshaw as the Chief Operating Officer with effect from 1 March 2019. Andy has in excess of 20 years of telecommunications experience, having been the Chief Executive Officer of ECN and Chief Executive Officer of the Reunert Communication Cluster.

APPOINTMENT OF RR BURGER AS MANAGING DIRECTOR: HUGE TELECOM

25 January 2019

Rob Burger, who had previously been the Acting Managing Director, was appointed as the Managing Director of Huge Telecom with effect from 23 January 2019. Rob is an experienced leader with a strong financial and commercial experience.

APPOINTMENT OF SL SEQUEIRA AS CHIEF FINANCIAL OFFICER

22 February 2019

The Company appointed Samantha Sequeira as the Chief Financial Officer with effect from 25 March 2019. Samantha is a Chartered Accountant with experience in the telecommunications industry, having previously been the Financial Director of Virgin Mobile.

Directors' report (continued)

14. 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 and are of the opinion that, unless specifically provided, none of these will result in a loss to the Group. All significant litigation which the directors believe may result in a possible loss has been disclosed.

15. Dividends

No dividends were paid to shareholders during the period under review. A dividend was declared on 31 May 2019, subsequent to the reporting period.

16. Events after the reporting period

Acquisitions:

Subsequent to 28 February 2019, Huge acquired 50 plus 1 share of Pansmart for a nominal value and 50% of the shareholder claims on loan account which amounted to R13 151 309. Huge's acquisition of a controlling shareholding in Pansmart took effect on 13 May 2019.

Subsequent to 28 February 2019, Huge acquired 100% of the issued share capital of IntelPay and shareholder claims in accordance with a Sale of Shares and Claim Agreement. Huge acquired the 100% issued share capital for a value of R100 000. Huge's acquisition of IntelPay took effect 27 March 2019.

Dividends:

Ordinary shareholders are advised that the Board has declared a gross cash dividend of 12.50 cents per ordinary Share for the year ended 28 February 2019.

The dividend will be paid out of retained earnings of the Company.

A dividend withholdings tax of 20% will be applicable to all shareholders who are not exempt from, or who do not qualify for a reduced rate of withholding tax. Accordingly, for those shareholders subject to withholding tax, the net dividend amounts to 10.00 cents per Share.

Performance incentive:

The Remuneration Committee recommended, and the Board approved, an annual performance incentive for Mr Herbst of R3 960 000, being 100% of his annual gross remuneration. This performance incentive was based on measured and agreed objectives, the detail of which is set out in the Remuneration Report.

Other matters:

The directors are not aware of any other significant matters or circumstance arising since the end of the financial year, not otherwise dealt with in the AFS, which affects the financial position of the Group or the results of its operations to the date of this Report.

17. Company Secretary and administration

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

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

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

18. Audit Committee

The directors confirm that the Audit Committee has addressed specific considerations required in terms of section 94(7) of the Companies Act. Further details are contained in the Audit Committee Report on pages 77 to 78 of this Report.

19. Auditors

The Audit Committee appointed Moore Stephens as independent auditors for FY2019 and has recommended that Moore Stephens remain in office in accordance with section 90(1) of the Companies Act.

20. Basis for consolidation of The ConnectNet Incentive Trust (The CI Trust)

20.1 Introduction

20.1.1 Huge Group Limited (**Huge Group**) is in possession of two opinions relating to the International Financial Reporting Standards (**IFRS**) treatment of The CI Trust. The first opinion, dated 25 June 2018, was provided by Kimberly McNamara trading as KM Professional Consulting (the **McNamara Opinion**), a JSE accredited IFRS Advisor. The second opinion, which Moore Stephens MWM Incorporated (**Moore Stephens**) has provided to us, was provided to Moore Stephens by W Consulting (the **W Consulting Opinion**), who are also JSE accredited IFRS Advisors.

20.1.2 In summary, the McNamara Opinion states that The CI Trust (the **Trust**) is an entity controlled by Huge Group in terms of IFRS 10 Consolidated Financial Statements (**IFRS10**), whereas the W Consulting Opinion states that the Trust is not an entity controlled by Huge Group in terms of IFRS10.

20.1.3 The McNamara Opinion remains unaltered in terms of its assessment of the Trust and the implications of IFRS10.

20.1.4 Huge Group relied on the McNamara Opinion in preparing its Unaudited Condensed Consolidated Interim Results for the six months ended 31 August 2018 (the **Interim Results**). As such, the Trust was consolidated by Huge Group as an entity controlled by Huge Group in terms of IFRS10.

20.1.5 We have considered the W Consulting Opinion and we are not convinced that the W Consulting Opinion trumps the McNamara Opinion. For this reason, we see no reason why Huge Group should deconsolidate The CI Trust, which would see the removal of the donation income relating to the Trust, which is the item of most concern to Moore Stephens. We also believe that there is no basis on which Moore Stephens can qualify the consolidated financial statements of Huge Group for the year ended 28 February 2019 (the **2019 AFS**).

20.1.6 Our arguments are set out below.

20.2 The factual matrix

20.2.1 On or about 17 November 2016, Huge Group, CNET Empowerment Proprietary Limited, Datawireless Proprietary Limited, DM Holdco Proprietary Limited, Stephanus Marius Oberholzer, Unwire Communications Proprietary Limited (the **Relevant Shareholders**) and ConnectNet Broadband Wireless Proprietary Limited (**ConnectNet**) concluded a Subscription and Repurchase Agreement (the **SRA**). The SRA contemplated a subscription by Huge Group for new shares in ConnectNet (the **Subscription**). The Subscription consideration of R418 million would be settled in Huge Group ordinary shares (amounting to R151.25 million) and in cash (amounting to R266.75 million). In making the Subscription, ConnectNet 's net asset value would increase from a negative R99.8 million to a positive R318.2 million. Following the Subscription, ConnectNet would repurchase existing shares in ConnectNet held by the Relevant Shareholders (the **Repurchase**). The Repurchase consideration of R275 million (the **Repurchase Consideration**) would be settled in Huge Group ordinary shares (amounting to R151.25 million) and in cash (amounting to R123.75 million). The net asset value of ConnectNet after the Repurchase would decrease to R218.4 million. In October 2015, ConnectNet undertook a repurchase of shares and it did so by raising debt from Futuregrowth Asset Management Proprietary Limited and then using this debt to repurchase certain shares. This repurchase created the negative net asset value referred to aforesaid.

20.2.2 On or about 17 March 2017, the Relevant Shareholders and ConnectNet concluded an Incentive Agreement (the **Incentive Agreement**). In the introduction to the Incentive Agreement, the parties made reference to the SRA and the fact that the Repurchase Consideration was subject to upward adjustment and that the Relevant Shareholders had given Huge Group a profit warranty. The parties acknowledged that it was necessary to provide certain employees, directors and or consultants (**Beneficiaries**) of ConnectNet and its

Directors' report (continued)

20. Basis for consolidation of The ConnectNet Incentive Trust (continued)

wholly owned subsidiary company, Sainet Internet Proprietary Limited (**Sainet**), with incentives in order for ConnectNet and Sainet (the **ConnectNet Group**) to achieve the profit warranty. In the introduction to the Incentive Agreement, the parties agreed to establish an incentive trust in the form of an attached Trust Deed and the Relevant Shareholders agreed to transfer for no consideration (in other words, the Relevant Shareholders agreed to donate) to the trust a portion of the Repurchase Consideration, being cash of R1.2 million (**Donated Cash**) and 1 466 667 Huge Group shares (the **Donation Shares**). In terms of clause 2.5 of the Incentive Agreement the Relevant Shareholders agreed to donate the Donation Shares "…at the same price at which they are issued to the Company in terms of the SRA, namely R6.00 per share…"

20.2.3 On or about 17 March 2017, ConnectNet and Stephanus Marius Oberholzer, Keven Brian Sinclair, Andre Lessing, Elsabe van Heerden (the **Trustees**) and the Relevant Shareholders signed the Trust Deed of The CI Trust. ConnectNet made the first donation to the Trust of R100 (the **Initial Donation**).

20.2.4 The main purposes (the **Main Purposes**) of the Trust are:

20.2.4.1 to acquire the Donation Shares and the Donated Cash;

20.2.4.2 to enable the Share Beneficiaries (as listed in Annexure C of the Trust Deed) to acquire vested rights in the Donation Shares and to benefit from the income and capital gains in respect of the Donation Shares;

20.2.4.3 to enable the Cash Beneficiaries to acquire a discretionary spes in the Donated Cash and any income in respect of the Donated Cash.

20.3 The income and capital beneficiaries of the Trust are:

20.3.1 the Share Beneficiaries;

20.3.2 the Cash Beneficiaries;

20.3.3 ConnectNet, who is the residual capital and income beneficiary.

20.3.3.1 In terms of the Trust Deed, the Trustees were required to offer the Share Beneficiaries the option of acquiring a vested right to the share total specified next to their name in Annexure C. On the date of signature of an acceptance notice, each Share Beneficiary's share total in Annexure C vested. In terms of clause 8 of the Trust Deed, the following vesting condition, among others, applied:

20.3.4 the Share Beneficiary must be employed by…the ConnectNet Group…on each allocation date, being as soon as practicable after 28 February 2017 (**FY2017**), 28 February 2018 (**FY2018**), 28 February 2019 (**FY2019**) and 28 February 2020 (**FY2020**).

20.3.5 In terms of Annexure C of the Trust Deed the following Donation Shares were allocated to FY2017, FY2018, FY2019 and FY2020:

20.3.6 FY2017 – 112 249 to ConnectNet and 17 167 to Sainet, being 129 145 Donation Shares in total;

20.3.7 FY2018 – 224 497 to ConnectNet and 34 333 to Sainet, being 258 831 Donation Shares in total;

20.3.8 FY2019 – 336 746 to ConnectNet and 51 500 to Sainet, being 388 245 Donation Shares in total;

20.3.9 FY2020 – 448 995 to ConnectNet and 68 667 to Sainet, being 517 661 Donation Shares in total.

20.3.10 The Trustees are also directors of ConnectNet and Sainet.

20.3.11 In terms of the Trust Deed, the Trustees must, in the performance of their duties and exercise of their power, act with the care, diligence and skill which can reasonably be expected of a person who manages the affairs

20. Basis for consolidation of The ConnectNet Incentive Trust (continued)

of another. In terms of the Trust Deed, the powers of the Trustees (the **Powers**) may only be exercised for the advancement of the Main Purposes of the Trust. In other words, the Powers of the Trustees were limited to the powers of an agent because the Trustees were only authorised to act as agents (**Agents**) in an agency capacity (**Agency Capacity**).

20.3.12 The Trust Deed was registered in the applicable master's office in March 2017.

20.3.13 The business combination contemplated in the SRA was implemented on 30 March 2017.

20.3.14 The Share Beneficiaries signed their acceptance notices on various dates between 1 April 2017 and 30 June 2017

20.3.15 In 2017, ConnectNet changed its name to Huge Connect and Sainet changed its name to Huge Networks.

20.3.16 On or about 15 June 2017, 129 415 Donation Shares were allocated to the Share Beneficiaries in terms of the FY2017 tranche in Annexure C of the Trust Deed and the vesting conditions in respect of 100% of these Donation Shares were met. In other words, 100% of the 129 415 Donation Shares vested in the Share Beneficiaries.

20.3.17 On or about 14 August 2018, 244 395 Donation Shares were allocated to the Share Beneficiaries in terms of the FY2018 tranche of 258 831 Donation Shares in Annexure C of the Trust Deed. Of the 244 395 allocated Donation Shares, 113 169 Donation Shares were forfeited by the Share Beneficiaries who elected to accept cash as the *quid pro quo* for forfeiting their Donation Shares. As such, only 131 226 of the 258 831 Donation Shares in Annexure C (51%) actually vested in the Share Beneficiaries. In order for the Trustees to offer the Share Beneficiaries a cash alternative, the Trust needed to raise funds which it did from a loan of R1 075 075 advanced to it by Huge Group on or about 20 August 2018 (**Huge Group Loan**).

20.4 The IFRS treatment of the Trust for FY2018

20.4.1 Huge Group considered the impact of the Trust on its consolidated financial statements for FY2018 and took into account the following:

20.4.1.1 The Relevant Shareholders established The CI Trust independently of Huge Group and Huge Group was not a party to the establishment of Trust.

20.4.1.2 The Main Purposes of the Trust.

20.4.1.3 The Powers of the Trustees as Agents.

20.4.1.4 The Agency Capacity of the Trustees.

20.4.2 For FY2018, Huge Group considered IFRS10 and arrived at the conclusion that Huge Connect, Huge Group and the Trustees acted in no more than an Agency Capacity with regard to the Trust and as such the Huge Connect did not meet the definition of investor or sponsor in terms of IFRS10.

20.4.3 For FY2018, Huge Group considered the impact of IFRS 2 Share-based Payment (**IFRS2**) on its financial statements and while it determined that share-based expenses existed under IFRS2, it did not account for these expenses on the basis of materiality. Its decision to do so was informed by the fact that, at a commercial level, the establishment of the Trust had nothing to do with Huge Group.

20.5 The IFRS treatment of the Trust for FY2019

20.5.1 In terms of IFRS10, Huge Group is required to reconsider its position in relation to the Trust continually in terms of IFRS10.

20.5.2 In terms of the McNamara Opinion, Kimberly McNamara agreed to assess the following:

20.5.2.1 whether the Trust should be consolidated by Huge Group;

20.5.2.2 whether the transactions relating to the Trust included share-based payment transactions;

Directors' report (continued)

20. Basis for consolidation of The ConnectNet Incentive Trust (continued)

20.5.2.3 whether the share-based payment transactions, if any, where equity- or cash-settled; and

20.5.2.4 the basic principles of recognition and measurements of any share-based payment transactions.

20.5.3 In terms of the McNamara Opinion, The CI Trust was considered to be an entity controlled by Huge Connect and Huge Group in terms of IFRS10 because, amongst other things, the Trustees were directors of ConnectNet, giving ConnectNet Powers over the Trust.

20.5.4 In terms of the McNamara Opinion, the Donated Cash and the Donation Shares are income in the separate financial statements of the Trust, which income would fall to be consolidated in the consolidated financial statements of Huge Group.

20.5.5 The McNamara Opinion was delivered to Moore Stephens MWM Incorporated (**Moore Stephens**) in December 2018 and Moore Stephens was requested to consider the McNamara Opinion.

20.5.6 On 3 June 2019, Huge Group published its Reviewed Provisional Condensed Consolidated Annual Financial Results for the year ended 28 February 2019 (the **Provisional Results**), which incorporated a qualified review conclusion from Moore Stephens.

20.5.7 On 3 June 2019, Huge Group was informed that a component of the McNamara Opinion could no longer be relied upon. This did not relate to the IFRS10 assessment in the McNamara Opinion which had stated that The CI Trust is an entity controlled by Huge Group.

20.5.8 On 7 June 2019, Moore Stephens wrote to the Chief Financial Officer of Huge Group indicating that the reason why Moore Stephens had to issue a qualified review conclusion on the Provisional Results was because a component of the McNamara Opinion could not be relied upon. As mentioned above, this did not relate to the IFRS10 assessment in the McNamara Opinion which had stated that The CI Trust is an entity controlled by Huge Group.

20.6 The accounting treatment of the Donated Cash and the Donation Shares in the 2019 AFS

20.6.1 The Donated Cash and the Donation Shares are treated as income in the separate financial statements of the Trust (the **Trust Separates**), which have been prepared for the first time for the period ended 28 February 2019. There is no debate that the Donated Cash and Donation Shares must be treated as income in the Trust Separates.

20.6.2 In the Trust Separates, the Donated Cash is shown as cash and cash equivalents and the Donation Shares as Investments (in Huge Group Limited ordinary shares).

20.6.3 The Trust Separates are included in the stack up of entities controlled by Huge Group, which are consolidated by Huge Group in the preparation of the 2019 AFS. As such, the net asset value of the Trust is consolidated and the Initial Donation is eliminated.

20.6.4 Huge Group has considered International Accounting Standard (**IAS**) 32 and in particular paragraph 33. Huge Group has not reacquired its own equity instruments and as such an enquiry in terms of paragraph 33 should end after the first sentence in paragraph 33 of IAS 32. However, Huge Group has chosen to deduct the Trust's investment in Huge Group Limited ordinary shares from equity. The Donated Cash and Donation Shares are income resulting from donations and are not a gain or loss on the purchase, sale, issue or cancellation by Huge Group as the consolidated entity of its own equity instruments and as such no further journal entry is required other than a journal entry which moves the Donated Cash from cash and cash equivalents to restricted cash. The Donated Cash is regarded by Huge Group as immaterial.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Huge Group Limited

Qualified Opinion

We have audited the consolidated and separate financial statements of Huge Group Limited (the company and where applicable, the Group) set out on pages 79 to 151, which comprise the statement of financial position as at 28 February 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated and separate financial position of Huge Group Limited as at 28 February 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008.

Basis for the Qualified Opinion

Management have taken the view that the Connectnet Incentive Trust is an entity controlled by the Group. A donation, to the value of R 14 470 932 (being R1 200 000 in cash and R13 270 932 in Huge Group Limited shares), made by the Connectnet Vendors to Connectnet Incentive Trust, an entity deemed to be controlled by management, has been treated as other income in the consolidated statement of profit or loss and other comprehensive income.

Based on our professional judgement, the Connectnet Incentive Trust is not deemed to be an entity controlled by the Group and therefore the Trust should not be consolidated as currently reflected in the consolidated financial statements. Furthermore, based on management's assumption that the Trust is an entity controlled by the Group, the donation income reflected in the consolidated statement of profit or loss and other comprehensive income, in our opinion, is not permitted and should not have been accounted for in the statement of profit or loss and other comprehensive income as other income.

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

INDEPENDENT AUDITOR'S REPORT (continued)

Key audit matters identified at a Group level

Key audit matter	Audit response
Assessment of goodwill impairment and the related impairment of the investment in subsidiaries (refer to note 5)	
As required by the applicable accounting standards, management must conduct annual impairment tests on goodwill to assess the recoverability based on the discounted cash flow model of the cash generating units. As disclosed in note 5, there are several key sensitive judgements made in determining the inputs into these models which include: • Revenue projections • The discount rate • Fixed and variable cost allocations Accordingly, the impairment test of goodwill is a key audit matter. There was no impairment of the goodwill relating to any of the investments in subsidiary companies. Refer to note 5 for detail of the key assumptions with respect to the goodwill impairment assessments	We focussed our testing with regards to the impairment of goodwill on the key assumptions made by management and the expert. Our audit procedures included, amongst others: • Confirmed the independence of the expert. • Critically evaluating whether the model used by the expert in calculating the value in use of the cash generating units complied with IAS 36 Impairment of Assets. • Validated the assumptions used to calculate the discount rates and long-term growth rates. • Analysed the future projected cash flows, with respect to the capital expenditure, EBITDA and working capital, used in the valuation model, to determine whether they are reasonable and supportable given the current economic climate and expected future performance of the cash generating unit. • Performing sensitivity analysis on the key assumptions. • Comparing the projected cash flows, including the assumptions relating to revenue growth rates, operating margins and commodity prices against historical performance in order to test the accuracy of management's projections • Assessed the related disclosures requirements relating to the calculation around the impairment of goodwill in terms of the IFRS.
Assessment of the capitalisation of assets, the assessment of the useful lives and residual values for property, plant and equipment and intangible assets (refer to note 4)	
Property, plant and equipment and intangible assets represents a significant proportion of the Group's asset base. Property, plant and equipment and intangible assets are subject to estimates and assumptions made the determine the carrying amounts, including whether and when to capitalise or expense certain costs, and the useful life of the assets in order to calculate the depreciation and amortisation respectively. These amounts are material to the Group and therefore a key audit matter. Refer to note 4 as well as the accounting policies on page 102 which detail the accounting policies in terms of property plant and equipment and intangible assets	Our audit procedures included, amongst others: • We assessed the capitalisation policies which were formulated by management based on expert opinions. • Confirmed independence of the experts. • Through substantive procedures we assessed the capitalisation policy of the Group against IAS 16. • Obtained an understanding of the assessed useful life of the assets and considered management's judgements and estimates, including the appropriateness of existing and revised asset lives and residual values applied by measuring these against the actual periods in use and industry trends for similar assets.

Revenue recognition – first time application of IFRS 15, accuracy of revenue recognition and disclosure of the first-time application of IFRS 15 as well as the assessment of the related information technology systems and integration (refer to note 26)

The application of IFRS 15 is complex in the telecommunications industry and is subject to several judgements and estimates.

The accuracy of revenue recognition is inherently subject to a higher risk of error as a result of the complexity of the billing systems and accounting for contractual arrangements with multiple contractual obligations with customers.

The accuracy, completeness and validity of the revenue recorded is reliant on internally developed software and the integration of this software with the accounting software.

Due to the significant nature of the revenue, reliance on the billing system is deemed to be a key audit matter.

Refer to page 88 for the accounting policy adopted by the Group with respect to revenue recognition as well as note 26 with respect to the revenue of the Group.

We assessed the Group's process for estimating the impact of IFRS 15 as follows:

Our audit procedures included, amongst others:

- Assessed the independence of management's expert.
- Assessed the report provided to management by the external expert against the company's accounting policy and revenue recognition criteria.
- Assessed the appropriateness and accuracy of management's assumptions and judgements in preparing the accounting policy for revenue recognition in terms of IFRS 15.
- Considered whether the processes and calculations established by management and the estimates and assumptions made in respect of the disclosure for the first-time adoption of IFRS 15 are sufficiently documented.

Assessed the integration of the billing system into the accounting software as follows:

- Performed an IT audit on the general and application controls relating to the billing system.
- Assessed the revenue reports through a reconciliation of the revenue as per the billing system to the revenue accounted for in the accounting system.
- Assessed the completeness of the call data records within the billing system through IT audit procedures.
- Compared the contract revenue from the billing system to the customer contracts and cash receipts.
- Assessed the costs incurred which were incremental to obtain the revenue contracts and assessed the capitalisation of these costs in terms of IFRS 15

INDEPENDENT AUDITOR'S REPORT (continued)

The requirement to consolidate the Connectnet Incentive Trust in terms of IFRS 10 and related accounting treatment of the Trust donations received.

In the previous financial year, vendors of Connectnet Broadband Wireless Proprietary Limited established the Connectnet Incentive Trust (the Trust) and made donations of Huge Group Limited ordinary shares and cash. The donations made by the Connectnet Vendors were treated as income in the Trust. Management's judgement initially resulted in the Trust being consolidated in terms of IFRS 10, which resulted in other income of R14 million being accounted for.

The consolidation of the Trust was assessed as a significant transaction and was therefore deemed as a key audit matter.

Refer to pages 86 and 87 for the accounting policy adopted by the Group with respect to business combinations and share based payments as well as note 21 with respect to the share-based payments

Our audit procedures included, amongst others:

We assessed the accounting treatment of the Trust through the assistance of a JSE accredited IFRS specialist follows:

- Considered whether this arrangement falls within the scope of IFRS 2 (Share-based payment);
- Considered whether the Trust is an entity controlled by Huge Group and if applicable when control was obtained;
- Considered the accounting treatment and disclosure of the Huge Group Limited shares held by the Trust in financial statements of the Huge Group Limited;
- Considered the accounting treatment of the cash and shares donated by the previous Shareholders of Connectnet (current Shareholders of Huge Group) to the Trust

The following conclusions were reached on the above matter:

- It was concluded the arrangement does fall within the scope of IFRS 2 and that there was a requirement to account for a share-based payment.
- It was concluded that the Trust is not an entity controlled by Huge Group Limited and therefore there was no requirement to consolidate the Trust.
- If the trust were to be assessed as being an entity controlled by the Group, consideration was given as to the understanding that shares are held in trust for the benefit of the identified employees and it is questionable whether such shares indeed meet the definition of an asset. In the event it is determined the Trust is holding the shares as principal and not as an agent, a financial asset should be recognised, the Trust then should recognise a financial liability representing its obligation to deliver the shares to the designated beneficiaries.
- The cash portion of the donation is permitted to be accounted for as other income in Trust, however on consolidation of the Trust the cash, the cash is seen to be funds received from shareholders and should be accounted for in equity.

Key audit matters identified at a Group level

Key audit matter	Audit response
Purchase price allocation on the acquisition of the business combination of Otel Communications and Otel Business	
During the year, Huge Networks Proprietary Limited, a subsidiary of Huge Group Limited, completed the acquisition of the business of Otel Communications and Otel Business. This transaction gave rise to the need to perform a purchase price allocation. There is a significant amount of management judgement and estimation in calculating the purchase price allocation of these transactions as a result of the fair value measurement of the assets and liabilities. Due to the significance of this, this is conserved a key audit matter. Refer to page 86 for the accounting policy adopted by the Group with respect to business combinations as well as notes 105 and 106 with respect to the business combination as well as the goodwill of the Group	Our audit procedures included, amongst others: • Considered the independence and qualifications of the expert; • Tested the methodology and assumptions used by the expert in arriving at the fair value of the assets and liabilities; • Reviewed the source documentation used by the expert in order to verify the validity of the fair value estimations as calculated by the expert; • Recalculated the purchase price allocation and goodwill allocation on the transactions; • Assessed the disclosure requirements of the acquisition in terms of the IFRS. We focussed our testing on the fair value evaluation of the assets and liabilities, the calculation of the purchase price allocation and the key assumptions made by managements independent expert.

Other information

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

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

Auditor's Responsibilities for the Audit of Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in

INDEPENDENT AUDITOR'S REPORT (continued)

accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

Moore Stephens MWM Inc

Moore Stephens MWM Inc
Registered Auditors

Per: A Schalekamp
Partner

28 June 2019

AUDIT COMMITTEE REPORT

REPORT TO THE SHAREHOLDERS ON THE ACTIVITIES OF THE AUDIT COMMITTEE FOR THE YEAR-ENDED 28 FEBRUARY 2019

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

Statutory duties

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

- determined the fees and terms of engagement of, and recommended the appointment of Moore Stephens for appointed as its independent auditor;
- nominated A Schalekamp from the Moore Stephens for appointment as the designated audit partner;
- believes that both Moore Stephens and Mrs Schalekamp are independent of the Company and meet the requirements of the Companies Act, the Listings Requirements and King IV; and
- is satisfied that the independent auditor does not perform any non-audit services for the Company, but any proposed agreements of this nature would be pre-approved by the Committee.

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

Delegated duties

- **Financial statements**

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

- **Integrated reporting**

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

- **Internal audit**

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

- **Risk management**

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

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

- **External audit**

  The Audit Committee considered the appointment of Moore Stephens as the independent auditor of record for the Group and recommended their appointment to the Board for approval. The appointment of Moore Stephens took effect from 18 March 2019.

  The audit services of BDO, the Group's prior independent auditor of record, were terminated with effect from 15 March 2019. BDO were first appointed in 2012 and had conducted seven audits for the Group. Given considerations of mandatory audit rotation, the Audit Committee was of the view that the change of independent auditors was appropriate.

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

  The Audit Committee has also determined the fees and terms of engagement of the independent auditor and is satisfied that it has complied with the Companies Act and other relevant legislation.

- **Chief Financial Officer**

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

AUDIT COMMITTEE REPORT (continued)

- **Financial function**

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

- **Oversight of risk management**

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

- **Internal financial controls**

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

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

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

  The key audit matters from the year-end audit report on pages 72 to 75 of the independent auditor's report.

- **Combined assurance**

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

  In this regard, the Company regards the following:

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

- **IT Governance**

  The Audit Committee is responsible for ensuring that an IT framework is in place and that an IT Charter and policies are established and implemented. The Audit Committee is also responsible for ensuring that an IT internal control framework is adopted and implemented and that the Board receives independent assurance on the effectiveness thereof. These are tasks that the Audit Committee will focus on during 2019 and report on developments going forward.

- **Regulatory compliance**

  The Audit Committee has complied with all its applicable legal and regulatory responsibilities.

  The Audit Committee has reviewed the AFS, prior to approval, both with management and in a separate forum with the independent auditors. The Audit Committee is satisfied with the appropriateness of the accounting policies and considers the AFS to be a fair presentation of the financial performance, financial position and cash flows of the Company and the Group for the year ended 28 February 2019.

Dennis Gammie
Chairman of the Audit Committee
28 June 2019

STATEMENT OF FINANCIAL POSITION

as at 28 February 2019

Figures in Rand	Note(s)	Group 2019	Group 2018	Company 2019	Company 2018
Assets					
Non-current assets					
Property, plant and equipment	4	226 682 402	178 668 998	104 599	–
Goodwill	5	609 821 088	593 443 252	–	–
Intangible assets	6	13 431 319	8 679 681	–	–
Investments in subsidiary companies	7	–	–	537 629 127	535 093 477
Investment in joint venture company	8	597 022	615 832	–	–
Investment in associate companies	9	9 800	–	4 900	–
Loans to associate companies	10	62 400 648	–	–	–
Loans receivable	11	8 453 809	7 495 923	–	–
Contract assets	12	14 912 254	–	–	–
Investments at fair value	13	45 005 610	–	45 005 610	–
Deferred tax	14	16 452 808	12 805 450	3 447 941	2 288 747
Finance lease receivables	15	1 777 008	–	–	–
		999 543 768	**801 709 136**	**586 192 177**	**537 382 224**
Current assets					
Inventories	16	2 509 634	1 219 193	–	–
Loans to associate companies	10	4 207 507	–	1 207 507	80 702 548
Loans to Group companies	10	–	–	124 461 925	
Loans to shareholders	17	13 034	–	13 034	–
Loans receivable	11	10 200	–	5 100	–
Trade and other receivables	18	65 093 452	103 284 136	22 447 625	7 012 144
Finance lease receivables	15	608 060	–	–	–
Current tax receivable		1 891 440	14 637	–	–
Cash and cash equivalents	19	23 958 493	30 265 495	2 296 665	12 149 506
		98 291 820	**134 783 461**	**150 431 856**	**99 864 198**
Total assets		**1 097 835 588**	**936 492 597**	**736 624 033**	**637 246 422**

STATEMENT OF FINANCIAL POSITION (continued)

as at 28 February 2019

Figures in Rand	Note(s)	Group 2019	Group 2018	Company 2019	Company 2018
Equity and Liabilities					
Equity					
Equity attributable to holders of parent					
Share capital	20	605 893 381	618 772 080	619 631 110	620 135 111
Share-based payment reserve	21	7 037 595	–	–	–
Change in control reserve	36	(4 760 650)	–	–	–
Accumulated profit (loss)		223 474 460	128 773 534	(41 113 762)	(71 597 978)
		831 644 786	747 545 614	578 517 348	548 537 133
Non-controlling interest	22	5 666 888	(3 015 552)	–	–
		837 311 674	**744 530 062**	**578 517 348**	**548 537 133**
Liabilities					
Non-current liabilities					
Interest-bearing liabilities	23	96 535 713	82 500 000	94 434 486	52 500 000
Finance lease liabilities	24	4 455 210	2 155 141	–	–
Deferred tax	14	37 539 046	30 670 276	–	–
		138 529 969	**115 325 417**	**94 434 486**	**52 500 000**
Current liabilities					
Loans from Group companies	10	–	–	13 693 203	11 215 318
Deferred income		586 904	–	–	–
Interest-bearing liabilities	23	73 988 757	22 199 080	43 387 162	20 792 337
Current tax payable		2 267 377	9 682 633	–	–
Finance lease liabilities	24	3 175 177	1 917 658	–	–
Trade and other payables	25	39 224 802	41 506 875	6 588 750	4 201 633
Bank overdraft	19	2 750 928	1 330 872	3 084	–
		121 993 945	**76 637 118**	**63 672 199**	**36 209 288**
Total liabilities		**260 523 914**	**191 962 535**	**158 106 685**	**88 709 288**
Total equity and liabilities		**1 097 835 588**	**936 492 597**	**736 624 033**	**637 246 422**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 28 February 2019

Figures in Rand	Note(s)	Group 2019	Group 2018	Company 2019	Company 2018
Revenue	26	432 661 778	401 381 596	–	–
Cost of sales	27	(196 834 530)	(176 843 620)	–	–
Gross profit		**235 827 248**	**224 537 976**	–	**–**
Other income	28	17 446 755	2 579 656	34 705 473	22 154 609
Selling and administration expenses		(50 777 714)	(45 886 867)	(26 181 089)	(19 593 668)
Employee costs		(78 264 377)	(70 720 177)	–	–
Movement in credit loss allowance		(2 196 633)	2 464 614	–	
Operating profit	29	**122 035 280**	**112 975 202**	**8 524 384**	**2 560 941**
Investment income	30	3 504 648	4 332 280	31 310 440	17 809 044
Loss from joint venture company	8	(18 811)	(72 055)	–	–
Gain/(loss) on sale of investment		1 530 392	–	(35 394 991)	–
Impairment of property, plant and equipment		–	(2 794 606)	–	–
Reversal of impairment on Investment in subsidiary company		–	–	36 633 120	–
Reversal of impairment on other financial assets		508 792	4 520 448	–	–
Finance costs	31	(15 338 833)	(11 036 477)	(11 747 930)	(9 457 190)
Profit before taxation		**112 221 468**	**107 924 792**	**29 325 023**	**10 912 795**
Taxation	32	(21 715 702)	(30 860 712)	1 159 194	1 177 403
Profit for the year		**90 505 766**	**77 064 080**	**30 484 217**	**12 090 198**
Other comprehensive income		–	–	–	–
Total comprehensive income for the year		**90 505 766**	**77 064 080**	**30 484 217**	**12 090 198**
Total comprehensive income attributable to:					
Owners of the parent		93 592 769	76 840 867	30 484 217	12 090 198
Non-controlling interest	22	(3 087 003)	223 213	–	–
		90 505 766	**77 064 080**	**30 484 217**	**12 090 198**
Earnings per share					
Per share information					
Basic earnings per share	33	56.8	47.4	–	–
Diluted earnings per share	33	56.6	47.4	–	–

STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2019

Figures in Rand	Share capital	Share premium	Total share capital	Share-based payment reserve	Change in control reserve	Accumulated profit/(loss)	Equity attributable to holders of the parent	Non-controlling interest	Total equity
Group									
Balance at 1 March 2017	**11 590**	**319 409 301**	**319 420 891**	**–**	**–**	**51 932 667**	**371 353 558**	**(3 001 048)**	**368 352 510**
Profit for the year	–	–	–	–	–	76 840 867	76 840 867	223 213	77 064 081
Issue of shares	5 006	299 346 183	299 351 189	–	–	–	299 351 189	–	299 351 189
Business Combinations	–	–	–	–	–	–	–	(237 717)	(237 717)
Balance at 1 March 2018	**16 596**	**618 755 484**	**618 772 080**	**–**	**–**	**128 773 534**	**747 545 614**	**(3 015 552)**	**744 530 062**
Profit for the year	–	–	–	–	–	93 592 769	93 592 769	(3 087 003)	90 505 766
Issue of shares[1]	2	(504 003)	(504 001)	–	–	–	(504 001)	–	(504 001)
Elimination of treasury shares	(121)	(12 374 577)	(12 374 698)	–	–	–	(12 374 698)	–	(12 374 698)
Share-based payments raised	–	–	–	7 037 595	–	–	7 037 595	–	7 037 595
Common control transaction	–	–	–	–	(4 760 650)	–	(4 760 650)	–	(4 760 650)
Derecognition of non-controlling interest	–	–	–	–	–	(133 261)	(133 261)	133 261	–
Business Combinations	–	–	–	–	–	1 241 419	1 241 419	11 636 182	12 877 601
Balance at 28 February 2019	**16 477**	**605 876 904**	**605 893 381**	**7 037 595**	**(4 760 650)**	**223 474 461**	**831 644 787**	**5 666 888**	**837 311 674**
Note(s)	20	20	20	21	36			22	

Figures in Rand	Share capital	Share premium	Total share capital	Accumulated profit/(loss)	Total equity
Company					
Balance at 1 March 2017	**12 555**	**320 771 367**	**320 783 922**	**(83 688 177)**	**237 095 745**
Loss for the year	–	–	–	12 090 198	12 090 198
Other comprehensive income	–	–	–	–	–
Issue of shares	5 006	299 346 183	299 351 189	–	299 351 189
Balance at 1 March 2018	**17 561**	**620 117 550**	**620 135 111**	**(71 597 979)**	**548 537 132**
Profit for the year	–	–	–	30 484 217	30 484 217
Other comprehensive income	–	–	–	–	–
Issue of shares[1]	2	(504 003)	(504 001)	–	(504 001)
Balance at 28 February 2019	**17 563**	**619 613 547**	**619 631 110**	**(41 113 762)**	**578 517 348**
Note(s)	20	20	20		

[1] *Issue of shares is the net balance of the share issue and capital raising expenses as per note 20.*

STATEMENT OF CASH FLOWS

for the year ended 28 February 2019

Figures in Rand	Note(s)	Group 2019	Group 2018	Company 2019	Company 2018
Cash flows from operating activities					
Cash generated from/(used in) operations	34	111 009 652	88 872 058	(5 113 484)	(3 079 508)
Interest income	30	3 504 648	4 332 280	3 310 440	809 044
Dividends received	30	–	–	28 000 000	17 000 000
Finance costs	31	(15 338 833)	(11 036 477)	(11 747 930)	(9 457 190)
Finance costs in instalment sales	31	864 081	960 586	–	
Tax (paid)/received	35	(25 864 633)	(16 566 483)	–	–
Net cash from/(used in) operating activities		**74 174 915**	**66 561 964**	**14 449 026**	**5 272 346**
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(110 945 740)	(96 709 032)	(120 239)	–
Proceeds from disposal of property, plant and equipment		36 574 827	1 995 281	–	–
Purchase of intangible assets	6	(4 114 636)	(5 132 033)	–	–
Business combinations	36	(4 218 348)	(109 329 809)	1 390 516	–
Change in degree of control	36	(4 760 650)	–	–	
Purchase of investments in subsidiaries		–	–	(2 535 650)	(270 499 998)
Purchase of investments in associates		(4 751)		(4 900)	–
Purchase of financial assets		–	(1 283 849)		–
Loans to Group companies repaid		10 000	–	(44 514 134)	–
Purchase of investments at fair value	13	(45 005 610)	–	(45 005 610)	–
Advances of loans receivable at amortised cost		(968 086)	–	(5 100)	–
Loans to shareholders advanced		(13 034)	–	(13 034)	–
Net cash used in investing activities		**(133 446 028)**	**(210 459 442)**	**(90 808 151)**	**(270 499 998)**

STATEMENT OF CASH FLOWS (continued)

for the year ended 28 February 2019

Figures in Rand	Note(s)	Group 2019	Group 2018	Company 2019	Company 2018
Cash flows from financing activities					
Proceeds from share issue		–	148 101 189	(504 001)	148 101 189
Donation of treasury shares	20	(12 374 698)	–	–	
Capital raising expenses		(729 000)	–	–	
Proceeds from interest-bearing liabilities		144 690 460	–	64 529 311	73 292 337
Repayment of interest-bearing liabilities		(80 066 297)	(37 249 138)	–	–
Repayment of Group loans on business combination		–	(120 205)	–	721 124
Repayment of shareholders' loan		–	(49 966)	–	–
Instalment sale payments		(2 620 142)	(1 165 824)	–	–
Funds received for vehicle finance		3 681 600	1 780 874	–	–
Finance costs in instalment sales		(864 081)	–	–	
Business combinations	36	(173 787)	–	–	
Proceeds/(repayment) of loans from Group companies		–	–	2 477 885	(14 734 132)
Net cash from/(used in) financing activities		**51 544 055**	**111 296 930**	**66 503 195**	**207 380 518**
Total cash movement for the year		**(7 727 058)**	**(32 600 548)**	**(9 855 930)**	**(57 847 134)**
Cash at the beginning of the year		28 934 623	61 535 171	12 149 506	69 996 640
Total cash at end of the year	19	**21 207 565**	**28 934 623**	**2 293 576**	**12 149 506**

Accounting policies

1. Presentation of Consolidated and Separate Annual Financial Statements

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

These accounting policies are consistent with the previous period with the exception of IFRS 15 Revenue from Contracts with Customers which was adopted in the current financial period commencing 1 March 2018.

Basis of preparation

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

1.1. Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. Each operating segment's results are reviewed regularly by the Executive Committee, under the authority delegated by the board of directors (which is the Chief Operating Decision-Maker or **CODM)** to make decisions about resources to be allocated to each segment and to assess each segment's performance, and for which discrete financial information is available.

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

1.2. Consolidation

Basis of consolidation

The Company has control of an investee when it has power over the investee; it is exposed to or has rights to variable returns from involvement with the investee; and it has the ability to use its power over the investee to affect the amount of its returns.

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

Subsidiary companies

Subsidiary companies are entities controlled by the Company. The AFS of the subsidiary companies are included in the Consolidated and Separate Annual Financial Statements from the date control is acquired until the date that control ceases.

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

Joint arrangements

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

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

Accounting policies (continued)

Associate companies

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

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

Details of consolidations

A listing of the Company's principal subsidiary companies, joint venture company and associate companies are set out in notes 7, 8 and 9 of these AFS.

Goodwill

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

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

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

Business combinations

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

Any contingent consideration is included in the cost of the business combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments. Otherwise, all subsequent changes to the fair value of contingent consideration that is deemed to be an asset or liability is recognised in either profit or loss or in other comprehensive income, in accordance with relevant IFRS's. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

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

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

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

1. Presentation of Consolidated and Separate Annual Financial Statements (continued)

1.2. Consolidation (continued)

Business combinations continued

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

1.3. Significant judgements and sources of estimation uncertainty

In preparing the AFS, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those applied in the prior financial year, with the exception of the judgements and estimated related to the adoption of IFRS 15 Revenue from Contracts with Customers.

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

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

Significant judgements

Power to exercise significant influence

Investments held with less than 50% of the voting power are considered subsidiary companies provided that the definition of control in IFRS 10 has been satisfied. In the 2018 financial year the Group held less than 50% of the voting power in Huge Mobile, the investment was considered a subsidiary company as the definition of control in IFRS 10 had been satisfied due to common directorship. During the 2019 financial year Huge Mobile became a wholly owned subsidiary of Huge Group. Further information is disclosed in accounting policy 1.2 and note 7 of the AFS.

Estimates and assumptions

Trade receivables and loans and receivables

The Group assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. Loss allowances for trade and other receivables are always measured at an amount equal to lifetime expected credit losses. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and information credit assessment and including forward looking information. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

Taxation

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

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of

Accounting policies (continued)

future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period may be impacted.

Determination of impairment of goodwill

The Group determines annually whether goodwill has been subject to impairment. This requires an estimation of the value in use of the CGUs to which goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Goodwill impairments cannot be reversed. Based on the calculations performed, there are no indications that an impairment of goodwill is required at year-end. Refer to note 5.

Determination of impairment of intangible assets

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

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

1.4. Significant accounting policies

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

The Group adopted IFRS 15 Revenue from Contracts with Customers in the current year. IFRS 9 Financial Instruments was early adopted in the prior year.

Due to the transition methods chosen by the Group in applying the standard, comparative information throughout these financial statements have not been restated to reflect the requirements of the new standards. Additionally disclosure requirements for IFRS 15 have not generally been applied for comparative information.

Adoption of IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The standard replaces revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The core principal of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard requires the entities in Huge Group to apportion revenues earned from contracts to the identified performance obligations in the contracts on a relative stand-alone selling price basis, based on a five-step model.

The standard also requires the capitalisation of costs incremental to obtaining the contract and recognition of these costs as an expense over the contract term. Huge has applied the practical expedient to only defer costs related to contracts with terms over 12 months.

The Group is in the business of supplying fixed voice and data services to SME customers. The Group also sells fixed line customer premises equipment and services for both voice and data needs as well as software license offerings. The equipment

1 Presentation of Consolidated and Separate Annual Financial Statements (continued)

1.4. Significant accounting policies (continued)

and services are sold both on their own in separate identified contracts with customers and together as bundled package of goods and/or services. Separate performance obligations are identified to the extent that the goods and services are distinct and the customer can benefit from it, either on its own or together with other goods and services.

The nature and changes in the financial statements were as follows:

Type of item affected	Nature and characteristics of item affected	Nature of change required on implementation of new standard	Impact
Contract costs	The Group incurs commission costs called Renewal DIB's (Renewal Dealer Incentive Bonuses) in relation to contracts entered into with customers. Renewal DIB's are paid based on renewal contracts entered into.	Where the costs incurred relate to the acquisition of a contract, the standard requires the costs to be capitalised and recognised as an expense over the contract terms engaged with the customer.	The adoption of the standard has led to a higher level of costs qualifying for deferral over the contract term. This has led to a reduction of costs recognised on the date that a contract is signed with a customer at the date of initial application as the costs are now initially accounted for as a contract asset and recognised as an expense over the contract term as opposed to being expensed on contract inception.

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

Contract costs:

Contract assets are capitalised and amortised of the contract term. The amortised costs are included as part of cost of contracts with customers or other operating expenses as determined by the costs of contracts with customers policy. The average contract term is 27 months.

Significant financing component:

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

Accounting policies (continued)

1 Presentation of Consolidated and Separate Annual Financial Statements (continued)

1.5. Property, plant and equipment

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. With the adoption of IFRS 15, Renewal Dealer Incentive Bonuses (Renewal DIB's) paid to the Business Partners at the commencement date of revenue contracts renewed between Huge Telecom or Huge Connect and their customers where the duration and benefit of such contracts extends into future reporting periods, are now classified as contract assets and no longer included under this category. refer to note 12.

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

Item	Average useful life
Customer premises equipment	10 years
Furniture and fixtures	6 years
Motor vehicles	4 years
Leasehold improvements	Lease period
Computer equipment	3 years

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

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

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

1.6. Intangible assets Software

This is recognised when:

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

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

Router Development Technology

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

No research costs have been capitalised to Router Development Technology.

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

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

Patents

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

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

1 Presentation of Consolidated and Separate Annual Financial Statements (continued)

1.6. Intangible assets software

(continued)

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

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

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

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

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

Item	Useful life
Patents	20 years from date of first granting of patent
Router Development Technology	10 years
Software, internally generated	10 years
Software, purchased	3 years

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

1.8. Financial Instruments

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

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

Financial assets:

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

Financial liabilities:

- Amortised cost or

Description of asset/liability	Classification
Loans to Group companies	Financial asset at amortised cost
Loans to shareholders	Financial asset at amortised cost
Loans receivable	Financial asset at amortised cost
Investments at fair value	Financial asset mandatorily at fair value
Finance lease receivable	Financial asset at amortised cost
Trade and other receivables	Financial asset at amortised cost
Cash and cash equivalents	Financial asset at amortised cost
Trade and other payables	Financial liability at amortised cost
Interest bearing liabilities	Financial liability at amortised cost
Finance lease liability	Financial liability at amortised cost
Bank overdraft	Financial liability at amortised cost

Financial instruments and risk management presents the financial instruments held by the Group based on their specific classifications, refer to note 40.

Initial recognition and measurement

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

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

Accounting policies (continued)

1 Presentation of Consolidated and Separate Annual Financial Statements (continued)

1.8. Financial instruments continued

Derecognition

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

The Group derecognises a financial liability when its contractual obligations are extinguished, cancelled or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Financial assets

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

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

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

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

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

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

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

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

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

Subsequent measurement and gains and losses:

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

Financial liabilities

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

1 Presentation of Consolidated and Separate Annual Financial Statements (continued)

1.8. Financial instruments continued

Impairment

The Group recognises loss allowances for expected credit losses (**ECL's**) on its financial assets measured at amortised cost.

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

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

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

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

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

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. All income and expenses relating to financial assets that are recognised in profit or loss are presented as part of finance costs, finance income or financial items, with the exception of the impairment of trade receivables which is presented within other expenses.

Measurement of Expected credit losses:

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

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

Credit impaired financial assets:

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Accounting policies (continued)

1 Presentation of Consolidated and Separate Annual Financial Statements (continued)

1.8. Financial instruments continued

Presentation of allowance for ECL in the statement of financial position:

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off policy

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

Credit risk

Details of credit risk are included in the trade and other receivables note 18 and the financial instruments and risk management note 40.

1.9. Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

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

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

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

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

1.10. Finance leases and operating leases

A finance lease liability is a sale that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not be transferred eventually.

An operating lease is a lease other than a finance lease.

Finance lease/liabilities

Finance lease liabilities are recognised in the statement of financial position at amounts equal to the fair value of the purchased asset or, if lower, the present value of the minimum instalment payments.

The discount rate used in calculating the present value of the minimum instalment payments is the interest rate implicit in the sale.

1 Presentation of Consolidated and Separate Annual Financial Statements (continued)

1.10. Finance leases and operating leases continued

The finance lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the finance lease term so as to produce a constant periodic rate on the remaining balance of the liability. Any initial direct costs are added to the amount recognised as an asset.

Contingent rents are recorded as expenses in the periods in which they are incurred.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. This asset or liability is not discounted.

1.11. Inventories

Inventories comprise stock held by Huge Software, Huge Connect, Huge Networks and Huge Telecom and consists of router equipment and merchandise not yet deployed and installed at customers' premises.

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

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

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

1.12. Impairment of assets

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

Irrespective of whether there is any indication of impairment, the Group also annually tests goodwill acquired in a business combination for impairment.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the CGU to which the asset belongs, is determined.

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

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

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

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the investee are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment before aggregation.

CGUs if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the CGU; and
- then, to the other assets of the unit, *pro rata* on the basis of the carrying amount of each asset in the unit.

Accounting policies (continued)

1 Presentation of Consolidated and Separate Annual Financial Statements (continued)

1.12. Impairment of assets continued

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

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

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

1.13. Share capital and equity

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

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

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

Retained earnings include all current and prior period retained profits.

Treasury shares

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

1.14. Employee benefits

Short-term employee benefits

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

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

Defined contribution plans

A defined contribution plan is one under which a company pays a fixed percentage of employees' remuneration as contributions into a separate entity (a fund), and which will entail no further legal or constructive obligations to pay additional contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods. Contributions to defined contribution plans in respect of services rendered during a period are recognised as an employee benefit expense when they are due. The Group does not have any defined benefit plans.

Share-based payment

Equity settled share based payment transactions:

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

1 Presentation of Consolidated and Separate Annual Financial Statements (continued)

1.14. Employee benefits continued

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

Refer to note 21 for share-based payment details.

1.15. Earnings and headline earnings per share

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

The calculation of HEPS is based on the net profit attributable to equity holders of the parent, after excluding all items of a non-trading nature, divided by the weighted average number of shares in issue during the year. The presentation of headline earnings is not an IFRS requirement but is required by the JSE and Circular 4 of 2018. An itemised reconciliation of the adjustments to net profit attributable to equity holders of the parent is provided in note 31.

1.16. Borrowing costs

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

1.17. Other income

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

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

The trust donation is recognised, in profit or loss, at the fair value of the donation received.

Notes to the consolidated and separate Annual Financial Statements

2. New Standards and Interpretations

2.1. Standards and interpretations not yet effective

The Group has assessed all standards and interpretations in issue but not yet effective and has disclosed below those that would have a material impact on the financial statements when adopted. The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 March 2018 or later periods:

IFRS 16 Leases

IFRS 16 is the new leases standard, issued by the IASB in January 2016 for the reporting periods on, or after, 1 January 2019 and will be adopted by the Group 1 March 2019.

- IFRS 16 is a new standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows.
- IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee.
- IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
- IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.
- IFRS 16 supersedes the following Standards and Interpretations:

  (a) IAS 17 Leases;

  (b) IFRIC 4 Determining whether an arrangement contains a lease;

  (c) SIC-15 Operating Leases – Incentives; and

  (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The effective date of the standard is for years beginning on or after 1 January 2019.

The adoption of the new standard will not affect the profit after tax over the duration of a contract as the total lease payments which would have been expensed over the lease term are unaffected. However, due to the impact of higher finance charges on the early years of the lease, the impact on earnings will initially be dilutive, before being accretive in later periods.

The new standard moves the majority of lease payments below EBITDA, as well as a depreciation charge on the right-of-use asset and interest expense on the lease liability as opposed to operating lease expenses. This will result in an increase in EBITDA over the lease term. Application of the standard will also impact key rations linked to EBITDA e.g. Net debt to EBITDA.

Under IAS 17 Leases, the operating lease payments were included in cash flows from operating activities. Following the adoption of IFRS 16 Leases, the lease payments will be included in cash flows from financing activities. This will result in an increase in the inflows from operating activities and an increase in outflows from financing activities owing to a significant reclassification between the line items on the statement of cash flows.

2. New Standards and Interpretations (continued)

2.1. Standards and interpretations not yet effective (continued)

The following key judgements will be applied in the adoption of the new standard:

Lease discount rate	Except where a discount rate implicit in the lease has been stipulated in the lease agreement, the discount rate for a lease will be determined with reference to the incremental borrowing rate for a loan with a similar period as the lease term. The rate will be determined by Huge in an assessment against current Futuregrowth facilities.
Separation of lease components	Where a lease includes various components, which are not service related, management has applied the practical expedient to treat the components as one lease.
Low value assets and short-term leases	The Group has elected to apply the practical expedient to account for all short-term leases (<12 months) as operating expenses. All leases where the underlying asset being used is of low value (< R 10 000) are assessed on a lease-by-lease basis and accounted for as expenses as incurred.
Lease term	It will be assumed that in the event where a lease termination clause exists which is exercisable at the lessee's discretion that the termination option will not be exercised. It has been assumed that where a lease contract is currently ongoing on a monthly basis, that the lease term be limited to the one month enforceable period and therefore that the lease be excluded from the lease population for the calculation of the right-to-use asset and liability on adoption of the standard. Where a contract contains a renewal clause, management has assumed that the lease will be renewed for a period calculation based on past historical renewal behavior, taking into consideration the strategic nature of the asset.

Transition:

The Group is adopting the new standard on 1 March 2019, using the modified retrospective approach. The cumulative effect of adopting IFRS 16 will therefore be recognised as an adjustment to the opening balance of retained earnings as 1 March 2019, with no restatement of comparative information.

The Group will also adopt practical expedient in IFRS 16 to apply the new standard to all contracts being accounted for under IAS 17 and IFRIC 4 at 1 March 2019 and to apply the principals outlined in IFRS 16 for identifying a lease to all new contracts entered into after that date.

Notes to the consolidated and separate annual financial statements (continued)

3. Segmental reporting

The directors have considered IFRS 8 Operating Segments and are of the opinion, based on the information provided to the CODM 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.

Reporting segments

In terms of Huge's segmental reporting, the Telecom Grouping comprises the following companies:

- 100% held Huge Messaging, the holding company of which is Huge (previously, 50.2% of Huge Messaging was held by Huge Telecom)
- 49% held associate Huge Cellular the holding company of which was, prior to 26 February 2019, Huge Telecom (on 26 February 2019, Huge Telecom undertook a B-BBEE transaction in which it disposed of 51% of Huge Cellular to Windfall)
- 50.03% held Huge Networks, the holding company of which is Huge Telecom (the effective date of the Otel transaction was 27 February 2019; prior to this date Huge Networks was a wholly owned subsidiary company of Huge Telecom)
- 49% held Huge Soho, the holding company of which was, prior to 26 February 2019, Huge (on 26 February 2019, Huge undertook a B-BBEE transaction in which it disposed of 51% of Huge Soho to Windfall)
- 100% held Huge Technologies (previously Huge Software and Technologies Proprietary Limited), the holding company of which is Huge
- 100% held Huge Telecom, the holding company of which is Huge
- 100% held Huge Mobile, the holding company of which is Huge (previously 49.66% of Huge Mobile was held by Huge Telecom)
- 96% held Huge Media, the holding company of which is Huge

In terms of Huge's segmental reporting, the Fintech Grouping comprises the following companies:

- 100% held Huge Connect, the holding company of which is Huge

In terms of Huge's segmental reporting, 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

Changes to the Operating Segments

For the financial year ending 28 February 2019, Huge Media and Huge Messaging formed part of the Telecom Grouping. For the financial year ending 28 February 2018, Huge Messaging and Huge Media formed part of the Corporate Office Grouping. The results of Huge Media and Huge Messaging are not regarded as material in the financial years ending 28 February 2019 and 28 February 2018. The changes to the Operating Segments did not require any restatement of segment information due to the immateriality.

Geographic areas

The Group has operations physically located in five regions, which are Gauteng, Western Cape, Eastern Cape, North West and Free State.

Services

The Group provides the following services: Voice connectivity services, messaging services, Fintech, ISP services, software licensing and telephone management services. Refer to note 26 for more detail.

3. Segmental reporting (continued)

2019	Telecom grouping	Fintech grouping	Corporate grouping	Total
Revenue	269 953 614	160 353 817	2 354 347	432 661 778
Cost of sales	(136 397 752)	(60 040 218)	(396 560)	(196 834 530)
Gross profit	**133 555 862**	**100 313 599**	**1 957 787**	**235 827 248**
Other income	1 966 986	1 008 837	14 470 932	17 446 755
Selling and administration expenses	(26 734 136)	(14 833 937)	(11 406 273)	(52 974 346)
Employee costs	(39 775 880)	(21 800 489)	(16 688 008)	(78 264 377)
Operating profit/(loss)	**69 012 833**	**64 688 009**	**(11 665 562)**	**122 035 280**
Investment income	1 072 410	1 641 640	790 599	3 504 648
Loss from joint venture company	(18 811)	–	–	(18 811)
Gain/(loss) on sale of investment	(12 672)	–	1 543 065	1 530 392
Reversal of impairment on other financial assets	508 792	–	–	508 792
Finance costs	(5 210 280)	(16 632)	(10 111 922)	(15 338 833)
Profit/(loss) before taxation	**65 352 272**	**66 313 017**	**(19 443 820)**	**112 221 468**

Assets and liabilities – 2019	Telecom grouping	Fintech grouping	Corporate grouping	Total
Non-current assets	479 603 059	455 341 554	64 599 153	999 543 766
Current assets	51 118 968	24 377 714	22 795 136	98 291 818
	530 722 026	**479 719 268**	**87 394 289**	**1 097 835 584**
Non-current liabilities	(25 158 397)	(18 352 469)	(95 019 104)	(138 529 969)
Current liabilities	(72 649 262)	(8 001 071)	(41 343 614)	(121 993 947)
	(97 807 659)	**(26 353 540)**	**(136 362 717)**	**(260 523 916)**

2018	Telecom grouping	Fintech grouping	Corporate grouping	Total
Revenue	262 524 350	136 919 583	1 937 663	401 381 596
Cost of sales	(135 669 569)	(40 865 210)	(308 841)	(176 843 620)
Gross profit	**126 854 781**	**96 054 373**	**1 628 822**	**224 537 976**
Other income	1 285 079	3	–	2 579 656
Selling and administration expenses	(21 731 332)	(13 481 272)	(8 209 649)	(43 422 253)
Employee costs	(44 826 217)	(14 036 000)	(11 857 960)	(70 720 177)
Operating profit/(loss)	**61 582 311**	**69 831 678**	**(18 438 787)**	**112 975 202**
Investment revenue	610 813	2 973 377	748 090	4 332 280
Loss from joint venture company	(72 055)	–	–	(72 055)
Finance costs	(1 600 211)	(13 401)	(9 422 865)	(11 036 477)
Profit/(loss) before taxation	**57 726 252**	**77 312 102**	**(27 113 562)**	**107 924 792**

Notes to the consolidated and separate annual financial statements (continued)

3. Segmental reporting continued

Assets and liabilities – 2018	Telecom grouping	Fintech grouping	Corporate grouping	Total
Non-current assets	147 110 594	60 077 466	594 521 076	801 709 136
Current assets	98 431 738	20 210 237	16 141 486	134 783 461
	245 542 332	**80 287 703**	**610 662 562**	**936 492 597**
Non-current liabilities	(51 548 244)	(11 082 823)	(52 694 350)	(115 325 417)
Current liabilities	(32 370 241)	(7 265 164)	(37 001 713)	(76 637 118)
	(83 918 485)	**(18 347 987)**	**(89 696 063)**	**(191 962 535)**

The total assets and liabilities of each reportable segment are not regularly provided to the CODM. The CODM reviews the Group statement of financial position.

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

4. Property, plant and equipment

	2019			2018		
Group	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Customer premises equipment	281 558 458	(65 610 362)	215 948 096	221 477 454	(49 943 974)	171 533 480
Furniture and fixtures	4 509 022	(2 883 788)	1 625 234	2 531 681	(2 085 204)	446 477
Motor vehicles	11 009 903	(5 770 449)	5 239 454	8 197 182	(4 186 559)	4 010 623
Computer equipment	17 075 075	(13 205 457)	3 869 618	13 660 432	(10 982 014)	2 678 418
Leasehold improvements	1 396 310	(1 396 310)	–	1 396 310	(1 396 310)	–
Total	**315 548 768**	**(88 866 366)**	**226 682 402**	**247 263 059**	**(68 594 061)**	**178 668 998**

Reconciliation of property, plant and equipment – Group – 2019

	Opening balance	Additions	Additions from business combinations	Transfer to contract assets	Disposals	Depreciation	Impairment loss	Total
Customer premises equipment	171 533 480	105 895 496	–	(3 922 382)	(35 628 546)	(21 929 952)	–	215 948 096
Furniture and fixtures	446 477	403 544	1 046 010	–	(29 772)	(241 025)	–	1 625 234
Motor vehicles	4 010 623	1 955 279	675 367	–	–	(1 401 815)	–	5 239 454
Computer equipment	2 678 418	2 691 421	242 336	–	(109 487)	(1 633 070)	–	3 869 618
	178 668 998	**110 945 740**	**1 963 713**	**(3 922 382)**	**(35 767 805)**	**(25 205 862)**	**–**	**226 682 402**
Notes				12				

Reconciliation of property, plant and equipment – Group – 2018

	Opening balance	Additions	Additions from business combinations	Disposals	Depreciation	Impairment loss	Total
Customer premises equipment	69 925 578	92 318 003	24 949 129	(56 362)	(12 808 262)	(2 794 606)	171 533 480
Furniture and fixtures	62 077	128 887	445 277	(121 702)	(68 062)	–	446 477
Motor vehicles	1 659 538	3 200 762	377 709	(243 859)	(983 527)	–	4 010 623
Computer equipment	1 575 001	1 061 380	1 379 138	(427 040)	(910 061)	–	2 678 418
	73 222 194	**96 709 032**	**27 151 253**	**(848 963)**	**(14 769 912)**	**(2 794 606)**	**178 668 998**

4. Property, plant and equipment continued

Reconciliation of property, plant and equipment – Company – 2019

	Opening balance	Additions	Additions from business combinations	Transfer to contract assets	Disposals	Depreciation	Impairment Loss	Total
Computer equipment	–	120 239	–	–	–	(15 640)	–	104 599
	–	**120 239**	**–**	**–**	**–**	**(15 640)**	**–**	**104 599**

Encumbered assets

No remaining light commercial vehicles serve as security for finance lease sale agreements concluded with Westbank, a division of FirstRand Bank (2018: Two light commercial vehicles, with a carrying value of R144 179 served as security for finance lease sale agreements concluded with Westbank). Refer to note 24.

Two (2018: Nil) light commercial vehicles with a carrying value of R411 128.37 (2018: nil) serve as security for the finance lease sale agreements concluded with Nedbank Limited. Refer to note 24.

One (2018: Nil) light commercial vehicle with a carrying value of R214 783.38 (2018: nil) serves as security for the finance lease sale agreement concluded with Toyota Financial Services. Refer to note 24.

5. Goodwill

	2019			2018		
Group	**Cost**	**Accumulated impairment**	**Carrying value**	**Cost**	**Accumulated impairment**	**Carrying value**
Goodwill	**609 918 862**	**(97 774)**	**609 821 088**	593 541 026	(97 774)	593 443 252

Reconciliation of goodwill – Group – 2019

	Opening Balance	Additions through business combinations	Total
Goodwill	**593 443 252**	**16 377 836**	**609 821 088**

Reconciliation of goodwill – Group – 2018

	Opening Balance	Additions through business combinations	Total
Goodwill	**215 153 482**	**378 289 770**	**593 443 252**

Goodwill	2019	2018
Consisting of:		
Huge Telecom	215 153 482	215 153 482
Huge Connect	373 826 719	373 826 719
Huge Software	4 463 051	4 463 051
Huge Networks	16 377 836	–
	609 821 088	**593 443 252**

Notes to the consolidated and separate annual financial statements (continued)

5. Goodwill continued

Huge Telecom

The Goodwill balance of R215 153 483 arose from the Centracell acquisition on 13 August 2007 and the acquisition of Telepassport (subsequently renamed Huge Telecom) on 9 July 2009. These businesses were measured and viewed as a single CGU.

On 28 February 2014 the assets of Huge Telecom were transferred to Huge Technologies (formerly Huge Software and Technologies). Thereafter Huge Technologies formed part of the Huge Telecom CGU for Goodwill Impairment Review purposes.

Up to the February 2018 year end the Huge Telecom business unit comprised of stand-alone subsidiaries Huge Telecom, Huge Technologies, Huge Cellular and Huge SOHO. Huge entered into a B-BBEE transaction with Windfall on 28 February 2019, in terms of which control was lost of Huge SOHO and Huge Cellular. The Telecom Cash Generating Unit consists of Huge Telecom and Huge Technologies from 28 February 2019.

Consistent with the prior financial year the Group assessed the recoverable amount of Goodwill and determined that no impairment was required.

The valuation of the Goodwill attributable to the Telecom Grouping, based on the valuation performed by Managhan SA Proprietary Limited, is R427 999 878 (2018: R522 362 000).

An impairment assessment over the goodwill balance were conducted in accordance with IFRS 3 and IAS 36, by performing the following:

- assessing the recoverable amount through determination of a value-in-use amount and comparing this to the carrying amount;
- the reasonability of management's cash flow forecast was assessed through discussions with management regarding the process to develop the budgets and forecasts as well as the assumptions utilised;
- The recoverable amount or value-in-use was determined by discounting the future cash flows generated by the Huge Telecom CGU; and
- a sensitivity analysis over the value-in use calculations, by varying the assumptions used (Revenue growth rate, Sustainable Gross Profit Margin and the Weighted average cost of capital) to assess the sensitivity of the value to changes in these assumptions.

The assumptions used in computing the value in use are based on estimates provided by management, which take account of future expectations related to changes in the market in which Huge Telecom operates. The weighted average cost of capital (**WACC**) is represented by a pre-tax discount rate which is based on a risk-free rate of return, adjusted by a premium in respect of the Company and the market and a Beta to reflect an appropriate level of volatility. The assumptions are:

- projected revenue growth rate of 5.8% for the year 28 February 2020 (2019:(19.4%)), 15.8% for the years to 28 February 2021 to 29 February 2024 (2019: (11.9%));
- gross profit margin of 60.3% for the years 28 February 2020 to 29 February 2024 (2019: 56.1%)
- a weighted average cost of capital represented by a pre-tax discount rate of 16.62% (2018: 15.84%); and
- a terminal growth rate of 2.97% (2018: 3%).

Whilst the value in use calculation demonstrates no impairment at year-end, the calculation is sensitive to the following inputs (assuming all others remain constant):

- an increase in the WACC;
- a decrease in the forecast gross profit percentage; and
- a decrease in the expected revenue growth rates over the five-year forecast period.

At this stage, no tested changes would have resulted in an impairment.

The directors of Huge continue to assess the industry and the possible changes that may impact the carrying value of goodwill.

Huge Connect and Huge Networks

The goodwill arose on the acquisition of ConnectNet and Sainet on 30 March 2017. At the time of the acquisition Sainet was a wholly owned subsidiary of ConnectNet. The Goodwill relating to this acquisition amounted to R 373 826 722.

During May 2018, ConnectNet sold Sainet to Huge Telecom in terms of a Sale of Shares Agreement. Huge Connect (formally ConnectNet) through this transaction became a wholly owned subsidiary of Huge and Sainet was established as Huge Networks, a wholly owned subsidiary of Huge Telecom at the time. The Goodwill attributable to Huge Connect was R360 008 230 and R13 818 492 to Huge Networks.

These businesses are measured and viewed as separate CGUs, therefore independent/separate assessments were concluded of the recoverable amounts of the Goodwill attributable to Huge Connect and Huge Networks during the current financial year.

5. Goodwill continued

The following details were provided by the valuation expert who performed the PPA calculation:

- The following intangible assets were identified, but did not meet the recognition criteria and were therefore included in Residual Goodwill:
  - Customer Contracts: The Contract terms vary. Contracts are either entered into for 24 months or 36 months. At the expiry date, a customer has the option to renew the contract or choose to continue on a month to month basis. The majority of customers did not renew their contracts and were still on a month to month basis. There were customers whose contracts expired over five years ago and who were still continuing on a month to month basis, thus complicating the reliable measurement of the Fair Value of these contracts. For this reason Customer Contracts were included as a component of Residual Goodwill.
  - The licences for electronic communications are issued under the Electronic Communications Act (ECA) and the available service licences can be divided into two categories: Electronic Communications Network Service (ECNS) licences, and Electronic Communications Service (ECS).An ECNS licence allows a company to deploy and operate a physical network. An ECS licence is mostly for providers only, as it enables its holders to provide electronic communications services to customers over its own or via another company's network.These licences are further divided into two subcategories each: the Individual ECNS (IECNS), which allows holders to roll-out their own networks across a province or the entire country, and the Class ECNS (CECNS) for rolling out a network in a district or local municipality. ECS is also subcategorised to Individual ECS (IECS) for providing services to customers over an ECNS licensee's network.
  - At the date of the Acquisition Sainet was the holder of both an IECS and IECNS Licence. With the acquisition by Huge of ConnectNet, Sainet forfeited its licence and is now operating under the Huge Group licence. The ConnectNet licences were in the opinion of Huge Management of no material value.
  - The Workforce of ConnectNet was not incorporated within the Huge operations and will continue to operate separately. Under IFRS 3, the Workforce in place should not be recorded as an intangible asset and is incorporated within residual goodwill.

During the current financial year, the Group assessed the recoverable amount of goodwill and determined that no impairment was required.

The goodwill relating to Huge Connect and Huge Networks (The Huge Connect Group) is the excess of the purchase price paid by Huge for its 100% shareholding in the Huge Connect Group. A review of the goodwill relating to Huge's acquisition of the Huge Connect Group was undertaken and it was determined that the goodwill was not required to be impaired because of the following factors:

- On the date that Huge acquired control of the Huge Connect Group, Huge Connect had a negative net asset value; this negative net asset value came about because of a leveraged buy-put in Huge Connect's 2015/2016 financial year, by way of a repurchase by Huge Connect of existing shares in Huge Connect for a repurchase consideration of R 152.4 million. In addition, Huge Connect had paid dividends in the 2013/2014 financial year of R 28 million, in the 2014/2015 financial year of R 28 million, in the 23015/2016 financial year of R 37 million and in the 2016/2017 financial year of R 37 million. The aggregate historical dividends paid from 2014 to 2017, combined with the repurchase, amounted to R 282.4 million and but for these payments, Huge Connect would have had a net asset value of R 182.4 million;
- The forecast cash flows for the five years from 2020 to 2024 supported present values of the discounted future cash flows in excess of goodwill;

Huge Connect

The recoverable amount or value in use was determined by discounting the future cash flows generated by Huge Connect. The valuation of the goodwill attributable to Huge Connect, based on the valuation performed by Managhan SA Proprietary Limited, is R509 855 256 (2018: R523 990 000 including Huge Networks).

Notes to the consolidated and separate annual financial statements (continued)

5. Goodwill continued

The assumptions used in computing the value in use are based on estimates provided by management, which take account of future expectations related to changes in the market in which Huge operates. The WACC is represented by a pre-tax discount rate which is based on a risk-free rate of return, adjusted by a premium in respect of the Company and the market and a beta to reflect an appropriate level of volatility. The assumptions are:

- projected revenue growth rate of 28% (2019: 9.9%) for the year 28 February 2020, 8% (2019: 8%) for the years to 28 February 2021 to 29 February 2024;
- gross profit margin of 60.3% for the years 28 February 2020 to 29 February 2024 (2019: 69)
- a weighted average cost of capital represented by a pre-tax discount rate of 17.58% (2019: 18.29%); and
- a terminal growth rate of 2.97% (2019: 3%).

Whilst the value in use calculation demonstrates no impairment at year-end, the calculation is sensitive to the following inputs (assuming all others remain constant):

- an increase in the WACC;
- a decrease in the forecast gross profit percentage; and
- a decrease in the expected revenue growth rates over the five-year forecast period.

At this stage, no tested changes would have resulted in an impairment.

The directors of Huge continue to assess the industry and the possible changes that may impact the carrying value of goodwill.

Huge Networks

The goodwill attributable to the Huge Networks Cash Generating Unit totals R30 196 326 and arose from two acquisitions that were integrated into Huge Networks, namely:

- The May 2018 acquisition of Sainet by Huge Telecom in an intra-group transaction in accordance with section 45 of the Income Tax Act. In terms of this agreement Huge Networks became a wholly owned subsidiary of Huge Telecom. The total Goodwill that arose from this acquisition was R13 818 492.
- Huge Networks concluded agreements with Otel Communications and Otel Business which contemplated the acquisition by Huge Networks of the businesses of Otel. These agreements became unconditional on 27 February 2019. The purchase consideration for the businesses of Otel was settled in Huge Networks ordinary Shares, such that, after the issue of Shares, Huge Telecom's shareholding in Huge Networks decreased from 100% to 50.03%. Huge Telecom has retained control of Huge Networks. The goodwill arose on the acquisition of the assets and assumed liabilities of Otel Business and Otel Communication on 27 February 2019. This business is measured and viewed as a single CGU. The Goodwill attributable to this transaction amounted to R16 377 834.

The recoverable amount or value in use was determined by discounting the future cash flows generated by Huge Networks. The valuation of Huge Telecom's share of the Goodwill attributable to the Cash Generating Unit, based on the valuation performed by Managhan SA Proprietary Limited, is R76 956 191. No impairment would be required based on this valuation.

Key assumptions applied in the calculation of the recoverable amount, include:

- projected revenue growth rate of 28% for the year 28 February 2020, 8% for the years to 28 February 2021 to 29 February 2024;
- gross profit margin of 60.3% for the years 28 February 2020 to 29 February 2024.
- a weighted average cost of capital represented by a pre-tax discount rate of 17.58%; and
- a terminal growth rate of 2.97%.

Whilst the value in use calculation demonstrates no impairment at year-end, the calculation is sensitive to the following inputs (assuming all others remain constant):

- an increase in the WACC;
- a decrease in the forecast gross profit percentage; and
- a decrease in the expected revenue growth rates over the five-year forecast period

Huge Group voluntarily announced the acquisition of Otel on 14 March 2019 on the JSE's Stock Exchange News Service. The rationale for the acquisition, in support of the recognition of goodwill, is summarised in the following quantitative and qualitative factors:

- Otel Communications and Otel Business have the potential to increase Company revenues by more than 9,4%, the Telecom Grouping segment revenues by more than 14% and Huge Networks' revenue by 95%.
- It allows for network synergies and efficiencies.
- It will allow Huge Networks access to new customer segments.

5. Goodwill continued

- Huge will acquire the potential to scale its operations, grow its customer base and expand its national footprint.
- The VoIP and related products and services acquired will allow Huge Networks to become a more substantial provider of end-to-end ICT services.
- It will provide Huge with increased network capacity and connectivity options.
- Highly skilled and experienced staff,
- Huge Networks will acquire specialised software systems and benefit from the already implemented internal structures and processes which established a platform for growth acceleration and containing costs.
- It was more cost effective to acquire Otel than to acquire and customising a third party product with the same functionality as the Radiant billing engine.

Huge Software

The goodwill arose on the acquisition of Huge Software (formerly Accknowledge) on 30 June 2017. This business is measured and viewed as a single CGU.

During the current financial year, the Group assessed the recoverable amount of goodwill and determined that no impairment was required.

The recoverable amount or value in use was determined by discounting the future cash flows generated by this CGU, which consists of Huge Software. The valuation of the goodwill attributable to Huge's 75% share in this CGU, which based on the valuation performed by Managhan SA Proprietary Limited, is R8 116 881 (2018: R7 614 642).

The assumptions used in computing the value in use are based on estimates provided by management, which take account of future expectations related to changes in the market in which Huge operates. The WACC is represented by a pre-tax discount rate which is based on a risk-free rate of return, adjusted by a premium in respect of the Company and the market and a beta to reflect an appropriate level of volatility. The assumptions are:

- revenue growth rate of 27.7% (2019: 8.9%) for the year 28 February 2020, 8.9% (2019: 32.45%) for the years to 28 February 2021 to 29 February 2024;
- gross profit margin of 85% for the years 28 February 2020 to 29 February 2024 (2019: 92%)
- a weighted average cost of capital represented by a pre-tax discount rate of 19.19% (2018: 15.84%); and
- a terminal growth rate of 2.97% (2018: 3%).

Whilst the value in use calculation demonstrates no impairment at year-end, the calculation is sensitive to the following inputs (assuming all others remain constant):

- an increase in the WACC;
- a decrease in the forecast gross profit percentage; and
- a decrease in the expected revenue growth rates over the five-year forecast period.

The qualitative factors that were summarised in the Purchase Price Allocation (**PPA**) report were:

- This Proprietary Intellectual Property is integrated with HIVE, Huge Telecom's billing and rating engine and thus critical for Huge Telecom's back office operations.
- It was also more cost effective than acquiring and customizing a third party product.
- Accknowledge however, under invested in its software assets and required funding to create an asset that is capable of proper commercialisation. Huge acquired the potential to increase scale and assist with the funding to invest in Webaccounting.
- Huge will benefit from the improved operational performance from the combined platform.

The goodwill relating to Huge Software is the excess of the purchase price paid by Huge Group for its 75% shareholding in Huge Software. A review of the goodwill relating to Huge Group's acquisition of Huge Software was undertaken and it was determined that the goodwill was not required to be impaired because of the following factors:

- The historical cash flows of Huge Software were limited as a result of the limited access to customers and the sub-scale size of Huge Software;
- Huge Software was previously under-funded;
- The future cash flows of Huge Software are able to increase substantially because (i) Huge will ensure other Group companies and future companies that are acquired to make use of the Huge Software accounting software product called WebAccounting.

At this stage, no tested changes would have resulted in an impairment.

The directors of Huge continue to assess the industry and the possible changes that may impact the carrying value of goodwill.

Notes to the consolidated and separate annual financial statements (continued)

6. Intangible assets

Group	2019 Cost	2019 Accumulated amortisation and impairment losses	2019 Carrying value	2018 Cost	2018 Accumulated amortisation and impairment losses	2018 Carrying value
Router Development Technology	3 072 249	(459 148)	2 613 101	2 870 749	(174 539)	2 696 210
Software, internally generated	27 872 115	(20 999 974)	6 872 141	25 053 428	(20 101 619)	4 951 809
Software, purchased	4 825 180	(1 172 055)	3 653 125	1 250 431	(413 219)	837 212
Patents	728 002	(435 050)	292 952	629 500	(435 050)	194 450
Total	**36 497 546**	**(23 066 227)**	**13 431 319**	**29 804 108**	**(21 124 427)**	**8 679 681**

Company	Cost	Accumulated amortisation	Carrying Value	Cost	Accumulated amortisation	Carrying Value
Software, internally generated	13 925	(13 925)	–	13 925	(13 925)	–
Total	**13 925**	**(13 925)**	**–**	**13 925**	**(13 925)**	**–**

Reconciliation of intangible assets – Group – 2019	Opening balance	Additions	Additions from business combinations	Amortisation	Total
Router Development Technology	2 696 210	201 500	–	(284 609)	2 613 101
Software, internally generated	4 951 809	2 855 978	–	(935 646)	6 872 141
Software, purchased	837 212	958 656	2 023 000	(165 743)	3 653 125
Patents	194 450	98 502	–	–	292 952
Total	**8 679 681**	**4 114 636**	**2 023 000**	**(1 385 998)**	**13 431 319**

Reconciliation of intangible assets – Group – 2018	Opening balance	Additions	Additions from business combinations	Amortisation	Total
Router Development Technology	1 714 387	1 156 363	–	(174 540)	2 696 210
Computer software, internally generated	2 024 696	3 130 067	345 099	(548 053)	4 951 809
Computer software, purchased	69 602	769 895	–	(2 285)	837 212
Patents	118 742	75 708	–	–	194 450
Total	**3 927 427**	**5 132 033**	**345 099**	**(724 878)**	**8 679 681**

6. Intangible assets (continued)

Reconciliation of intangible assets – Company – 2019

	Opening balance	Amortisation	Total
Computer software, internally generated	–	–	–
Total	**–**	**–**	**–**

Reconciliation of intangible assets – Company – 2018

	Opening balance	Amortisation	Total
Computer software, internally generated	9 283	(9 283)	–
Total	**9 283**	**(9 283)**	**–**

Router Development Technology

During the prior financial years, Huge Technologies acquired certain intellectual property to facilitate the development of the Group's own router equipment. The development costs incurred during the year amounts to R201 500 (2018: R1 156 363) and is included under additions.

7. Investments in subsidiary companies

Name of company	Held by	% holding 2019	% holding 2018	Carrying value 2019	Carrying amount 2018
Huge Software	Huge	75.0	75.0	3 750 000	3 750 000
Huge Messaging	Huge	100.0	50.2	2 525 499	–
Huge Media	Huge	96.0	96.0	6 115 194	6 115 194
Huge Cellular	Telecom	–	100.0	–	–
Huge Connect	Huge	100.0	100.0	417 999 998	417 999 998
Huge Networks	Telecom	50.0	100.0	–	–
Huge Technologies	Huge	100.0	100.0	100	100
Huge Soho	Huge	–	100.0	–	69 411 943
Huge Telecom	Huge	100.0	100.0	113 343 379	113 343 379
Huge Mobile	Telecom	100.0	49.7	10 151	–
CI Trust	Huge	100.0	–	–	–
				543 744 321	**610 620 614**
Provision for impairment of investment in Huge Soho				–	(69 411 943)
Provision for impairment of investment in Huge Media				(6 115 194)	(6 115 194)
Net carrying amount				**537 629 127**	**535 093 477**

The abovementioned subsidiary companies are incorporated and have their effective place of business in South Africa. The carrying amounts of investments in subsidiary companies are shown net of impairments.

The investment in Huge Media was impaired by R6 115 194 in the prior financial year, as a result of the uncertainty of the recoverability of the carrying amount of this investment. The investment in Huge Soho was impaired by R69 411 943 in the prior financial year as a result of uncertainty of the recoverability of the carrying amount of this investment.

Notes to the consolidated and separate annual financial statements (continued)

7. Investments in subsidiary companies (continued)

On 26 February 2019, Huge, the holding company of Huge Soho, entered into a Sale of Shares Agreement with Windfall in terms of which it disposed of 51% of Huge Soho to Windfall in a B-BBEE transaction. This sale resulted in loss of control of Huge Soho and subsequent recognition and measurement as an associate of the Group.

On 26 February 2019, Huge Telecom, the holding company of Huge Cellular, entered into a Sale of Shares Agreement with Windfall in terms of which it disposed of 51% of Huge Cellular to Windfall in a B-BBEE transaction. This sale resulted in loss of control of Huge Cellular and subsequent recognition and measurement as an associate of the Group.

On 31 August 2018, Huge Telecom, which held 50.2% of Huge Messaging (previously Ambient Mobile), entered into a Sale of Shares Agreement in terms of which it acquired 49.8% of the shares from minority shareholders. Huge Messaging became a wholly owned subsidiary company of Huge Telecom. On 22 January 2019, Huge acquired 100% of the shares of Huge Messaging from Huge Telecom. As a result, Huge Messaging became a wholly owned subsidiary company of Huge.

On 17 August 2018, Huge Telecom, which held 49.66% of Huge Mobile (previously Le Gacy Telecom), entered into a Sale of Shares Agreement in terms of which it acquired 50.44% of the shares from minority shareholders. Huge Mobile became a wholly owned subsidiary company of Huge Telecom. On 31 August 2018, Huge acquired 100% of the shares of Huge Mobile from Huge Telecom. As a result, Huge Mobile became a wholly owned subsidiary company of Huge.

8. Investments in joint venture company

By the Group

Name of company	Held by	% ownership interest 2019	% ownership interest 2018	Carrying amount 2019	Carrying amount 2018
Gonondo	Huge Telecom	50	50	597 022	615 832

The above-mentioned joint venture company is incorporated and has its effective place of business in South Africa. The information presented below represents 100% of Gonondo's results.

Huge Telecom and Multimatics have a joint arrangement involving Gonondo.

There are no restrictions on the joint venture company relating to the transfer of funds.

The financial period of the joint venture company is aligned with that of the Group.

Carrying amount

The movement in the carrying amount of the investment in the joint venture company is as follows:

	Group		Company	
Figures in Rand	**2019**	2018	**2019**	2018
Opening balance	615 832	687 887	–	–
Share of retained earnings	(18 811)	(72 055)	–	–
Carrying amount	**597 022**	**615 832**	**–**	**–**

8. Investments in joint venture company (continued)

The Group's share of earnings in the joint venture company is made up as follows:

Loss from joint venture company	Group 2019	2018
Share of retained earnings from the joint venture company	**(18 811)**	**(72 055)**

	Group 2019	2018
Summary of the joint venture company		
Statement of financial position		
Non-current assets	–	–
Current assets	317 511	1 052 490
Current liabilities – non-interest bearing	(27 613)	(739 631)
Equity	**289 898**	**312 859**
Statement of comprehensive income		
Revenue	355 524	1 097 104
Other expenses	(402 336)	(1 251 083)
Investment income	9 191	9 869
Taxation income (expense)	–	–
Loss for the year	**(37 621)**	**(144 110)**
Statement of cash flows		
Cash flows from operating activities	(271 088)	(244 753)
Net cash flow	**(271 088)**	**(244 753)**

9. Investment in associate companies

By the Group

Name of company	Held by	% holding 2019	% holding 2018	Carrying value 2019	Carrying value 2018
Huge Cellular	Huge Telecom	49.0	–	4 900	–
Huge Soho	Huge	49.0	–	4 900	–
				9 800	**–**

Huge Cellular and Huge Soho investments are recognised at their fair value, their fair value equates to the purchase consideration differential of the remaining share held by Huge due to the fact that the net asset value of the entities are nil or negative as disclosed in the Summarised Statement of Financial Position below.

Notes to the consolidated and separate annual financial statements (continued)

9. Investment in associate companies (continued)

By the Company

Name of company	Held by	% holding 2019	% holding 2018	Carrying value 2019	Carrying value 2018
Huge Soho	Huge	49.0	–	4 900	–
				4 900	**–**

The above-mentioned associate companies are incorporated and have their effective place of business in South Africa. The information presented below represents 100% of the associate's results.

As at 26 February 2019 Huge held 49% of Huge Soho and the remaining 51% was held by Windfall.

As at 26 February 2019 Huge Telecom held 49% of Huge Cellular and the remaining 51% was held by Windfall.

Summarised financial information of material associates

	Huge Soho		Huge Cellular	
Summarised Statement of Profit or Loss	**2019**	2018	**2019**	2018
Revenue	176 579	–	68 724 547	–
Other income and expenses	(605 963)	–	(61 892 702)	–
Profit before tax	**(429 384)**	**–**	**6 831 845**	**–**
Tax expense	120 895	–	(1 612 063)	–
Profit/(loss) from continuing operations	**(308 489)**	**–**	**5 219 782**	**–**

	Huge Soho		Huge Cellular	
Summarised Statement of Financial Position	**2019**	2018	**2019**	2018
Non-current assets	247 345	–	–	–
Current assets	1 506 901	–	79 980 390	–
Total assets	**1 754 246**	**–**	**79 980 390**	**–**
Current liabilities	(3 287 311)	–	79 980 385	–
Total liabilities	**(3 287 311)**	**–**	**79 980 385**	**–**
Total net (liability) asset	**(1 533 065)**	**–**	**5**	**–**

Associate risks:

Huge Cellular is the counterparty to the Cell C agreement which is currently subject to arbitration and a counterparty to property lease agreements.

Huge Soho has been assessed and there are no material risks of concern.

10. Loans to/(from) associate/Group companies

Subsidiary companies	Group 2019	Group 2018	Company 2019	Company 2018
Huge Telecom[1]	–	–	86 425 960	50 130 955
Huge Soho[1]	–	–	–	1 302 617
Huge Software[1]	–	–	33 842 944	30 571 592
The CI Trust[2]	–	–	1 134 000	–
Huge Media[1]	–	–	21 238 535	21 233 535
Huge Mobile[1]	–	–	539 629	–
Huge Connect[3]	–	–	(13 693 203)	(10 181 690)
Huge Software[1]	–	–	2 519 392	(1 033 628)
	–	**–**	**132 007 257**	**92 023 381**
Impairment of Huge Soho[5]	–	–	–	(1 302 617)
Impairment of Huge Media[4]	–	–	(21 238 535)	(21 233 535)
	–	**–**	**110 768 722**	**69 487 229**
Associate companies				
Huge Cellular[6]	64 200 648	–	–	–
Huge Soho[6]	2 407 507	–	1 207 507	–
	66 608 155	–	**1 207 507**	**–**
Non-current asset	62 400 648	–	–	–
Current assets	4 207 507	–	125 669 432	80 702 547
Current liabilities	–	–	(13 693 203)	(11 215 318)
	66 608 155	**–**	**111 976 229**	**69 487 229**

[1] *The loans are unsecured, interest-free, and have been subordinated by the Company. There are no fixed terms of repayment.*

[2] *The loan to The CI Trust is unsecured, shall be repayable by the borrower when it is commercially convenient for the borrower to do so provided that the borrower will make the final repayment of the loan outstanding before the 29th anniversary of the advance date and interest is levied at a rate equal to the prime rate, capitalised monthly.*

[3] *The loan is repayable on the first business day of each March, June, September and December of each year starting on 1 March 2019. The repayment amount is the amount equal to the lesser of R 1 million or the balance on the outstanding loan. The loan bears interest at prime plus 2%.*

[4] *The provision for impairment for Huge Media was adjusted by R5 000 (2018: R398 389) in line with the movement in the loans.*

[5] *The impairment raised on the Huge Soho loan (2018: R1 302 617) was reversed in the current financial year as the Company assessed the recoverability of the loan and evidence existed that warranted the impairment reversal and recoverability of the loan.*

[6] *The loans are unsecured, interest-free, and have been subordinated by the Company. There are no fixed terms of repayment. Through the sale of Huge Soho and Huge Cellular the loans result in recognition as loans to associates. The loans were previously eliminated on consolidation when Huge Soho and Huge Cellular were subsidiary companies of the Group.*

Notes to the consolidated and separate annual financial statements (continued)

11. Loans receivable

	Group 2019	Group 2018	Company 2019	Company 2018
Intelpay Proprietary Limited	8 453 809	7 495 923	–	–
Windfall	10 200	–	5 100	–
	8 464 009	**7 495 923**	**5 100**	**–**

Non-current and current portion	Group 2019	Group 2018	Company 2019	Company 2018
Non-current assets	8 453 809	7 495 923	–	–
Current assets	10 200	–	5 100	–
	8 464 009	**7 495 923**	**5 100**	**–**

IntelPay

The loan bears interest at prime plus 2% compounded monthly. The loan is repayable after 24 months by applying it to the cost price (to be determined by a predetermined formula) of ordinary shares of IntelPay to be issued to Huge Connect and equivalent to a 43% shareholding. If the ordinary shares issue price is greater than the loan amount, the difference has to be settled. If the loan amount is greater than the Share issue price, a loan account will be created in the name of the company.

Subsequent to 28 February 2019, Huge acquired 100% of the issued share capital of IntelPay and shareholder claims in accordance with a Sale of Shares and Claim Agreement. Huge acquired the 100% issued share capital for a value of R100 000. Huge's acquisition of IntelPay took effect 27 March 2019.

Huge Connect has the right to terminate the conversion of the loan into ordinary shares if certain predetermined milestones are not achieved. This will result in the undrawn amount of the loan being cancelled and that the outstanding amount becoming repayable in 48 equal monthly instalments.

Windfall

The loan is unsecured, interest free and payable prior to 28 February 2020.

The above loan arose as result of the acquisition, by Windfall, of 51% of Huge Soho from Huge and 51% of Huge Cellular from Huge Telecom.

12. Contract assets

	Opening balance	Additions	Disposals	Transfer from PPE	Amortisation	Impairment Loss	Total
Renewal DIB	–	11 667 058	–	3 922 382	(677 186)	–	14 912 254
	–	**11 667 058**	**–**	**3 922 382**	**(677 186)**	**–**	**14 912 254**

The contract asset consists of Renewal Dealer Incentive Bonuses (Renewal DIB's) paid on renewal of customer contracts. The average customer contract period is 27 months over which the contract asset is amortised. DIB's previously recognised in Property, Plant and Equipment have been subsequently reclassified to contract assets on the adoption of IFRS15 in the 2019 financial year, an assessment was performed for the 2018 financial period and no prior period adjustment was required due to the contract assets being immaterial both quantitatively and qualitatively in nature. The total contract asset balance was separately disclosed in the 2019 financial year. The contract asset is recognised as an asset as it represents the incremental costs of obtaining contracts with customers. The contract asset is only recognised if the Group expects to recover the costs.

13. Investments at fair value

	Group 2019	Group 2018	Company 2019	Company 2018
Discovery Invest Endowment plan	45 005 610	–	45 005 610	–
	45 005 610	**–**	**45 005 610**	**–**

Investments held by the Group which are measured at fair value, excluding derivatives and debt instrument measured at fair value through other comprehensive income are as follows:

Mandatorily at fair value through profit or loss:

Huge invested R45 000 000 in a Discovery Invest Endowment Plan, consisting of 10 Money Market Funds (CLASS A) of R4 500 000 each, on 14 February 2019 (without Life Assured) with an initial investment term of five years.

In terms of the current legislative restrictions (March 2018), one withdrawal is permitted during the first five years of the policy. Any withdrawal in the first five years may not exceed your total contributions to date accumulated at 5% per year compound interest. After five years, Huge may make withdrawals from the investment as required.

At the end of the investment term, the funds may be withdrawn in a tax-free lump sum or it may be decided that the capital with Discovery remains and regular withdrawals are made available.

14. Deferred tax

	Group 2019	Group 2018	Company 2019	Company 2018
Deferred tax asset	16 452 808	12 805 450	3 447 941	2 288 747
Deferred tax liability	(37 539 046)	(30 670 276)	–	–
	(21 086 238)	**(17 864 826)**	**3 447 941**	**2 288 747**

Recognition of deferred tax asset

A deferred tax asset has been raised on assessed tax losses based on conservative forecasts of future taxable income. The directors are satisfied that the deferred tax assets will be recovered.

Notes to the consolidated and separate annual financial statements (continued)

14. Deferred Tax (continued)

Reconciliation of deferred tax balances

	Group 2019	Group 2018	Company 2019	Company 2018
At beginning of year	(17 864 826)	(2 391 852)	2 288 747	1 111 344
Included in income tax	(2 974 061)	(11 582 344)	1 159 194	1 177 403
Acquired on business combination	(247 345)	(3 890 630)	–	–
	(21 086 238)	**(17 864 826)**	**3 447 941**	**2 288 747**
Composition of deferred tax				
Accrual for credit notes	64 918	64 918	–	–
Accrual for leave pay	1 581 595	1 310 690	230 568	21 200
Allowance for doubtful debts	586 845	452 984	–	–
Intangible assets	(1 029 340)	(291 404)	–	–
Deferred expenditure	–	(9 901 732)	–	–
Prepayments	(269 699)	(181 580)	–	–
Income received in advance	164 333	–	–	–
Provisions	111 543	–	–	–
Property, plant and equipment	(28 073 900)	(16 582 446)	–	–
Contract assets	(1 255 535)	–	–	
Tax losses available for set off against future taxable income	7 033 002	7 263 744	3 217 373	2 267 547
	(21 086 238)	**(17 864 826)**	**3 447 941**	**2 288 747**

15. Finance lease receivable

	Group 2019	Group 2018
Present value of minimum instalment payments due		
– within one year	608 060	–
– in second to fifth year	1 777 008	–
	2 385 068	**–**
Non-current liabilities	608 060	–
Current liabilities	1 777 008	–
	2 385 068	**–**

Finance lease assets are the present value of financed deals due from customers which arose as a result of the acquisiton of Otel as disclosed in note 36.

16. Inventories

	Group 2019	Group 2018
Router equipment	1 962 536	104 930
Merchandise	547 098	1 114 263
	2 509 634	**1 219 193**

There was no write-off of inventory during the year (2017: R Nil).

17. Loans to shareholders

	Group 2019	Group 2018	Company 2019	Company 2018
JC Herbst	13 034	–	13 034	–
	13 034	**–**	**13 034**	**–**
Current assets	13 034	–	13 034	–
Current liabilities	–	–	–	–
	13 034	**–**	**13 034**	**–**

The loan is unsecured, bears interest at a rate of 4% above the prime overdraft rate and is repayable within 12 months.

18. Trade and other receivables

	Group 2019	Group 2018	Company 2019	Company 2018
Financial instruments:				
Trade receivables	54 094 947	38 685 839	18 427 620	2 991 764
Loss allowance	(2 946 160)	(2 130 278)	–	–
Trade receivables at amortised cost	**51 148 787**	**36 555 561**	**18 427 620**	**2 991 764**
Contractual asset	244 456	16 000 000	–	–
Deposits	4 206 872	3 274 603	–	–
Other receivables	25 634	471 516	–	376
Amounts subject to legal dispute	4 020 004	4 020 004	4 020 004	4 020 004
Non-financial instruments:				
Prepayments[1]	1 634 147	36 568 137	–	–
VAT	3 813 552	6 394 315	–	–
	65 093 452	**103 284 136**	**22 447 624**	**7 012 144**

[1] *A majority of the 2018 Prepayments balance related to the Cell C minimum monthly purchase commitment for airtime as disclosed in note 36, the agreement came to an end on 28 February 2019 and therefore no further commitments are due.*

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

	Group 2019	Group 2018	Company 2019	Company 2018
At amortised cost	59 645 753	60 321 684	22 447 624	7 012 144
Non-financial instruments	5 447 699	42 962 452	–	–
	65 093 452	**103 284 136**	**22 447 624**	**7 012 144**

Trade and other receivables pledged as security

Huge Telecom has ceded, as security, all its rights, title and interest in and to the Huge Telecom book debts of R30 000 000 (2018: R30 000 000) to FirstRand Bank (refer to note 19).

Notes to the consolidated and separate annual financial statements (continued)

19. Cash and cash equivalents

	Group		Company	
	2019	2018	**2019**	2018
Cash on hand	33 204	4 359	–	–
Bank balances	21 902 727	29 037 132	2 296 665	12 149 506
Short-term deposits	2 022 562	1 224 004	–	–
Bank overdraft	(2 750 928)	(1 330 872)	(3 084)	–
	21 207 565	**28 934 623**	**2 293 581**	**12 149 506**
Current assets	23 958 493	30 265 495	2 296 665	12 149 506
Current liabilities	(2 750 928)	(1 330 872)	(3 084)	–
	21 207 565	**28 934 623**	**2 293 581**	**12 149 506**

FirstRand Bank acts as bankers to the following companies within the Group by providing these companies with current account facilities:

- Huge Media
- Huge
- Huge Cellular
- Huge Software
- Huge Soho
- Huge Telecom
- Huge Connect
- Huge Software

Nedbank acts as banker, and provides current account facilities, to:

- Huge Messaging
- Huge Networks

Absa acts as banker, and provides current account facilities, to:

- Huge Connect
- Huge Networks

Huge Telecom has entered into an agreement with FirstRand Bank for the provision of the following additional banking facilities which are subject to annual review and where amounts owing are repayable on demand:

- Overdraft facility of R8 000 000.
- Settlement payment facility of R3 008 000.

The overdraft facility is subject to the following material terms and covenants:

Collateral

- General deeds of suretyship in favour of FirstRand Bank given by the following persons/entities for the obligations to FirstRand Bank of the entities listed below:

Surety	Debtor	Amount
Huge Soho	Huge Telecom	Unlimited
Huge Group	Huge Telecom	Unlimited

- Subordination by Huge of its loan account balances held against Huge Telecom in favour of FirstRand Bank;
- Cession by Huge Telecom of any and all rights which it has against its debtors, from time to time, upon terms and conditions acceptable to FirstRand Bank.

20. Share capital

	Group 2019	Group 2018	Company 2019	Company 2018
1 000 000 000 Authorised Shares	100 000	100 000	100 000	100 000
Reconciliation of number of shares in issue				
Issued shares	175 627 007	175 602 077	175 602 077	125 551 443
Shares held by Huge Telecom as treasury shares	(9 646 926)	(9 646 926)	–	–
Shares held by The CI Trust as treasury shares	(1 206 027)	–	–	–
	164 774 054	**165 955 151**	**175 602 077**	**125 551 443**

Issued share capital	Number of shares	Group Share capital	Group Share premium	Company Share capital	Company Share premium
Opening balance at 1 March 2016	101 254 517	10 125	229 313 265	11 090	230 675 332
14 650 000 shares issued at R6.15 per share	14 650 000	1 465	90 096 035	1 465	90 096 035
Opening balance at 1 March 2017	**115 904 517**	**11 590**	**319 409 301**	**12 555**	**320 771 367**
24 373 551 shares issued at R6.15 per share	24 373 551	2 437	149 894 901	2 437	149 894 901
25 208 333 shares issued at R6.00 per share	25 208 333	2 522	151 247 478	2 522	151 247 478
468 750 shares issued at R8.00 per share	468 750	47	3 749 953	47	3 749 953
Capital raising expenses	–	–	(5 546 149)	–	(5 546 149)
Closing balance at 28 February 2019	**165 955 151**	**16 596**	**618 755 484**	**17 561**	**620 117 550**
25 000 shares issued at R 9.00 per share	25 000	2	224 997	2	224 997
Capital raising expenses	–	–	(729 000)	–	(729 000)
Issue of treasury shares to The CI Trust	(1 206 027)	(121)	(12 374 577)	–	–
Closing balance at 28 February 2019	**164 774 124**	**16 477**	**605 876 904**	**17 563**	**619 613 547**

Notes to the consolidated and separate annual financial statements (continued)

20. Share capital (continued)

Issued share capital	Number of shares	Group Share capital	Group Share premium	Company Share capital	Company Share premium
Treasury shares					
Opening balance at 1 March 2017	9 646 926	965	(64 946)	–	–
Closing balance at 28 February 2018	**9 646 926**	**965**	**(64 946)**	**–**	**–**
Issue of treasury shares to The CI Trust	1 206 027	121	12 374 577	–	–
Closing balance at 28 February 2019	**10 852 953**	**1 086**	**12 309 631**	**–**	**–**

Total share capital	Group 2019	Group 2018	Company 2019	Company 2018
Issued shares	16 477	16 596	17 563	17 561
Share premium	605 876 904	618 755 484	619 613 547	620 117 550
	605 893 381	**618 772 080**	**619 631 110**	**620 135 111**

21. Share-based payment reserve

Employees share scheme

	Group 2019	Group 2018
Share-based payment raised	7 037 595	–

In terms of the subscription and repurchase agreement entered into between Huge and ConnectNet Broadband Wireless on or about 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 pursuant to the subscription and repurchase agreement concluded by Huge and ConnectNet Broadband Wireless on or about 30 March 2017 for the purposes of creating incentives for certain employees, directors and/or consultants of the Group to *inter alia* assist the Group to achieve the targets for the profit warranty.

The allocation of these shares to share beneficiaries is governed by the ConnectNet Incentive Trust Deed.

During August 2018, 131 226 Shares (June 2017: 129 415 shares) were transferred by The CI Trust to share beneficiaries, being certain existing employees, directors and/or consultants to the ConnectNet Broadband Wireless Group, at a grant price of R9.74 (2018: R8.90).

Of the remaining 1 206 027 Shares (2018: 1 337 253 shares), 439 814 Shares will be allocated to share beneficiaries after 28 February 2019 and 586 421 Shares after 29 February 2020, with the residual 18 611 Shares being available for allocation to future employees, directors and/or consultants.

During the financial year ended 28 February 2019, 113 169 Shares that had vested were settled in cash at the discretion of the Board of Directors of Huge Group Limited. These Shares were repurchased from the employees at a rate of R9.50 per share which resulted in a cash outflow from The CI Trust of R1 075 106.

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

Shares held by the trust and not yet issued to employees at the end of the reporting period are shown as treasury shares in the financial statements (see note 20) 1 206 027 (2018: 1 337 253) shares are held by the trust at year-end.

21. Share-based payment reserve (continued)

	2019	2018
Number of shares issued under the plan to participating employees on 14 August 2018 (15 June 2017) [1]	244 395	129 414

[1] *During the current financial year 131 226 shares were transferred, and 113 169 shares were traded for cash.*

Expense arising from share based payment transactions

Total expenses of R7 037 595 (2018: R0) related to equity-settled share based payment transactions were recognised in 2019 and 2018 respectively.

The total expense of R7 037 595 is made up as follow: R3 198 967 relates to 2019 and R3 838 628 relates to 2018.

22. Non-controlling interest

	Huge Networks	Huge Media	Huge Messaging	Huge Mobile	Huge Software	Total
Non-controlling shareholding	–	4.00%	49.80%	50.30%	25.00%	
Balance at 28 February 2017	**–**	(2 557 891)	462 542	(905 699)	–	(3 001 048)
Share of profit (loss) for the year	–	186 713	73 633	(44 380)	7 247	223 213
Business combination	–	–	–	–	(237 717)	(237 717)
Balance at 28 February 2018	**–**	**(2 371 178)**	**536 175**	**(950 079)**	**(230 470)**	**(3 015 552)**
Non-controlling shareholding	49.70%	4%	0.0%	0.0%	25%	
Share of profit (loss) for the year	(3 393 325)	34 760	328 178	(47 535)	(9 081)	(3 087 003)
Change in ownership – loss of control	–	–	(864 353)	997 614	–	133 261
Change in ownership – control retained	11 636 182	–	–	–	–	11 636 182
Balance at 28 February 2019	**8 242 857**	**(2 336 418)**	**–**	**–**	**(239 551)**	**5 666 888**

Notes to the consolidated and separate annual financial statements (continued)

22. Non-controlling interest (continued)

The below information represents 100% of the subsidiary companies' results.

Summary of Group's interest in the subsidiary companies

Statement of financial position	Huge Networks 2019	Huge Media 2019	Huge Media 2018	Huge Messaging 2018
Non-current assets	25 520 278	2 026 637	2 354 851	507 558
Current assets	12 699 735	8 658 534	6 897 876	760 734
Non-current liabilities	(3 240 920)	–		
Current liabilities	(12 390 591)	(21 868 952)	(21 305 497)	(2 075 024)
Equity	**22 588 502**	**(11 183 781)**	**(12 052 770)**	**(806 732)**
Statement of comprehensive income				
Revenue	43 898 459	–	–	3 007 998
Cost of sales	(28 809 728)	–	–	(2 319 351)
Other income	52 820	1 500 000	6 660 034	622 487
Other expenses	(17 716 225)	(205 885)	(168 754)	(892 305)
Finance costs	–	(11 446)	–	(208 035)
Investment income	443 511	–	–	40
Income tax expense	580 758	(413 680)	(1 823 453)	(62 976)
Profit/(loss) for the year	**(1 550 405)**	**868 989**	**4 667 827**	**147 858**
Statement of cash flows				
Cash flows from operating activities	4 788 318	93 160	(322 477)	1 040 219
Cash flows from investing activities	(17 762 110)	(98 502)	(75 708)	–
Cash flows from financing activities	10 276 387	5 000	398 389	(1 011 923)
Net cash outflow	**(2 697 405)**	**(342)**	**204**	**28 296**

Statement of financial position	Huge Mobile 2018	Huge Software 2019	Huge Software 2018
Non-current assets	–	2 016 310	1 077 824
Current assets	18 619	658 430	250 287
Long-term liabilities	–	(2 519 392)	(1 457 571)
Current liabilities	(583 195)	(1 113 562)	(792 421)
Equity	**(564 576)**	**(958 214)**	**(921 881)**
Statement of comprehensive income			
Revenue	7 821	2 876 086	1 937 662
Cost of sales	(4 015)	(396 560)	(308 841)
Other income	–	–	–
Other expenses	(92 036)	(2 755 085)	(1 379 056)
Finance costs	–	(170 945)	(26 762)
Investment income	–	261	334
Income tax expense	–	409 918	(194 350)
Profit/(loss) for the year	**(88 230)**	**(36 325)**	**28 987**
Statement of cash flows			
Cash flows from operating activities	(21 631)	(236 572)	291 435
Cash flows from investing activities	–	(906 750)	(1 109 878)
Cash flows from financing activities	15 000	1 256 171	806 123
Net cash outflow	**(6 631)**	**112 849**	**(12 320)**

23. Interest-bearing liabilities held at amortised cost

	Group 2019	Group 2018	Company 2019	Company 2018
Futuregrowth – Held through Huge Group The loan bears interest compounded quarterly at three-month JIBAR plus 4%. The loan is repayable every quarter until the Final Repayment Date being the 5th anniversary of the first utilisation date. **Covenants:** 1. Debt to EBITDA between 0 and 2.5 2. EBITDA to debt interest not less than 3 3. EBITDA to debt service not less than 1.5 4. Group debt to Group EBITDA between 0 and 2.5 5. Huge's Debt to Subsidiaries Debt Ratio shall not be less than: a. 86.96%; 13.04% in the period between Signature Date on 29 November 2019; b. 90%; 10% in the period between 29 November 2019 to Final Repayment Date 6. Maintain a Security Cover Ratio which is equal to or greater than 3	137 821 648	73 292 337	137 821 648	73 292 337
Futuregrowth – Held through Huge Technologies The loan bears interest compounded quarterly at three-month JIBAR plus 4%. The loan is repayable at the end of a 60-month period. **Covenants:** 1. Debt to EBITDA between 0 and 4 2. EBITDA to debt interest not less than 4 3. Debt service to EBITDA not less than 4 4. Group debt to Group EBITDA between 0 and 2.5	30 000 000	30 566 944	–	–
Mrs M Jankovic The above loan is unsecured, bears interest at 12% per annum and is repayable on demand, subject to the availability of funds. These terms are revised from time to time.	191 227	–	–	–

Notes to the consolidated and separate annual financial statements (continued)

23. Interest-bearing liabilities held at amortised cost (continued)

	Group 2019	Group 2018	Company 2019	Company 2018
Nedbank Limited	1 010 000	–	–	
Liability under term loan at an effective interest rate of 11.50% per annum, repayable in monthly instalments of R43 700. The last instalment is due 1 June 2021.				
Unwire Communications	1 595	–	–	–
The above loan is unsecured, interest free and repayable in May 2019.				
J Ingram	750 000	97 455	–	–
EM Kerby	–	693 039	–	–
GB Shiers	750 000	49 305	–	–
	170 524 470	**104 699 080**	**137 821 648**	**73 292 337**

The J Ingram and GB Shiers loans are unsecured, bear no interest and are repayable over 36 months in equal instalments of R25 000.

	Group 2019	Group 2018	Company 2019	Company 2018
Non-current liabilities				
At amortised cost	96 535 713	82 500 000	94 434 486	52 500 000
	96 535 713	**82 500 000**	**94 434 486**	**52 500 000**
Current liabilities				
At amortised cost	73 988 757	22 199 080	43 387 162	20 792 337
	73 988 757	**104 699 080**	**43 387 162**	**73 292 337**
	170 524 470	**187 199 080**	**137 821 648**	**125 792 337**

Futuregrowth Term Facility Agreement – Held through Huge

On 14 December 2018, Huge concluded a Term Facility Agreement with Futuregrowth for R200 million (the **Facility**). The Facility replaced the R90 million Term Facility Agreement concluded as part of the acquisition of ConnectNet Broadband Wireless Proprietary Limited and Sainet Internet Proprietary Limited and provides Huge with access to additional funds to fulfil its growth aspirations. Huge has the ability to draw down on the Facility as and when its needs require. The principal amounts outstanding of the Facility will be payable in quarterly tranches of R10 million, with the final quarterly tranche due for payment in December 2023. Interest on the Facility is payable on a quarterly basis.

The Facility provides for the Group's subsidiary companies, associates and joint venture (the **Relevant Parties**) to provide certain guarantees, cessions, pledges and subordinations.

Huge Connect, Huge Networks, Huge Technologies and Huge Telecom (the **Obligors**) provided guarantees in terms of which the Obligors irrevocably and unconditionally undertakes to pay to Futuregrowth, all amounts which Huge and any other Obligor has contracted to pay to Futuregrowth in terms of the Facility, to the extent to which Huge fails to pay those amounts.

In terms of the cession between Futuregrowth and Huge, Huge cedes in securitatem debiti and pledges to Futuregrowth as continuing covering security for the fulfilment of its obligations under the Facility, all of its right, title and interest in and to all of its Relevant Parties owned or held by Huge from time to time.

In terms of a Subordination Agreement between Futuregrowth, Huge and the Relevant Parties, each of the Relevant Parties irrevocably and unconditionally subordinated all the current and future claims they have or may acquire against Huge, in favour of Futuregrowth's claims against Huge arising from or related to the Facility.

24. Finance lease liabilities

	Group 2019	2018
Minimum instalment payments due		
– within one year inclusive	3 999 582	2 554 346
– in second to fifth year inclusive	5 692 726	2 457 640
	9 692 308	**5 011 986**
Less: Future finance charges	(2 061 921)	(939 187)
Present value of minimum instalment payments	**7 630 387**	**4 072 799**
Present value of minimum instalment payments due		
– within one year	3 175 177	1 917 658
– in second to fifth year	4 455 210	2 155 141
	7 630 387	**4 072 799**
Non-current liabilities	4 455 210	2 155 141
Current liabilities	3 175 177	1 917 658
	7 630 387	**4 072 799**

The Group leases motor vehicles under finance lease agreements. The average term is 36 months ending during 2019 and the rate of borrowing is variable. Interest rates are linked to the prime overdraft rate at the contract date. Monthly instalments are R212 862 (2017: R99 624) inclusive of interest. There are renewal options on the lease of properties.

The Group's obligations under finance leases are secured with motor vehicles. Refer to note 4.

25. Trade and other payables

	Group 2019	2018	Company 2019	2018
Financial Instruments:				
Trade payables	17 480 289	18 530 723	4 610 203	2 326 591
Trade payables subject to legal dispute	–	1 333 966	–	1 333 966
Payroll accruals	5 181 369	6 203 665	115 416	241 702
Accrued leave pay	5 906 397	2 444 832	708 041	–
Accrued business partner commission	3 548 640	7 728 681	–	–
Deferred revenue	–	490 129	–	–
Deposits received	718 610	704 087	–	–
Non-financial instruments:				
VAT	6 368 336	3 817 371	1 155 090	299 376
Operating lease payables	21 159	253 421	–	–
	39 224 802	**41 506 875**	**6 588 750**	**4 201 635**

Notes to the consolidated and separate annual financial statements (continued)

26. Revenue from contracts with customers

Disaggregation of revenue

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets, major products and service lines and timing of revenue recognition. The table includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Fintech Grouping		Corporate Office		Telecom Grouping		Total Operating Segments	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
South Africa	145 667 777	121 841 258	2 353 894	1 937 662	269 572 842	262 061 956	417 594 667	385 840 876
Africa	14 685 752	15 079 161	–	–	381 359	461 559	15 067 111	15 540 720
	160 353 529	**136 920 419**	**2 353 894**	**1 937 662**	**269 954 201**	**262 523 515**	**432 661 778**	**401 381 596**
Major goods/service lines								
Network devices	1 456 636	413 121	–	–	70 868 354	72 593 811	72 325 144	73 006 932
Network services	158 896 893	136 507 298	–	–	199 085 847	189 929 704	357 982 740	326 437 001
Software licence fees	–	–	2 353 894	1 937 662	–	–	2 353 894	1 937 662
	160 353 529	**136 920 419**	**2 353 894**	**1 937 662**	**269 954 201**	**262 523 515**	**432 661 778**	**401 381 596**
Timing of revenue recognition								
Goods transferred at a point in time	1 456 636	413 121	–	–	692 460	507 936	2 149 096	921 057
Services transferred over time	158 896 893	136 507 298	2 353 894	1 937 662	269 261 741	262 015 431	430 512 682	400 460 539
	160 353 529	**136 920 419**	**2 353 894**	**1 937 662**	**269 954 201**	**262 523 367**	**432 661 778**	**401 381 596**

The major service line 'Network services' can be broken down further into the following revenue streams:

	2019	2018
Network services		
Voice connectivity services	150 424 500	149 916 870
Payment connectivity services	158 355 525	136 438 051
Data connectivity services	43 898 459	34 770 533
Messaging services	3 946 712	3 727 126
Telephone management services	1 357 544	1 584 421
Total	**357 982 740**	**326 437 001**

27. Cost of sales

	Group 2019	Group 2018	Company 2019	Company 2018
Voice connectivity services	63 791 592	71 815 039	–	–
Business Partner commissions	28 021 625	33 337 840	–	–
Router equipment depreciation	12 434 194	6 785 291	–	–
Payment connectivity services	60 040 218	39 158 090	–	–
Data connectivity services	28 809 728	21 777 797	–	–
Messaging services	2 116 698	2 319 351	–	–
Telephone management services	1 224 915	1 341 372	–	–
Software licence fees	395 560	308 840	–	–
	196 834 530	**176 843 620**	**–**	**–**

28. Other income

Profit on sale of property, plant and equipment	807 022	1 149 864	–	–
Administration fees received	110 250	337 377	27 914 748	22 154 609
Insurance proceeds	190 216	147 238		
Arrangement fee[1]	–	–	6 790 725	–
Rental income	52 539	468 707	–	–
Loans written off	839 800	–	–	–
Other income	167 470	62 411	–	–
Bad debts recovered	808 527	413 859	–	–
Trust donation[2]	14 470 932	–	–	–
	17 446 755	**2 579 656**	**34 705 473**	**22 154 609**

[1] *In consideration for the provision of the Arrangement Services in order to secure and facilitate the Otel transaction (referred to in note 36), Huge Group become entitled to an arrangement fee based on a calculation in accordance with the Arrangement Agreement concluded on or about 28 February 2019.*

[2] *On or about 17 March 2017, the Relevant Shareholders and ConnectNet Broadband Wireless concluded an Incentive Agreement (the* **Incentive Agreement***). In the introduction to the Incentive Agreement, the parties made reference to the subscription and repurchase agreement (***SRA***) and the fact that the Repurchase Consideration was subject to upward adjustment and that the Relevant Shareholders had given Huge Group a profit warranty. The parties acknowledged that it was necessary to provide certain employees, directors and or consultants (***Beneficiaries***) of ConnectNet Broadband Wireless and its wholly owned subsidiary company, Sainet, with incentives in order for ConnectNet Broadband Wireless and Sainet (***the ConnectNet Group***) to achieve the profit warranty. In the introduction to the Incentive Agreement, the parties agreed to establish an incentive trust in the form of an attached Trust Deed and the Relevant Shareholders agreed to transfer for no consideration (in other words, the Relevant Shareholders agreed to donate) to the trust a portion of the Repurchase Consideration, being cash of R1.2 million (Donated Cash) and 1 466 667 Huge Group Shares (the Donation Shares) amounting to a total donation of R 14 470 932.*

Notes to the consolidated and separate annual financial statements (continued)

29. Operating profit

Operating profit for the year is stated after accounting for the following:

	Group 2019	Group 2018	Company 2019	Company 2018
Dividends	–	–	28 000 000	17 000 000
Operating lease charges				
Premises				
• Straight-line basis	9 427 149	8 800 444	1 095 504	–
Equipment				
• Straight-line basis	189 799	136 168	–	–
	9 616 948	**8 936 612**	**1 095 504**	**–**
Depreciation of property, plant and equipment	25 205 862	14 769 912	15 640	–
Amortisation of intangible assets	1 385 998	724 878	–	9 283
Total depreciation and amortisation	**26 591 860**	**15 494 790**	**15 640**	**9 283**
Impairment of property, plant and equipment	–	2 794 606	–	–
Reversal of impairments of loan to Group companies	–	–	–	447 729
Reversal of impairment of other financial assets	(508 792)	(4 520 448)	–	–
Gain on sale of property, plant and equipment	(807 022)	–	–	–
Gain/(loss) on sale of investment in subsidiary	(1 530 392)	–	35 394 991	–
Reversal of impairment on Investment in subsidiary company	–	–	(36 633 120)	–
Profit on exchange differences	245 722	5 064	–	–
Research and development costs	–	7 915	–	–
Legal expenses	4 298 047	5 236 692	2 340 593	5 236 692
Consulting and professional fees	4 625 795	5 152 265	3 096 834	1 969 458
Bad debts written off	1 969 787	(146 258)	–	–
Employee costs				
Salaries, wages, bonuses and other benefits	100 274 931	95 087 419	14 956 032	10 728 592
Retirement benefit plans: defined contribution expense	4 430 788	4 103 005	–	–
Share-based compensation expense	7 037 595	–	–	–
Total employee costs	**111 743 314**	**99 190 424**	**14 956 032**	**10 728 592**
Less: Employee costs included in cost of merchandise sold and inventories	(33 478 937)	(28 470 250)	–	–
Total employee costs expensed	**78 264 377**	**70 720 174**	**14 956 032**	**10 728 592**

30. Investment income

	Group 2019	Group 2018	Company 2019	Company 2018
Dividend revenue				
Subsidiary companies	–	–	28 000 000	17 000 000
Interest income				
Bank	1 960 461	3 052 383	605 935	809 044
Interest charged on trade and other receivables	488 081	453 708	50 115	–
Other receivables	957 887	707 856	–	–
Loans to owners	98 219	118 333	2 654 390	–
	3 504 648	**4 332 280**	**3 310 440**	**809 044**
	3 504 648	**4 332 280**	**31 310 440**	**17 809 044**

31. Finance costs

Group companies	–	–	1 706 796	871 324
Shareholders' loans	89 439	65 956	–	65 913
Interest bearing liabilities	13 355 312	9 086 897	10 041 122	8 519 953
Trade and other payables	307 470	224 263	12	–
Instalment sales	864 081	960 586	–	–
Bank overdraft	630 045	698 775	–	–
Tax authority	92 486	–	–	–
	15 338 833	**11 036 477**	**11 747 930**	**9 457 190**

32. Taxation

Major components of the tax expense/(income)

Current				
Local income tax – current period	(19 294 381)	(19 278 368)	–	–
Local income tax – recognised in current period for prior periods	582 097	–	–	–
Security transfer tax	(29 356)	–	–	–
	(18 741 640)	**(19 278 368)**	–	**–**
Deferred				
Originating and reversing temporary differences	(2 974 062)	(11 582 344)	1 159 194	1 177 403
	(21 715 702)	**(30 860 712)**	**1 159 194**	**1 177 403**

Notes to the consolidated and separate annual financial statements (continued)

32. Taxation (continued)

	Group 2019	Group 2018	Company 2019	Company 2018
Reconciliation of the tax expense				
Reconciliation between the statutory tax rate and the average effective tax rate.				
Applicable tax rate	28.0%	28.0%	28.0%	28.0%
Exempt income [1]	–	(4.0%)	(26.7%)	(46.5%)
Disallowable expenditure [2]	–	7.3%	–	11.3%
Un-utilised assessed loss [3]	(6.1%)	(2.7%)	14.2%	7.2%
Donations	(3.7%)	–	–	–
Prior year under provision	(0.2%)	–	–	–
Deferred tax adjustment	1.6%	–	–	–
Expenses attributable to dividend income	–	–	15.4%	–
Group gains/losses - impairments on disposals	1.3%	–	(35.0%)	–
SARS interest and penalties	0.3%	–	–	–
Trust donation not taxable	(3.6%)	–	–	–
Legal fees	0.3%	–	1.0%	–
Capital gains tax effect	(0.3%)	–	(1.0%)	–
Share based payment	1.8%	–	–	–
	19.3%	**28.6%**	**(4.2%)**	**–**

[1] *Exempt income consists of dividends received*

[2] *Disallowed expenditure consists of fines, penalties, donations, finance costs of a capital nature and legal fees of a capital nature.*

[3] *Unutilised assessed losses related to unrecognised deferred tax assets on assessed losses*

33. Earnings and headline earnings per share

2019	Gross	Tax	Net
Total comprehensive income attributable to owners of the parent adjusted for:	93 592 769	–	93 592 769
Gain on disposal of investment	(1 530 392)	–	(1 530 392)
Gain on disposal of property, plant and equipment	(807 022)	–	(807 022)
Tax effects	–	659 480	659 480
Headline earnings	**91 255 355**	**659 480**	**91 914 836**
2018			
Total comprehensive income attributable to owners of the parent adjusted for:	76 840 867	–	76 840 867
Impairment of property, plant and equipment	2 794 606	–	2 794 606
Headline earnings	**79 635 473**	**–**	**79 635 473**

33. Earnings and headline earnings per share (continued)

	2019	2018	2019	2018
Weighted average number of ordinary shares				
Issued ordinary shares at 1 March	175 382 682	125 551 443	–	–
Weighted average ordinary shares issued during the year	141 280	46 195 654	–	–
Treasury shares held by Huge Telecom	(9 646 926)	(9 646 926)	–	–
Treasury shares held by the CI Trust	(1 206 027)	–	–	–
Weighted average number of ordinary shares in issue at 28 February (basic, and headline)	164 671 009	162 100 171	–	–
IFRS 2 share based dilutive effect	833 537	–	–	–
Weighted average number of ordinary shares in issue at 28 February (diluted)	165 504 547	162 100 171	–	–
Per share statistics (cents)			–	–
Earnings per share	56.8	47.4	–	–
Headline earnings per share	55.8	49.1	–	–
Diluted basic earnings per share	56.5	47.4	–	–
Diluted headline earnings per share	55.5	49.1	–	–

34. Cash generated from (used in) operations

	Group		Company	
	2019	2018	2019	2018
Profit before taxation	112 221 468	107 924 793	29 325 023	10 912 796
Adjustments for:				
Depreciation	25 205 862	14 769 912	15 640	–
Amortisation	1 385 998	724 878	–	9 283
Profit on sale of property, plant and equipment	(807 022)	(1 146 318)	–	–
Loss from joint venture	18 811	72 055	–	–
Dividends received	–	–	(28 000 000)	(17 000 000)
Interest received	(3 504 648)	(4 332 280)	(3 310 440)	(809 044)
Finance costs	15 338 833	11 036 477	11 747 930	9 457 190
Reversal of impairment loss	–	(4 520 448)	(36 702 608)	–
Impairment of property, plant and equipment	–	2 794 606	–	–
(Profit)/loss on sale of investments in subsidiaries	(1 530 392)	–	35 394 991	–
Movement in credit loss allowance	2 196 633	(8 428 291)	–	–
Share-based payment raised	7 037 595	–	–	–
Other non-cash items	–	–	(535 650)	–
Changes in working capital:				
Inventories	(1 102 667)	214 891	–	–
Trade and other receivables	(36 510 270)	(51 570 656)	(15 435 481)	(2 991 764)
Contract assets	(10 989 872)	–	–	–
Deferred expenditure	–	26 033 735	–	–
Trade and other payables	1 462 421	(4 701 296)	2 387 111	(2 657 969)
Deferred income	586 904	–	–	–
	111 009 654	**88 872 058**	**(5 113 484)**	**(3 079 508)**

Notes to the consolidated and separate annual financial statements (continued)

35. Tax (paid)/refunded

	Group 2019	Group 2018	Company 2019	Company 2018
Balance at beginning of the year	(9 667 996)	(4 256 098)	–	–
Current tax for the year recognised in profit or loss	(18 741 640)	(19 278 368)	–	–
Adjustment in respect of businesses sold and acquired during the year	2 169 066	(2 700 013)	–	–
Balance at end of the year	375 937	9 667 996	–	–
	(25 864 633)	**(16 566 483)**	**–**	**–**

36. Business combinations

Aggregated business combinations

	Group 2019	Group 2018	Company 2019	Company 2018
Property, plant and equipment	1 963 713	27 151 253	–	27 151 253
Intangible assets	2 023 000	345 099	–	345 099
Other financial assets	–	1 691 626	–	1 691 626
Finance lease receivables	2 385 068	–	–	–
Deferred expenditure	–	1 389 754	–	1 389 754
Inventories	187 774	787 231	–	787 231
Current tax receivable	–	12 078	–	12 078
Trade and other receivables	(77 526 600)	10 006 227	(116 385)	10 006 227
Cash and cash equivalents	(1 471 406)	18 170 188	(1 390 516)	18 170 188
Borrowings	(1 201 227)	–	–	–
Other financial liabilities	–	(141 195 282)	–	(141 195 282)
Finance lease liabilities	(2 894 915)	–	–	–
Deferred tax	(247 345)	(3 890 630)	(247 345)	(3 890 630)
Provisions	–	(2 132 667)	–	(2 132 667)
Loans from Group companies	59 955 126	(120 205)	2 412 557	(120 205)
Loans from shareholders	–	(771 090)	–	(771 090)
Current tax payable	2 169 060	(2 712 091)	–	(2 712 091)
Dividend payable	11 698 278	–	–	–
Trade and other payables	3 744 495	(8 509 081)	879 804	(8 509 081)
Bank overdraft	(2 747 844)	–	–	–
Total identifiable net assets	(1 952 121)	(99 777 590)	1 543 015	(99 777 590)
Goodwill	16 377 836	378 289 870	–	378 289 870
Net identifiable assets	14 425 715	278 512 280	1 543 015	278 512 280
Non-controlling interest	(11 636 181)	237 717	–	237 717
Change in ownership	(1 241 419)	–	–	–
	1 548 115	**278 749 997**	**1 543 015**	**278 749 997**

36. Business combinations (continued)

	Group 2019	Group 2018	Company 2019	Company 2018
Consideration paid				
Cash	–	(270 500 000)	–	(270 500 000)
Equity – Renounceable Letters of Allocation	901	(151 250 000)	–	(151 250 000)
Equity – Issue of shares	(12 877 601)	–	–	–
Purchase consideration receivable	10 200	–	–	–
Loan assumed	–	1 804 721	–	1 804 721
Liabilities settled	–	141 195 282	–	141 195 282
	(12 866 500)	**(278 749 997)**	**–**	**(278 749 997)**
Net cash outflow				
Cash consideration paid	–	–	–	–
Cash liability assumed	(2 747 844)	–	–	–
Cash asset disposed	(1 471 406)	–	(1 390 516)	–
	(4 218 348)	**–**	**(1 390 516)**	**–**
Acquisition date fair value of consideration paid				
Cash settled payment for equities	–	(3 750 000)	–	(3 750 000)
Cash settled subscriptions for equities	–	(266 750 000)	–	(266 750 000)
Interest bearing liabilities settled	–	141 195 282	–	141 195 282
Loans advanced to Group Companies	–	1 804 721	–	1 804 721
Cash liability assumed	(2 747 844)	–	–	–
Cash balance disposed	(1 471 406)	–	(1 390 516)	–
	(4 218 348)	**(127 499 997)**	–	**(127 499 997)**
Equity settled subscription for equities	–	(151 250 000)	–	(151 250 000)
	(4 218 348)	**(178 749 997)**	**(1 390 516)**	**(178 749 997)**
Cash settled repurchase of equities	–	123 749 997	–	123 749 997
Equity settled repurchase of equities	–	151 250 000	–	151 250 000
	(4 218 348)	**(3 750 000)**	**(1 390 516)**	**(3 750 000)**
Net cash outflow on acquisition			–	
Cash consideration paid	–	(127 499 997)	–	(127 499 997)
Cash liability assumed	(2 747 844)	–	–	–
Cash acquired (disposed)	(1 471 406)	18 170 188	(1 390 516)	18 170 188
	(4 218 348)	**(109 329 809)**	**(1 390 516)**	**(109 329 809)**

Otel Transaction

As at the 28 February 2018 Huge Networks was a wholly owned subsidiary company of Huge Telecom, which in turn is a wholly owned subsidiary company of Huge. On 27 February 2019, Huge Networks concluded agreements with Otel Communications and Otel Business (collectively known as **Otel**) which contemplated the acquisition of Huge Networks of the business of Otel (**purchase of assets and assumed liabilities**). Huge Telecom subscribed for 901 new ordinary shares in Huge Networks (**the Huge Networks subscription**), such that after the Huge Networks subscription, Huge Telecom was the holder of 1 001 Huge Networks ordinary shares, representing 100% of the ordinary share capital of Huge Networks. Huge Networks issued 400 shares to Otel Business in exchange for Otel Business's business operations, acquired assets and assumed liabilities. Otel Business transferred its 400 shares in Huge Networks to Otel Communications via a dividend *in specie*. Huge Networks issued 600 shares to Otel Communications in exchange for the Otel Communications business operations, acquired assets and assumed liabilities. The total issued share capital is 2 001 of which Otel Communications held 1 000 of the outstanding issued share capital of Huge Networks making it a 49.97% shareholder.

Notes to the consolidated and separate annual financial statements (continued)

36. Business combinations (continued)

Huge Networks owns all the Otel Business and Otel Communications business operations acquired assets and assumed liabilities. The Otel businesses were merged with and integrated into Huge Networks.

The Otel transaction has the potential to increase Huge Group revenue by more than 9.4%, the Huge Telecom Grouping segment revenues by more than 14% and Huge Network's revenue by more than 95%. This will result in a potential increase in the gross profit, operating profit and profit after tax of Huge Networks, the Telecom Grouping segment and Huge Group.

Goodwill of R16 377 836 has arisen on the purchase by Huge Networks of the Otel Businesses.

Huge Group voluntarily announced the acquisition of Otel on 14 March 2019 on the JSE's Stock Exchange News Service. The rationale for the acquisition, in support of the recognition of goodwill, are summarised in the following quantitative and qualitative factors:

- Otel Communications and Otel Business have the potential to increase Company revenues by more than 9,4%, the Telecom Grouping segment revenues by more than 14% and Huge Networks' revenue by 95%
- It allows for network synergies and efficiencies
- It will allow Huge Networks access to new customer segments
- Huge will acquire the potential to scale its operations, grow its customer base and expand its national footprint
- The VoIP and related products and services acquired will allow Huge Networks to become a more substantial provider of end-to-end ICT services
- It will provide Huge with increased network capacity and connectivity options
- Highly skilled and experienced staff
- Huge Networks will acquire specialised software systems and benefit from the already implemented internal structures and processes which established a platform for growth acceleration and containing costs
- It was more cost effective to acquire Otel than to acquire and customizing a third party product with the same functionality as the Radiant billing engine

	Group		Company	
	2019	2018	**2019**	2018
Fair value of assets acquired and liabilities assumed				
Property, plant and equipment	1 963 713	–	–	–
Intangible assets	2 023 000	–	–	–
Finance lease receivables	2 385 068	–	–	–
Inventories	187 774	–	–	–
Trade receivables	2 489 285	–	–	–
Borrowings	(1 201 227)	–	–	–
Finance lease liabilities	(2 894 915)	–	–	–
Trade payables	(5 705 992)	–	–	–
Bank overdraft	(2 747 844)	–	–	–
Total identifiable net assets	**(3 501 138)**	**–**	**–**	**–**
Non-controlling interest	(11 636 182)	–	–	–
Goodwill	16 377 836	–	–	–
	1 240 516	**–**	**–**	**–**

36. Business combinations (continued)

Huge Software (formerly Accknowledge)

On 1 July 2017, the Group acquired 75% of the voting equity interest of Huge Software which resulted in the Group obtaining control over Huge Software. Huge Software is principally involved in the Computer Software industry.

Goodwill of R4 463 151 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the entities, as well as from intangible assets which did not qualify for separate recognition. Goodwill is not deductible for income tax purposes.

	Group		Company	
	2019	2018	**2019**	2018
Property, plant and equipment	–	41 147	–	41 147
Intangible assets	–	345 099	–	345 099
Inventories	–	2 816	–	2 816
Current tax receivable	–	12 078	–	12 078
Trade and other receivables	–	117 837	–	117 837
Cash and cash equivalents	–	147 501	–	147 501
Loans from Group companies	–	(120 205)	–	(120 205)
Loans from shareholders	–	(771 090)	–	(771 090)
Trade and other payables	–	(726 051)	–	(726 051)
Total identifiable net assets	–	(950 868)	–	(950 868)
Non-controlling interest	–	237 717	–	237 717
Goodwill	–	4 463 151	–	4 463 151
	–	**3 750 000**	**–**	**3 750 000**
Acquisition date fair value of consideration paid				
Cash paid for equities	–	(3 750 000)	–	(3 750 000)
Cash settled subscription for equities	–	–	–	–
Loans advanced to Group Companies	–	–	–	–
	–	**(3 750 000)**	**–**	**(3 750 000)**

Huge Connect and Huge Networks

On 1 April 2018, the Group acquired 100% of the voting equity interest of Huge Connect and Huge Networks which resulted in the Group obtaining control over Huge Connect and Huge Networks. Huge Connect and Huge Networks is principally involved in the telecom industry.

Goodwill of R373 826 719 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the entities, as well as from intangible assets which did not qualify for separate recognition. Goodwill is not deductible for income tax purposes.

Notes to the consolidated and separate annual financial statements (continued)

36. Business combinations (continued)

Fair value of assets acquired and liabilities assumed

	Group 2019	Group 2018	Company 2019	Company 2018
Property, plant and equipment	–	27 110 106	–	–
Other financial assets	–	1 691 626	–	–
Deferred expenditure	–	1 389 754	–	–
Inventories	–	784 415	–	–
Trade and other receivables	–	9 888 390	–	–
Cash and cash equivalents	–	18 022 687	–	–
Other financial liabilities	–	(141 195 282)	–	–
Deferred tax	–	(3 890 630)	–	–
Provisions	–	(2 132 667)	–	–
Current tax payable	–	(2 712 091)	–	–
Trade and other payables	–	(7 783 030)	–	–
Total identifiable net assets	–	(98 826 722)	–	–
Goodwill	–	373 826 719	–	–
	–	**274 999 997**	–	–
Cash settled subscription for equities	–	(266 750 000)	–	–
Interest bearing liabilities settled	–	141 195 282	–	–
Loans advanced to Group Companies	–	1 804 721	–	–
	–	**(123 749 997)**	**–**	**–**
Equity settled subscription for equities	–	(151 250 000)	–	–
	–	**(274 999 997)**	**–**	**–**
Cash settled repurchase of equities	–	123 749 997	–	–
Equity settled repurchase of equities	–	151 250 000	–	–

Movement in investment in subsidiary companies

Change in degree of control

On 31 August 2018, Huge Telecom, which held 50.2% of Huge Messaging, entered into a Sale of Shares Agreement in terms of which it acquired 49.8% of the shares from the minority shareholders. Huge messaging became a wholly owned subsidiary company of Huge Telecom .

The acquisition by Huge Telecom of the minority shareholders shares for the sum of R2 000 000 and 25 000 ordinary shares of Huge Group at a price of 900 cents. R1 800 000 of the above R2 000 000 consideration will be settled in 36 equal monthly instalments of R 25 000 each, R200 000 of the consideration was settled in cash on the closing date of the transaction agreement governing the sale of shares which was 31 August 2018.

On 22 January 2019, Huge acquired 100% of the shares of Huge Messaging from Huge Telecom at a purchase consideration of R2 525 499. As a result, Huge Messaging became a wholly owned subsidiary company of Huge.

On 31 August 2018, Huge Telecom, which held 49.67% of Huge Mobile, entered into a Sale of Shares agreement in terms of which it acquired 50.33% of the shares from the minority shareholder. Huge Mobile became a wholly owned subsidiary company of Huge Telecom.

The acquisition by Huge Telecom of the minority shareholders shares for the sum of R10 000, the consideration was settled in cash on the closing date of the transaction agreement governing the sale of shares which was 31 August 2018.

On 31 August 2019, Huge acquired 100% of the shares of Huge Mobile from Huge Telecom for a purchase consideration of R10 151. As a result, Huge Mobile became a wholly owned subsidiary company of Huge.

36. Business combinations (continued)

	Group 2019	Group 2018	Company 2019	Company 2018
Property, plant and equipment	–	–	–	27 151 253
Intangible assets	–	–	–	345 099
Deferred tax assets/liabilities	–	–	–	(3 890 630)
Other non-current assets	–	–	–	1 691 626
Goodwill	–	–	–	378 289 870
Inventories	–	–	–	787 231
Trade and other receivables	–	–	–	10 006 227
Trade and other payables	–	–	–	(8 509 081)
Tax assets/liabilities	–	–	–	(2 700 013)
Borrowings	–	–	–	(142 086 577)
Cash	–	–	–	18 170 188
Deferred expenditure	–	–	–	1 389 754
Provisions	–	–	–	(2 132 667)
Outside shareholders	4 760 650	–	2 535 650	237 717
Total net assets acquired	**4 760 650**	**–**	**2 535 650**	**278 749 997**
Less: Existing share of net assets before acquisition	–	–	(310 650)	–
	4 760 650	**–**	**2 225 000**	**278 749 997**
Acquisition date fair value of consideration paid				
Cash settled payment for equities	–	–	–	(3 750 000)
Cash settled subscription for equities	–	–	–	(266 750 000)
Interest bearing liabilities settled	–	–	–	141 195 282
Cash	(4 760 650)	–	(2 535 650)	–
Purchase consideration receivable	–	–	–	–
Loans advanced to Group Companies	–	–	–	1 804 721
	(4 760 650)	–	**(2 535 650)**	**(127 799 997)**
Equity settled subscription for equities	–	–	–	(151 250 000)
	(4 760 650)	**–**	**(2 535 650)**	**(278 749 997)**

Sale of subsidiary companies: Huge Soho and Huge Cellular

Huge Telecom, the holding company of Huge Cellular, entered into a Sale of Shares Agreement with Windfall in terms of which it disposed of 51% of Huge Cellular to Windfall in a B-BBEE transaction. This sale resulted in loss of control of Huge Cellular and subsequent recognition and measurement as an associate of the Group.

Huge, the holding company of Huge Soho, entered into a Sale of Shares Agreement with Windfall in terms of which it disposed of 51% of Huge Soho to Windfall in a B-BBEE transaction. This sale resulted in loss of control of Huge Soho and subsequent recognition and measurement as an associate of the Group.

Refer to Note 34 for additional disclosure.

The agreements became unconditional on 26 February 2019.

Notes to the consolidated and separate annual financial statements (continued)

36. Business combinations (continued)

Sale of subsidiaries

Carrying value of assets sold	Group 2019	Group 2018	Company 2019	Company 2018
Deferred tax assets/liabilities	(247 345)	–	–	–
Trade and other receivables	(80 015 885)	–	–	–
Trade and other payables	9 450 486	–	–	–
Tax assets/liabilities	2 169 060	–	–	–
Interest bearing liabilities	59 959 877	–	–	–
Cash	(1 471 406)	–	–	–
Dividend payable	11 698 278	–	–	–
Total Net assets sold	1 543 065	–	–	–
Profit on sale of disposal	(1 543 065)	–	–	–
	–	**–**	**–**	**–**
Net cashflow on acquisition				
Cash sold	(1 471 406)	–	–	–

37. Commitments

Airtime commitment (expense)

Minimum Monthly Purchase Commitment for airtime

– within one year	–	115 000 000
– in second to fourth year	–	345 000 000
	–	**460 000 000**

The Cell C agreement came to an end on 28 February 2019 and therefore no further commitments were paid or due.

Operating leases – as lessee (expense)

Minimum lease payments due

	Group 2019	Group 2018	Company 2019	Company 2018
– within one year	6 840 443	4 567 732	1 161 234	–
– in second to fifth year inclusive	8 672 491	320 224	1 226 964	–
	15 512 935	**4 887 956**	**2 388 199**	**–**

Operating lease payments represent rentals payable by the Group for certain of its office properties and office equipment. Leases are negotiated for an average term of one to three years and rentals are fixed for an average of one year. No contingent rent is payable.

Authorised capital expenditure

The Group has no current capital expenditure commitments.

38. Related parties

Relationships	2019
Subsidiary companies	Huge Connect Huge Media Huge Messaging Huge Mobile Huge Telecom Huge Technologies Huge Software Huge Networks
Jointly controlled company	Gonondo
Associate companies	Huge Soho Huge Cellular
Entities controlled by directors which have transacted with a Group Company	Huge Software (JC Herbst) Casa Da Luz (D da Silva) Windfall (V Mokholo)
Members of key management	JC Herbst Z Bulbulia

Refer to relevant notes for terms and conditions on each related party balances and transactions.

Related party balances

Loan accounts – Owing (to) by related parties

	Group		Company	
Figures in Rand	**2019**	2018	**2019**	2018
Huge Cellular	64 200 648	–	–	–
JC Herbst	13 034	–	13 034	–
Huge Telecom	–	–	86 425 960	50 130 955
Huge Soho	2 407 507	–	1 207 507	1 302 617
Huge Media	–	–	21 238 535	21 233 535
Huge Technologies	–	–	33 842 944	30 571 592
Huge Connect	–	–	(13 693 203)	(10 181 690)
Huge Software	–	–	1 748 302	(1 033 628)
Huge Mobile	–	–	539 629	–
GB Shiers	(750 000)	(49 455)	–	–
J Ingram	(750 000)	(97 455)	–	–
EM Kerby	–	(693 039)	–	–
Windfall	10 200	–	5 100	–
The CI Trust	1 134 001	–	–	–
	66 265 390	**(839 949)**	**131 327 808**	**92 023 381**

Notes to the consolidated and separate annual financial statements (continued)

38. Related parties (continued)

Related party transactions

Interest paid to/(received from) related parties

	Group 2019	Group 2018	Company 2019	Company 2018
AD Potgieter	–	–	–	(61 286)
JC Herbst	–	4 626	–	4 626
EM Kerby	–	39 319	–	–
GB Shiers	–	2 797	–	–
J Ingram	–	5 786	–	–
Huge Connect	–	–	1 706 795	871 324
Huge Telecom	–	–	(2 484 308)	–
Huge Software	–	–	(161 302)	–
The CI Trust	–	–	(58 895)	–
	–	**52 528**	**(997 710)**	**814 664**

Purchases from related parties

	Group 2019	Group 2018	Company 2019	Company 2018
Huge Software	400 007	400 803	–	–
Gonondo	470 702	1 097 104	–	–
Casa Da Luz Proprietary Limited	838 100	769 600	–	–
Dee – Anco Investments Proprietary Limited	–	1 762 126	–	–
	1 708 809	**4 029 633**	**–**	**–**

Management fees (received from) paid to related parties

Huge Network	–	–	(1 774 128)	–
Huge Connect	–	–	(7 800 000)	–
Huge Software	–	–	(49 884)	–
Huge Telecom	–	–	(18 290 736)	(12 755 110)
Huge Telecom	–	–	900 000	900 000
	–	**–**	**(27 014 748)**	**(11 855 110)**

Sale of subsidiary companies: Huge Soho and Huge Cellular

Huge Telecom, the holding company of Huge Cellular, entered into a Sale of Shares Agreement with Windfall in terms of which it disposed of 51% of Huge Cellular to Windfall in a B-BBEE transaction. This sale resulted in loss of control of Huge Cellular and subsequent recognition and measurement as an associate of the Group.

Huge, the holding company of Huge Soho, entered into a Sale of Shares Agreement with Windfall in terms of which it disposed of 51% of Huge Soho to Windfall in a B-BBEE transaction. This sale resulted in loss of control of Huge Soho and subsequent recognition and measurement as an associate of the Group.

Refer to note 34 for additional disclosure.

39. Directors' emoluments

Executive

2019

	Emoluments	Medical aid	Provident fund	Total
Z Bulbulia[1]	3 995 487	–	–	3 995 487
JC Herbst	3 658 339	65 060	274 660	3 998 059
	7 653 826	**65 060**	**274 660**	**7 993 546**

[1] *Z Bulbulia resigned from the Board with effect from 31 December 2018.*

2018

	Emoluments	Medical aid	Provident fund	Total
Z Bulbulia	3 000 840	–	–	3 000 840
D Deetlefs	661 690	–	58 040	719 730
JC Herbst	3 410 096	63 922	289 388	3 763 406
	7 072 626	**63 922**	**347 428**	**7 483 976**

Non-executive

2019

	Directors' fees	Total
BC Armstrong	451 800	451 800
DF da Silva	773 500	773 500
DR Gammie	451 800	451 800
CWJ Lyons	483 800	483 800
VM Mokholo	451 800	451 800
SP Tredoux	474 406	474 406
	3 087 106	**3 087 106**

2018

	Directors' fees	Total
BC Armstrong	201 000	201 000
DF da Silva	844 120	844 120
DR Gammie	418 080	418 080
CWJ Lyons	270 830	270 830
VM Mokholo	413 080	413 080
AD Potgieter	132 080	132 080
SP Tredoux	413 080	413 080
	2 692 270	**2 692 270**

Notes to the consolidated and separate annual financial statements (continued)

39. Directors' emoluments (continued)

Prescribed officers

2019

	Salary	Risk, retirement and medical contributions	Total
RR Burger[1]	590 073	92 732	682 805
G Engling[2]	2 000 470	132 388	2 132 858
A Lessing[3]	2 086 909	92 913	2 179 822
SM Oberholzer[4]	1 791 790	53 436	1 845 226
CWE Rowan[5]	674 312	–	674 312
	7 143 554	**371 469**	**7 515 023**

[1] *Following his appointment as Acting Managing Director and subsequently Managing Director of Huge Telecom, RR Burger became a prescribed officer of the Company on 7 November 2018.*

[2] *Prior to his resignation as Managing Director of Huge Telecom on 6 November 2018, G Engling was a prescribed officer of the Company.*

[3] *A Lessing, in his capacity as Managing Director of Huge Connect, is a prescribed officer of the Company. Mr Lessing receives personal car insurance through a company insurance scheme which benefits the employees of Huge Connect.*

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

[5] *CWE Rowan, in his capacity as Managing Director of Huge Software, is a prescribed officer of the Company.*

40. Financial instruments and risk management

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and whilst retaining ultimate responsibility for them, 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 Group Financial Director through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies which it sets.

Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

Group – 2019

	Note(s)	Fair value through profit or loss – Mandatory	Financial assets at amortised cost	Leases	Total	Fair Value
Loans to associate companies	10	–	66 608 155	–	66 608 155	66 608 155
Loans to shareholders	17	–	13 034	–	13 034	13 034
Loans receivable	11	–	8 464 009	–	8 464 009	8 464 009
Investments at fair value	13	45 005 610	–	–	45 005 610	45 005 610
Finance lease receivables	15	–	–	2 385 068	2 385 068	2 385 068
Trade and other receivables	18	–	59 645 753	–	59 645 753	59 645 753
Cash and cash equivalents	19	–	23 958 493	–	23 958 493	23 958 493
		45 005 610	**158 689 444**	**2 385 068**	**206 080 122**	**206 080 122**

Group – 2018

	Note(s)	Financial assets at amortised cost	Total	Fair Value
Loans receivable	11	7 495 923	7 495 923	7 495 923
Trade and other receivables	18	56 301 680	56 301 680	56 301 680
Cash and cash equivalents	19	30 265 495	30 265 495	30 265 495
		94 063 098	**94 063 098**	**94 063 098**

Company – 2019

	Note(s)	Fair value through profit or loss – Mandatory	Financial assets at amortised cost	Total	Fair Value
Loans to Group companies	10	–	125 669 432	125 669 432	125 669 432
Loans to shareholders	17	–	13 034	13 034	13 034
Loans receivable	11	–	5 100	5 100	5 100
Investments at fair value	13	45 005 610	–	45 005 610	45 005 610
Trade and other receivables	18	–	22 447 625	22 447 625	22 447 625
Cash and cash equivalents	19	–	2 296 665	2 296 665	2 296 665
		45 005 610	**150 431 856**	**195 437 466**	**195 437 466**

Notes to the consolidated and separate annual financial statements (continued)

40. Financial instruments and risk management (continued)

Company – 2018

	Note(s)	Financial assets at amortised cost	Total	Fair Value
Loans to Group companies	10	80 702 548	80 702 548	80 702 548
Trade and other receivables	18	2 992 140	2 992 140	2 992 140
Cash and cash equivalents	19	12 149 506	12 149 506	12 149 506
		95 844 194	**95 844 194**	**95 844 194**

Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

Group – 2019

	Note(s)	**Financial liabilities at amortised cost**	**Leases**	**Total**	**Fair value**
Trade and other payables	25	17 480 291	21 159	17 501 450	17 501 450
Interest bearing liabilities	23	170 524 470	–	170 524 470	170 524 470
Finance lease liabilities	24	–	7 630 387	7 630 387	7 630 387
Bank overdraft	19	2 747 844	–	2 747 844	2 747 844
		190 752 605	**7 651 546**	**198 404 151**	**198 404 151**

Group – 2018

	Note(s)	Financial liabilities at amortised cost	Leases	Total	Fair value
Trade and other payables	25	19 864 689	253 421	19 864 689	19 864 689
Interest bearing liabilities	23	104 699 080	–	104 699 080	104 699 080
Finance lease liabilities	24	–	4 072 799	4 072 799	4 072 799
Bank overdraft	19	1 330 872	–	1 330 872	1 330 872
		125 894 641	**4 326 220**	**129 967 440**	**129 967 440**

Company – 2019

	Note(s)	**Financial amortised cost**	**Total**	**Fair value**
Trade and other payables	25	5 433 661	5 433 661	5 433 661
Loans from Group companies	10	13 693 203	13 693 203	13 693 203
Interest bearing liabilities	23	137 821 648	137 821 648	137 821 648
		156 948 512	**156 948 512**	**156 948 512**

Company – 2018

	Note(s)	Financial amortised cost	Total	Fair value
Trade and other payables	25	11 215 318	11 215 318	11 215 318
Loans from Group companies	10	73 292 337	73 292 337	73 292 337
Interest bearing liabilities	23	2 326 591	2 326 591	2 326 591
		86 834 246	**86 834 246**	**86 834 246**

40. Financial instruments and risk management (continued)

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going-concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 10, 17, 23 and 24, and equity as disclosed in the statement of financial position in note 22.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it 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 amount of dividends paid to shareholders, return capital to shareholders, issue new Shares, or sell assets to reduce debt.

There are externally imposed capital requirements. Refer to bank covenants in note 19 and note 23.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and 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 scheduled debt servicing payments for 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 on the basis of 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 in order to determine headroom or shortfalls. This analysis indicates whether available borrowing facilities are expected to be sufficient over the outlook period.

In order to meet its liquidity requirement for the three-month periods referred to above, the Group maintains cash balances at appropriate levels.

Funding for long-term liquidity needs is secured by an adequate amount of committed credit facilities, the ability to sell long-term financial assets and the committed loans, if required, from certain shareholders.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

The trade and other payables reflected in the table below include amounts subject to legal dispute of R nil (2018: R1 333 966), whilst Trade and other receivables include an amount of R4 020 004 (2018: R4 020 004) subject to legal dispute. The possible settlement of such legal dispute may impact on the Group's liquidity position and the Group has considered its ability to meet such settlement in terms of its credit facilities and its ability to secure funding from its shareholders and is satisfied that it is able to meet its commitments in this regard.

Notes to the consolidated and separate annual financial statements (continued)

40. Financial instruments and risk management (continued)

Group	Note(s)	Carrying value	Contractual cash flow	Between 1 and 12 months	Between 1 and 5 years
At 28 February 2019		**198 386 074**	**200 447 995**	**98 219 556**	**102 228 439**
Non-current liabilities					
Interest bearing liabilities	23	96 535 713	96 535 713	–	96 535 713
Finance lease liabilities	24	4 455 210	5 692 726	–	5 692 726
Current liabilities					
Trade and other payables	25	17 480 289	17 480 289	17 480 289	–
Finance lease liabilities	24	3 175 177	3 999 582	3 999 582	–
Interest bearing liabilities	23	73 988 757	73 988 757	73 988 757	–
Bank overdraft	19	2 750 928	2 750 928	2 750 928	–
At 28 February 2018		**129 967 440**	**130 906 627**	**45 948 987**	**84 957 640**
Non-current liabilities					
Interest bearing liabilities	23	82 500 000	82 500 000	–	82 500 000
Finance lease liabilities	24	2 155 141	2 457 640	–	2 457 640
Current liabilities					
Trade and other payables	25	19 864 689	19 864 689	19 864 689	–
Finance lease liabilities	24	22 199 080	22 199 080	22 199 080	–
Interest bearing liabilities	23	1 917 658	2 554 346	2 554 346	–
Bank overdraft	19	1 330 872	1 330 872	1 330 872	–

Company	Note(s)	Carrying value	Contractual cash flow	Between 1 and 12 months	Between 1 and 5 years
At 28 February 2019		**156 128 138**	**156 128 138**	**48 000 449**	**108 127 689**
Non-current liabilities					
Interest bearing liabilities	23	94 434 486	94 434 486	–	94 434 486
Current liabilities					
Trade and other payables	25	4 610 203	4 610 203	4 610 203	–
Loans from Group companies	10	13 693 203	13 693 203	–	13 693 203
Interest bearing liabilities	23	43 387 162	43 387 162	43 387 162	–
Bank overdraft	19	3 084	3 084	3 084	–
At 28 February 2018		**24 452 894**	**24 452 894**	**24 452 894**	**–**
Non-current liabilities					
Interest bearing liabilities	23	52 500 000	52 500 000	–	52 500 000
Current liabilities					
Trade and other payables	25	3 660 557	3 660 557	3 660 557	–
Loans from Group company	10	11 215 318	11 215 318	11 215 318	–
Interest bearing liabilities	23	20 792 337	20 792 337	20 792 337	–

40. Financial instruments and risk management (continued)

Interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group's cash flow to changes in the level of interest rates. During 2019 and 2018, the Group's borrowings at variable rate were denominated in the Rand. The sensitivity analysis is based on the year-end exposure.

At 28 February 2019, if interest rates on Rand-denominated borrowings had been 0.1% higher/lower with all other variables held constant, pre-tax profit for the year of the Group would have been R117 984 (2018: R900 995) lower/higher.

Variable interest rate instruments	Group		Company	
	2019	2018	**2019**	2018
Cash and cash equivalents	21 207 565	28 934 623	2 293 581	12 149 506
Interest-bearing liabilities	(170 524 470)	(104 699 080)	(137 821 648)	(73 292 337)
Finance lease liabilities	(7 630 387)	(4 072 799)	–	–
	(156 947 292)	**(79 837 256)**	**(135 528 067)**	**(61 142 831)**

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and cash and cash equivalents.

Exposure to credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investments in debt securities.

The carrying amounts of financial assets represents the maximum credit exposure.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Trade receivables inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if customers fail to make payments as they fall due.

Management, of the relevant entities within the Group, have established a credit policy which is aligned to Group's policy, under which each new customer is analysed individually for creditworthiness before the Group's standard payment and deliver terms and conditions are offered. The Group's review includes external ratings including credit scoring (TBD47) and Compuscan, financial statements, credit agency information, industry information and bank references. Sale limits are established for each customer and reviewed quarterly. Any sales exceeding those limits require approval from management of the relevant entities within the Group aligned with Group policy. The Group continuously monitors the potential default by its customers and other counterparties, identified either individually or as a Group and incorporates this information into its credit risk controls.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one month for customers. External credit ratings and/or reports on customers and counterparties are obtained and used. The Group's policy is to deal only with suitably creditworthy counterparties. Average debtors' terms are 30 days. Interest is charged on overdue customer accounts.

The Group establishes an allowance for impairment of debtors' balances that represents its estimate of potential losses in respect of trade and other receivables. The main components of this 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 not yet 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 loss allowance is recognised because of collateral.

Notes to the consolidated and separate annual financial statements (continued)

40. Financial instruments and risk management (continued)

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, annual financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies.

The Group uses an allowance matrix to measure the expected credit losses of trade receivables from customers, which comprise a very large number of small balances. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write off utilising historical data over the past six years.

Risk levels are assigned to the customer status: Level 1 relates to trade and other receivables balances outstanding which 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 which 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 customer status consisting of active, suspended, payment plan, disconnected and handed over pending. In monitoring customer credit risk, customers are grouped according to the above and the credit risk levels and expected credit loss rate is assigned to the grouping segments. The provision for credit losses is therefore based on past due status of these groupings. The exposure to credit risk and expected credit loss allowance for trade and other receivables is determined as follows:

Exposure to credit risk

	2019			2018		
Trade receivables – Group – 2019	**Estimated gross carrying amount at default**	**Loss allowance rate**	**Loss allowance**	Estimated gross carrying amount at default	Loss allowance rate	Loss allowance
Active	50 832 112	1.0%	498 155	35 730 919	0.5%	186 515
Disconnected	442 275	2.9%	12 952	344 320	2.9%	9 813
Payment plan	85 593	20.5%	17 559	325 902	20.5%	66 647
Handover pending	1 256 518	91.5%	1 149 393	1 703 964	75.0%	1 277 973
Suspended	1 478 450	100.0%	1 478 450	580 736	100.0%	580 736
Total	**54 094 947**		**3 157 159**	**38 685 841**		**2 121 786**

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables:

	2019	2018
Opening balance in accordance with IAS 39 Financial instruments: Recognition and Measurement	–	(3 135 462)
Adjustment on initial application of IFRS 9	–	(8 428 291)
Opening balance in accordance with IFRS 9	**(2 121 786)**	**(11 563 753)**
Amounts written off	1 969 787	7 752 778
Amounts recovered	(808 527)	(200 167)
Net remeasurement of loss allowance	(2 196 633)	1 889 356
Closing balance	**(3 157 159)**	**(2 121 786)**

The Group is not exposed to any significant credit risk for any single counterparty or any Group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas.

40. Financial instruments and risk management (continued)

Financial assets exposed to credit risk at year-end were as follows:

Group	Note(s)	2019 Gross carrying amount	2019 Credit loss allowance	2019 Amortised cost/fair value	2018 Gross carrying amount	2018 Credit loss allowance	2018 Amortised cost/fair value
Loans to Group companies	10	66 608 155	–	66 608 155	–	–	–
Loans to shareholders	17	13 034	–	13 034	–	–	–
Loans receivable	11	8 464 009	–	8 464 009	7 495 923	–	7 495 923
Finance lease receivables	15	2 385 068	–	2 385 068	–	–	–
Trade and other receivables	18	62 591 914	(2 946 160)	59 645 754	62 451 963	(2 130 278)	60 321 685
Contract assets	12	15 589 440	–	14 912 254	4 117 613	–	3 922 382
Cash and cash equivalents	19	23 958 493	–	23 958 493	23 958 493	–	23 958 493
		179 610 113	**(2 946 160)**	**175 986 767**	**98 023 992**	**86 567 175**	**95 698 483**

Company	Note(s)	2019 Gross carrying amount	2019 Impairment	2019 Amortised cost/fair value	2018 Gross carrying amount	2018 Credit loss allowance	2018 Amortised cost/fair value
Loans to Group companies	10	146 907 967	(21 238 535)	125 669 432	103 238 699	(22 536 152)	80 702 547
Loans to shareholders	17	13 034	–	13 034	–	–	–
Loans receivable	11	5 100	–	5 100	–	–	–
Trade and other receivables	18	22 447 625	–	22 447 625	7 012 144	–	7 012 144
Cash and cash equivalents	19	2 296 665	–	2 296 665	12 149 506	–	12 149 506
		171 670 391	**86 567 175**	**150 431 856**	**122 400 349**	**(22 536 152)**	**99 864 197**

The Group continuously monitors the potential default by its customers and other counterparties, identified either individually or as a group and incorporates this information into its credit risk controls.

The Group's management considers that all the above financial assets, which are not impaired or past their due date, for each of the reporting dates under review, are of good credit quality.

Reconciliation of provision for impairment of trade and other receivables

The Group is not exposed to any significant credit risk for any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas.

Notes to the consolidated and separate annual financial statements (continued)

40. Financial instruments and risk management (continued)

Cash and Cash equivalents

The Group held cash and cash equivalents of R21 207 565 as at 28 February 2019 (2018: R28 934 623). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+, based on Standard & Poor's ratings.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

On initial application of IFRS 9, the Group did not recognised an impairment allowance for cash and cash equivalents. As at 28 February 2019 the Group's assessment of expected credit losses based on cash and cash equivalents was not material and therefore no impairment allowance was raised.

41. Litigation

Dispute between Huge and Telemasters

During February 2013, Telemasters cancelled an agreement with Huge for the supply of MTN airtime and suspended the SIM cards held by the Company. In its Statement of Claim issued on 31 May 2013, Telemasters alleges that the Company is indebted to it in the amount of R4.176 million plus interest thereon.

The matter is subject to arbitration by the Arbitration Foundation of Southern Africa. The assets and liabilities relating to this dispute have been recognised at levels appropriate to the Company's assessment of the outcome of the arbitration hearing.

Dispute between Cell C service provider company (Cell C)

In October 2012 Huge Cellular and Cell C Service Provider Company Proprietary Limited (**Cell C**) entered into a written agreement in terms of which Cell C sold specified cellular telephone services referred to as the Cell C services to Huge Cellular. The agreement was amended on several occasions. In its amended form the agreement amended the type and nature of the cellular telephone services that Cell C was to provide, and obliged Huge Cellular to pay a minimum monthly amount to Cell C. Cell C was obliged to deduct the cost of the cellular telephone services actually used by Huge Cellular during the term of the agreement from the minimum monthly amount that Huge Cellular had agreed to pay in advance. The amended agreement created a mechanism to allow Huge Cellular to carry forward any portion of the cumulative minimum monthly amounts not actually used by Huge Cellular in prior months. The amount carried forward by Huge Cellular was referred to as the accumulated shortfall. The amended agreement specifically dealt with Huge Cellular's entitlement to carry forward the accumulated shortfall and stipulated that the accumulated shortfall could be carried forward on an unlimited basis until July 2019, and thereafter up to a maximum of the value of 250 million airtime minutes, with any unused accumulated shortfall to expire in February 2022. A further amendment to the agreement related to an amendment to its term, and the extension of the agreement. In its amended form the agreement contemplated an initial period, which would have ended on 28 February 2022. Huge Cellular was given the option to renew the agreement. Huge Cellular did not elect to renew the agreement and it came to an end on 28 February 2019. Over time the amount which Huge Cellular paid to Cell C as minimum monthly amounts was consistently more than its actual usage, with the result that Huge Cellular built up a very large accumulated shortfall. The accumulated shortfall at the end of February 2019 was in the region of R50 million.

Cell C threatened to terminate Huge Cellular's access to the Cell C mobile telephone network at midnight on 28 February 2019 notwithstanding that Huge Cellular would have an unused accumulated shortfall of about R50 million, and notwithstanding that the parties had specifically agreed that Huge Cellular could carry forward the accumulated shortfall until specified dates and that it would only expire in February 2022. Given Cell C's stated intention to terminate Huge Cellular's access to the Cell C mobile telephone network, Huge Cellular declared a dispute under the agreement and activated the dispute resolution mechanisms in the agreement. The dispute resolution mechanisms required the parties' Chief Executive Officers to attempt to resolve the matter and if that was not successful the dispute was then to be arbitrated. Therefore, the final determination of whether Huge Cellular is entitled to continued access to the Cell C mobile telephone network until it has used up all of the accumulated shortfall is a matter that will be finally determined by arbitration.

Prior to launching the urgent application Huge Cellular requested Cell C, on an interim basis, and pending finalisation of the dispute, to agree that Huge Cellular was entitled to continued access to the Cell C mobile telephone network after February 2019 until it had used up the accumulated shortfall. Cell C refused to provide the interim undertaking and Huge Cellular resolved to bring an urgent application.

41. Litigation (continued)

The urgent application was heard by his Lordship Mr Justice Mashile. On 26 February 2019 his Lordship handed down the judgement which contained the following Order:

"Pending final resolution of the dispute between Huge Cellular and Cell C in terms of clause 16 of the agreement, which is annexure 'D' to the founding affidavit and which dispute was declared in annexure 'I' of the founding affidavit:

Cell C is interdicted from terminating Huge Cellular's access to the Cell C mobile telephone network in respect of SIM cards issued to Huge Cellular prior to 28 February 2019; and …"

Subsequent to the Order the Chief Executive Officers of Huge Cellular and Cell C met to see whether the dispute could be amicably resolved, but no agreement could be reached. The parties have engaged each other to deal with the dispute by way of arbitration. The parties have agreed that Advocate CDA Loxton SC will act as the arbitrator and on 7 May 2019 a first pre-arbitration meeting was held. At the pre-arbitration meeting the parties agreed a comprehensive timetable to conduct the arbitration and agreed that the arbitration hearing will take place from 23 to 27 March 2020.

Other 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 and are of the opinion that, unless specifically provided, none of these will result in a loss to the Group. All significant litigation which the directors believe may result in a possible loss has been disclosed.

42. Events after the reporting period

Acquisitions

Subsequent to 28 February 2019, Huge acquired 50 plus 1 share of Pansmart for a nominal value and 50% of the shareholder claims on loan account which amounted to R13 151 309. Huge's acquisition of a controlling shareholding in Pansmart took effect on 13 May 2019.

Subsequent to 28 February 2019, Huge acquired 100% of the issued share capital of IntelPay and shareholder claims in accordance with a Sale of Shares and Claim Agreement. Huge acquired the 100% issued share capital for a value of R100 000. Huge's acquisition of IntelPay took effect 27 March 2019.

Dividends

Ordinary shareholders are advised that the Board has declared a gross cash dividend of 12.50 cents per ordinary share for the year ended 28 February 2019.

The dividend will be paid out of retained earnings of the Company.

A dividend withholdings tax of 20% will be applicable to all shareholders who are not exempt from, or who do not qualify for a reduced rate of withholding tax. Accordingly, for those shareholders subject to withholding tax, the net dividend amounts to 10.00 cents per share.

Other matters

The directors are not aware of any other significant matters or circumstance arising since the end of the financial year, not otherwise dealt with in the AFS, which affects the financial position of the Group or the results of its operations to the date of this report.

43. Going concern

The Board has undertaken a detailed review of the going-concern capability of the Company (and all subsidiary companies of the Company that for the Group) with reference to certain assumptions and plans underlying various cash flow forecasts.

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

Based on these facts, the Board believes that the Group is a going-concern and will remain a going-concern for the 12-month period that follows the date of approval of these AFS. Accordingly, the Company and the Group continue to adopt the going-concern basis of preparing these AFS.

04 Shareholder information continued

Shareholder analysis

	2019 Number of Shareholders	2019 Number of Shares	2019 % Shareholding	2018 Number of Shareholders	2018 Number of Shares	2018 % Shareholding
Public	766	77 676 385	44.23%	829	79 765 937	30.43%
Non-Public	26	97 950 692	55.77%	27	95 836 140	69.57%
	792	**175 627 077**	**100%**	**856**	**175 602 077**	**100%**

Non-Public Shareholder Analysis	Number of Shares	Number of Shareholders	Total Number of Shareholders	Total Number of Shares	Number of Shares	Number of Shareholders	Total Number of Shareholders	Total Number of Shares
Beneficial direct holdings relating to directors of Huge Group			**3**	**285 194**			6	1 111 424
Shareholders related to directors of Huge	268 370	1			1 088 354	3		
Shareholders related to directors of major subsidiaries	16 824	2			23 070	3		
Beneficial Indirect Holdings relating to directors of Huge Group Limited			**5**	**17 004 667**			6	17 192 841
Shareholdings related to directors of Huge	–	0			188 174	1		
Shareholdings related to the directors of major subsidiaries	17 004 667	5			17 004 667	5		
Non-Beneficial indirect holdings relating to directors of Huge Group			**11**	**28 722 313**			12	32 152 550
Shareholdings related to directors of Huge	24 445 549	4			28 090 843	5		
The CI Trust	4 061 707	3			4 061 707	3		
Associates of directors of Huge	200 000	3			200 000	3		
Associates of directors of major subsidiaries	15 057	1			5 019	1		
Treasury Shares		1	1	9 646 926		1	1	9 646 926
Praesidium Hedge Fund		1	1	36 500 000		1	1	28 000 000
Peregrine Equities		1	1	7 020 000		1	1	7 732 399
TOTAL		**22**	**22**	**99 179 100**		**27**	**27**	**95 836 140**

Major Shareholders	2019 Number of Shares	2019 % Shareholding	2018 Number of Shares	2018 % Shareholding
Praesidium Hedge Fund	36 500 000	20.78%	28 000 000	15.95%
Pacific Breeze Trading 417[1]	14 260 891	8.12%	14 260 891	8.12%
Eagle Creek Investments 223[1]	9 805 567	5.58%	9 805 567	5.58%
Huge Telecon	9 646 926	5.49%	9 646 926	5.49%
	70 213 384	**39.98%**	**61 713 384**	**35.14%**

1 A non-beneficial holding related to JC Herbst.

Shareholder Analysis and Information	2019 Number of Shareholders	2019 Number of Shares	2018 Number of Shareholders	2018 Number of Shares
Individuals	633	16 896 021	720	19 676 134
Nominees and Trusts	24	22 490 729	28	21 626 198
Close Corporations	2	51 839 082	5	119 540
Companies, financial and other institutions	133	84 401 245	103	134 180 205
	792	**175 627 077**	**856**	**175 602 077**

Size of Shareholding	Number of Shareholders	Number of Shares	Number of Shareholders	Number of Shares
0 – 1000	345	87 564	330	92 270
1001 – 5000	174	509 604	222	621 719
5001 – 100 000	190	3 918 741	210	4 489 201
100 000 – 1 000 000	54	22 798 629	63	26 177 227
1 000 001 +	29	148 312 539	31	144 221 660
Total	**792**	**175 627 077**	**856**	**175 602 077**

NOTICE OF ANNUAL GENERAL MEETING

HUGE GROUP LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2006/023587/06)
Share code: HUG
ISIN: ZAE00101042
("Huge" or "the Company")

Notice is hereby given to shareholders that the annual general meeting (**AGM**) of Huge for the year ended 28 February 2019 will be held at Unit 6, 1 Melrose Arch, Melrose Boulevard, Johannesburg on Thursday, 29 August 2019 at 10:00 to:

- deal with such business at the meeting with which the Company may lawfully deal; and
- consider, and if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act, 71 of 2008 (as amended) (**the Act**), as read with the Company's Memorandum of Incorporation (**MOI**) and the Listings Requirements of the JSE Limited (**Listings Requirements**), being the stock exchange on which the Company's ordinary shares (**Shares**) are listed.

RECORD DATES, PROXIES AND VOTING

In terms of section 59(1)(a) and (b) of the Act, the Board of the Company has set the record dates for the purposes of determining which shareholders are entitled to receive notice, participate in, and vote:

	2019
Record date to receive the notice of AGM	Friday, 21 June
Last date to trade to be eligible to participate in and vote at the AGM	Tuesday, 20 August
Record date to be eligible to participate in and vote at the AGM	Friday, 23 August

Kindly note that in terms of section 63(1) of the Act, meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to participate in or vote at the AGM. The form of identification that will be accepted includes an original and valid identity document, a driver's licence and a passport.

Shareholders who have not dematerialised their Shares or who have dematerialised their Shares with "own name" registration and who are entitled to attend, participate in and vote at the AGM are entitled to appoint a proxy to attend, speak and vote in their stead. A proxy need not be a shareholder and shall be entitled to vote on a show of hands or a poll. It is requested that proxy forms be forwarded so as to reach The Meeting Specialists Proprietary Limited, 29 La Rochelle Road, Glenesk, Johannesburg (**The Meeting Specialists**) by no later than 24 (twenty-four) hours before the commencement of the AGM. If shareholders who have not dematerialised their Shares or who have dematerialised their Shares with "own name" registration and who are entitled to attend, participate in and vote at the AGM do not deliver the proxy form to The Meeting Specialists by the relevant time, such shareholders will nevertheless be entitled to lodge the Form of Proxy in respect of the AGM immediately prior to the proxy exercising such shareholder's rights as a shareholder at the AGM, in accordance with the instructions therein, with the Chairman of the AGM.

Shareholders who have dematerialised their Shares, other than those shareholders who have dematerialised their Shares with "own name" registration, should contact their Central Securities Depository Participant (**CSDP**) or broker in the manner and within the time stipulated in the agreement entered into between them and their CSDP or broker:

- to furnish them with their voting instructions; or
- in the event that they wish to attend the AGM, to obtain the necessary letter of representation to do so.

On a show of hands, every shareholder present in person or represented by proxy and entitled to vote shall have only one vote irrespective of the number of Shares such shareholder holds. On a poll, every shareholder present in person or represented by proxy and entitled to vote shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the Shares held by such shareholder bears to the aggregate amount of the nominal value of all Shares issued by the Company.

NOTE

In order for an ordinary resolution to be adopted, it must be supported by more than 50% (fifty percent) of the voting rights exercised in respect of the resolution, unless otherwise specified.

In order for a special resolution to be adopted, it must be supported by at least 75% (seventy-five percent) of the voting rights exercised in respect of the resolution.

When reading the resolutions, please refer to the explanatory notes in respect thereof.

ELECTRONIC PARTICIPATION

The Company intends to offer shareholders reasonable access to attend the AGM through electronic conference call facilities, in accordance with provisions of the Act. Shareholders wishing to participate electronically in the AGM are required to deliver written notice to the Company at Unit 6, 1 Melrose Boulevard, Melrose Boulevard, Johannesburg (marked for the attention of Karen Robinson, the Company Secretary) by no later than Friday, 23 August 2019, that they wish to

participate via electronic communication at the AGM (the **electronic notice**). In order for the electronic notice to be valid it must contain:

- if the shareholder is an individual, a certified copy of their identity document;
- if the shareholder is not an individual, a certified copy of a resolution passed by the relevant entity and a certified copy of the identity document(s) of the person(s) who passed the relevant resolution, which resolution must set out the person from the relevant entity who is authorised to represent it at the AGM; and
- a valid email address.

Voting on Shares will not be possible via electronic communication and accordingly Shareholders participating electronically and wishing to vote their Shares at the AGM will need to be represented at the AGM, either in person, by proxy or by letter of representation. The Company shall use its reasonable endeavours on or before Wednesday, 28 August 2019, to notify the shareholder who has delivered a valid electronic notice of the relevant details through which the shareholder can participate via electronic communication.

PRESENTATION TO SHAREHOLDERS

In terms of the requirements of the Act and the Company's MOI, the following documents have been distributed as required and/or will be presented to the shareholders at the AGM:

- The Consolidated Annual Financial Statements (**AFS**) of the Company for the year ended 28 February 2019
- Directors' Report
- Independent Auditor's Report
- Audit Committee Report
- Social and Ethics Committee Report

A complete set of the AFS, together with the abovementioned reports, are set out in this Report.

The Abridged Integrated Report and Integrated Report are available on the Company's website: www.hugegroup.com.

SOCIAL AND ETHICS COMMITTEE REPORT

In accordance with Regulation 43(5)(c) of the Act, the Chairman of the Social and Ethics Committee will report to the shareholders at the AGM.

ORDINARY RESOLUTION NUMBER 1

Appointment of the independent auditor

"Resolved that Moore Stephens MWM Incorporated and CA Whitefield as the designated audit partner, following the recommendation of the current Audit Committee of the Company, be appointed as the independent auditor of the Company, until the conclusion of the next AGM."

Explanatory note

In terms of section 90(1) of the Act, each year at its AGM, the Company must appoint an auditor who complies with the requirements of section 90(2) of the Act. Following a detailed review, which included an assessment of its independence, the current Audit Committee of the Company has recommended that Moore Stephens MWM Incorporated be re-appointed as the independent auditor of the Company.

ORDINARY RESOLUTION NUMBER 2 (2.1 TO 2.2)

Appointment of directors

"Resolved, to elect, by way of separate resolutions, the following executive directors who were appointed after the last AGM and whose appointments are required to be ratified by the shareholders:

2.1 AP Openshaw (executive director)

2.2 SL Sequeira (executive director)"

A brief CV of each director appears on pages 32 and 33 of this Report.

Explanatory note

In terms of the Company's MOI and Schedule 10.16(c) of the Listings Requirements, directors who are appointed after the last AGM are required to stand for election by shareholders at the next AGM.

The Board, through the Nomination Committee, recommends that shareholders elect the executive directors.

ORDINARY RESOLUTION NUMBER 3 (3.1 TO 3.3)

Re-election of directors

"Resolved, to elect, by way of separate resolutions, the following non-executive directors who retire by rotation and who are eligible and available for re-election."

3.1 DR Gammie (Independent non-executive director)

3.2 VM Mokholo (Non-executive director)

3.3 SP Tredoux (Independent non-executive director)"

A brief CV of each director appears on pages 32 and 33 of this Report.

Explanatory note

In terms of the Company's MOI, one third of the non-executive directors shall retire from office at each AGM.

The Board, through the Nomination Committee, has evaluated the past performance and contribution of the retiring directors and recommends that they be re-elected.

NOTICE OF ANNUAL GENERAL MEETING (continued)

ORDINARY RESOLUTION NUMBER 4 (4.1 TO 4.3)

Election of Audit Committee members

"Resolved, subject to the approval of ordinary resolution 3.1 and 3.3, to elect, by way of separate resolutions, the following independent non-executive directors as members of the Company's Audit Committee.

4.1 DR Gammie (Chairman)

4.2 CWJ Lyons

4.3 SP Tredoux"

All the above retiring members are eligible and available for election. A brief CV of each member appears on pages 32 and 33 of this Report.

Explanatory note

The members of the Audit Committee have been nominated by the Board for election as members of the Company's Audit Committee in terms of section 94(2) of the Act. The Board has reviewed the proposed composition of the Audit Committee against the requirements of the Act and Regulations under the Act and has confirmed that, if elected, the membership of the committee will comply with the relevant requirements and the members will have the necessary knowledge, skills and experience to enable it to perform its duties in terms of the Act.

ORDINARY RESOLUTION NUMBER 5

*General authority to allot and issue equity securities (**Securities**) (including ordinary Shares) for cash*

"Resolved that, subject to the approval of 75% of the shareholders present in person and by proxy and entitled to vote at the meeting, the directors of the Company be and are hereby authorised, by way of a general authority, to allot and issue up to 30% of the authorised but unissued Securities (including ordinary Shares) of the Company as they in their discretion deem fit, subject to the provisions of the Act, the Listings Requirements and the Company's MOI, provided that:

(i) The Securities (including ordinary Shares) which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such Securities (including ordinary Shares) or rights that are convertible into a class already in issue;

(ii) The Securities are issued to public shareholders, as defined in terms of the Listings Requirements, and not to related parties;

(iii) This authority shall not endure beyond the next AGM of the Company nor shall it endure beyond 15 (fifteen) months of the date of this meeting;

(iv) The Securities (including ordinary Shares) are to be issued in accordance with the Listings Requirements;

(v) Upon any issue of Securities (including ordinary Shares) which, together with prior issues during the last 15 months from the date on which the resolution is passed or until the next AGM (whichever period is shorter), will constitute 5% or more of the number of Securities (including ordinary Shares) of the class in issue, the Company shall by way of an announcement on the Securities Exchange News Service of the JSE Limited providing full details thereof in terms of the Listings Requirements;

(vi) The number of Securities (including ordinary Shares) issued for cash shall not, in aggregate, exceed 30% of the Company's Securities (including ordinary Shares) as at, which, in the case of the Company's listed ordinary Shares is 49 432 237 Shares, which is 30% of 175 627 077 listed ordinary Shares less 10 852 953 ordinary Shares held as treasury shares, as at the date of this notice. Any Securities (including ordinary Shares) issued under this authority during the period of its validity must be deducted from the above number of ordinary Shares and in the event of a sub-division or consolidation of the Securities (including ordinary Shares), this authority must be adjusted accordingly to represent the same allocation ratio; and

(vii) The maximum discount at which Securities (including ordinary Shares) may be issued is 10% of the weighted average traded price of such Securities (including ordinary Shares) over the 30 (thirty) business days prior to the date that the price is agreed or determined between the Company and the party subscribing for the Securities (including ordinary Shares)."

Explanatory note

In terms of the Listings Requirements, when Securities (including ordinary Shares) are issued, or where consideration is being given to issuing Securities (including ordinary Shares), for cash (including the extinction of a liability, obligation or commitment, restraint, or settlement of expenses), the shareholders are required to authorise such issue with a 75% majority of the votes cast in favour of the resolution.

The directors consider it advantageous to renew this authority to enable the Company to take advantage of any business opportunity that may arise in future.

ADVISORY ENDORSEMENT NUMBER 1

Approval of the Company's Remuneration Policy

"To endorse, through a non-binding advisory vote, the Company's Remuneration Policy, as contained on pages 42 to 47 of this Report".

ADVISORY ENDORSEMENT NUMBER 2

Approval of the Company's Remuneration Implementation Report

"To endorse, through a non-binding advisory vote, the Company's Remuneration Implementation Report, as contained on pages 45 to 47 of this Report".

Explanatory Note in respect of Advisory Endorsement Number 1 and Number 2

The King IV Report on Corporate Governance and the Listings Requirements require that the Board (with the assistance of the Remuneration Committee) table the Remuneration Policy and the Remuneration Implementation Report every year at the AGM for separate non-binding advisory votes by shareholders. In accordance with the provisions of the Listings Requirements, the Company shall give shareholders the right to express their views on the Remuneration Policy and the Remuneration Implementation Report and in the event that either the Remuneration Policy or the Remuneration Implementation Report, or both, have been voted against by 25% or more of the voting rights exercised by the shareholders, to take these dissenting votes into account.

SPECIAL RESOLUTION NUMBER 1

Approval of the remuneration of non-executive directors

"Resolved as a special resolution that, in terms of section 66(9) of the Act, the following remuneration shall be payable to non-executive directors of the Company in respect of the year ended 29 February 2020, for their services as directors."

	Fees payable in financial year ended 28 February 2019		Fees payable in financial year ended 29 February 2020	
	Chairman of the Board	Directors/ Committee members	Chairman of the Board	Directors/ Committee members
Monthly retainer	R52 500	R27 900	R60 000	R31 000
Meeting attendance fee (per day)	R16 000	R16 000	R18 000	R18 000
Special Board meetings attendance fee (per day)	R5 000	R5 000	R6 000	R6 000

Exclusive of Value-Added Tax, where applicable

Explanatory note

Special resolution number 1 is proposed to enable the Company to comply with the provisions of sections 65(11)(h), 66(8) and 66(9) of the Act, which stipulate that remuneration to directors for their services as directors may be paid only in accordance with a special resolution approved by shareholders.

For further information on the Group's remuneration practices, please refer to the Remuneration Report contained on pages 42 to 47 of this Report.

NOTICE OF ANNUAL GENERAL MEETING (continued)

SPECIAL RESOLUTION NUMBER 2

Authority for the Company to grant financial assistance in terms of section 45 of the Act

"Resolved as a special resolution that, in terms of section 45 of the Act, the shareholders of the Company hereby approve of the Company providing, at any time and from time to time but subject to Board approval at such time, during the period of 2 (two) years commencing from the date of this special resolution, any direct or indirect financial assistance as contemplated in section 45 of the Act and provided that the Board is satisfied that:

- immediately after providing the financial assistance, the Company will satisfy the solvency and liquidity test; and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company."

Explanatory note

Special resolution number 2 is proposed in order to obtain approval from shareholders to enable the Company to provide financial assistance, when the need arises, in accordance with the provisions of section 45 of the Act and in order to provide for inter-company loans within the Group.

SPECIAL RESOLUTION NUMBER 3

General authority to repurchase (acquire) Securities (including ordinary Shares)

"Resolved as a special resolution that the Board is hereby authorised in terms of section 48(8) of the Act by way of a renewable general authority, subject to the provisions of the Listings Requirements and as permitted by the Company's MOI, to approve the repurchase by the Company of its own Securities (including ordinary Shares) and/or the acquisition of the Company's Securities (including ordinary Shares) by any of its subsidiary companies, upon such terms and conditions and in such amounts as the Board may from time to time determine but subject to the Company's MOI, the provisions of the Act and the Listings Requirements, where applicable and provided that:

- The repurchase by the Company of its own Securities (including ordinary Shares) or the acquisition of the Company's Securities (including ordinary Shares) by any subsidiary company of the Company in terms of this general authority may not, in the aggregate, exceed in any one financial year 5% of the Company's issued Securities (including ordinary Shares) constituting its share capital as at the beginning of the financial year as repurchased or acquired from the date of the grant of this general authority;
- If applicable and subject to section 48(8)(b) of the Act, the acquisition of Securities (including ordinary Shares) as treasury stock by a subsidiary company of the Company may not exceed 10% of the number of Securities (including ordinary Shares) issued by the Company;
- This general authority shall lapse on the earlier of the date of the next AGM of the Company or the date that is 15 (fifteen) months after the date on which this special resolution is passed;
- The Board has resolved to authorise the repurchase by the Company or the acquisition by any subsidiary company of the Company and provided further that the resolution of the Board and the resolution of the Board any subsidiary company of the Company confirms, as part of the resolution, that it will satisfy the solvency and liquidity test immediately after the repurchase or acquisition, as the case may be, and that subsequent to the tests being undertaken, that there have been no material changes to its financial position;
- The repurchase or acquisition must be effected through the order book operated by the trading system of the JSE Limited and done without any prior understanding or arrangement between the Company or any subsidiary company of the Company and the counterparty (reported trades are prohibited);
- The Company or the subsidiary company of the Company only appoints one agent to affect any repurchase or acquisition, as the case may be, on its behalf;
- The price paid per Security (including an ordinary Share) may not be greater than 10% above the weighted average of the market value of the Securities (including ordinary Shares) for the 5 (five) business days immediately preceding the date on which a repurchase or an acquisition, as the case may be, is made;
- The repurchase or acquisition of Securities (including ordinary Shares) by the Company or any subsidiary company of the Company may not be effected during a prohibited period, as defined by the Listings Requirements, unless the Company has in place a repurchase programme where the full details of the programme have been submitted to the JSE Limited in writing prior to the commencement of the prohibited period, including the dates and quantities of Securities (including ordinary Shares) to be traded during the relevant period, which must be fixed and not subject to any variation. The Company must instruct an independent third party, which makes its investment decisions in relation to the Company's Securities (including ordinary Shares) independently of, and uninfluenced by, the Company, prior to the commencement of the prohibited period, to execute the repurchase programme submitted to the JSE Limited; and

- An announcement containing the full details of any repurchase or acquisition of Securities (including ordinary Shares) must be published as soon as the Company and/or any of its subsidiary companies have repurchased or acquired, as the case may be, Securities (including ordinary Shares) constituting, on a cumulative basis, 3% of the number of Securities (including ordinary Shares) in issue at the time the general authority for this special resolution is granted and for each 3% in aggregate of the initial number acquired thereafter."

Explanatory note

Special resolution number 3 is sought to allow the Company and/or any of its subsidiary companies, by way of a general authority, to repurchase or acquire, as the case may be, the Company's Securities (including ordinary Shares). At the present time, the Board has no specific intention with regard to the utilisation of this general authority, which will only be used if the circumstances are appropriate. Any decision by the Board to use this general authority to repurchase or acquire Securities (including ordinary Shares), as the case may be, of the Company will be taken with regard to the prevailing market conditions and other factors. The Board, having considered the effect of a maximum repurchase and/or acquisition, as the case may be, under this general authority, is of the opinion that for a period of 12 months from the date of the AGM notice:

(i) The Company and the Group will be able to pay their debts in the ordinary course of business;

(ii) The assets of the Company and the Group will be in excess of the liabilities of the Company and the Group, with such assets and liabilities being recognised and measured in accordance with the accounting policies used in the latest audited Consolidated Annual Financial Statements;

(iii) The share capital and reserves of the Company and the Group will be adequate for ordinary business purposes; and

(iv) The working capital of the Company and the Group will be sufficient for ordinary business purposes.

The Listings Requirements require the following disclosures relative to special resolution number 3, which appear in the Report:

- Major shareholders – page 153
- Share capital of the Company – pages 59 to 60

Materiality

Other than the facts and developments reported in this Report, there have been no material changes in the financial or trading position of the Company and its subsidiary companies between the date of signature of the audit report and the date of this notice.

Directors' Responsibility Statement

The directors, whose names appear in this Report and the AFS, collectively and individually, accept full responsibility for the accuracy of the information given in this special resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this special resolution contains all information required by law and the Listings Requirements.

By order of the board of directors

Karen Robinson
Company Secretary

Johannesburg
28 June 2019

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Form of Proxy

HUGE GROUP LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 2006/023587/06)
Share code: HUG
ISIN: ZAE00101042
("Huge" or **"the Company")**

FOR USE BY CERTIFICATED SHAREHOLDERS AND OWN-NAME DEMATERILISED SHAREHOLDERS AT THE ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD AT UNIT 6, 1 MELROSE BOULEVARD, MELROSE ARCH, JOHANNESBURG ON 29 AUGUST 2019 AT 10:00.

Certificated shareholders or dematerialised shareholders with "own name" registration who are entitled to attend and vote at the annual general meeting (**AGM**), are entitled to appoint one or more proxies to attend, speak and vote in their stead. A proxy need not be a shareholder and shall be entitled to vote on a show of hands or poll.

Dematerialised shareholders, other than dematerialised shareholders with "own-name" registrations, must not return this form of proxy to the Company's meeting scrutineers or deliver it to the Chairman of the AGM. Dematerialised shareholders, other than dematerialised shareholders with "own-name" registration, should instruct their Central Securities Depository Participant (**CSDP**) or broker as to what action they wish to take. This must be done in the manner and time stipulated in the agreement entered into between them and their CSDP or broker.

I/We (please print) _____

of (address) _____

Telephone numbers – Landline: _____ Mobile: _____

Email: _____

being the holder/s of _____ ordinary Shares of R0,0001 cent each in Huge, appoint (see note 1)

1. _____ or failing him/her

2. _____ or failing him/her

3. the Chairman of the AGM, as my/our proxy to act for me/us and on my/our behalf at the AGM which will be held on 29 August 2019 at 10:00 for the purpose of considering, and if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against such resolutions and/or abstain from voting in respect of the ordinary Shares registered in my/our name/s, in accordance with the following instructions (see note 2):

	Number of votes		
	For	Against	Abstain
Ordinary Resolution Number 1 – Appointment of the independent auditor			
Ordinary Resolution Number 2.1 – Appointment of executive director: AP Openshaw			
Ordinary Resolution Number 2.2 – Appointment of executive director: SL Sequeira			
Ordinary Resolution Number 3.1 – Re-election of director: DR Gammie			
Ordinary Resolution Number 3.2 – Re-election of director: VM Mokholo			
Ordinary Resolution Number 3.3 – Re-election of director: SP Tredoux			
Ordinary Resolution Number 4.1 – Election of Audit Committee member and Chairman: DR Gammie			
Ordinary Resolution Number 4.2 – Election of Audit Committee member: CWJ Lyons			
Ordinary Resolution Number 4.3 – Election of Audit Committee member: SP Tredoux			
Ordinary Resolution Number 5 – General authority to allot and issue Securities (including ordinary Shares) for cash			
Advisory Endorsement Number 1 – Approval of the Company's Remuneration Policy			
Advisory Endorsement Number 2 – Approval of the Company's Remuneration Implementation Report			
Special Resolution Number 1 – Approval of the remuneration of non-executive directors			
Special Resolution Number 2 – Approval for the Company to grant financial assistance in terms of section 45 of the Act			
Special Resolution Number 3 – General authority to repurchase (acquire) Securities (including ordinary Shares)			

Every person entitled to vote and who is present at the AGM shall be entitled to either:

(a) One vote on a show of hands, irrespective of the number of Shares such person holds or represents, provided that a proxy shall, irrespective of the number of shareholders they represent, have only one vote; or

(b) That proportion of the total votes in the Company which the aggregate amount of the nominal value of the Shares held by the shareholder bears to the aggregate amount of the nominal value of all Shares issued by the Company in respect of every matter that may be decided by polling.

A proxy may not delegate his/her authority to act on his/her behalf to another person (see note 4).

This proxy form will lapse and cease to be of force and effect immediately after the AGM of the Company and any adjournment(s) thereof unless it is revoked earlier (as to which see notes 9 and 10).

Signed at _____ on _____ 2019

Signature _____

Assisted by me (where applicable)

Name: _____ Capacity: _____ Signature _____

Notes to the form of proxy

1. This form of proxy is for use by certificated shareholders and dematerialised shareholders with "own name" registration whose Shares are registered in their own names on the record date and who wish to appoint another person to represent them at the annual general meeting (**AGM**). If duly authorised, companies and other corporate bodies who are shareholders having Shares registered in their own names may appoint a proxy using this form of proxy or may appoint a representative in accordance with the last paragraph below.

   Other shareholders should not use this form. All beneficial holders who have dematerialised their Shares through a Central Securities Depository Participant (**CSDP**) or broker, and do not have their Shares registered in their own name, must provide the CSDP or broker with their voting instructions. Alternatively, if they wish to attend the AGM in person, they should request the CSDP or broker to provide them with a letter of representation in terms of the custody agreement entered into between the beneficial owner and the CSDP or broker.
2. Shareholders are requested to lodge this form of proxy with the Company's meeting scrutineers, The Meeting Specialists Proprietary Limited, 29 La Rochelle Road, Glenesk, Johannesburg (**The Meeting Specialists**) by no later than 10:00 on Wednesday, 28 August 2019. If shareholders who have not dematerialised their Shares or who have dematerialised their Shares with "own name" registration and who are entitled to attend, participate in and vote at the AGM do not deliver the proxy form to the meeting scrutineers by the relevant time, such shareholders will nevertheless be entitled to lodge the form of proxy in respect of the AGM immediately prior to the proxy exercising such shareholder's rights as a shareholder at the AGM, in accordance with the instructions therein, with the Chairman of the AGM.
3. This proxy shall apply to all the ordinary Shares registered in the name of shareholders at the record date unless a lesser number of Shares are inserted.
4. A shareholder may appoint one person as the proxy by inserting the name of such proxy in the space provided. Any such proxy need not be a shareholder of the Company. If the name of the proxy is not inserted, the Chairman of the AGM will be appointed as proxy. If more than one name is inserted, then the person whose name appears first on this form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of any persons whose names follow. The proxy appointed in this form of proxy may delegate the authority given to him/her in this form of proxy by delivering to the Company, in the manner required by these instructions, a further form of proxy which has been completed in a manner consistent with the authority given to the proxy of this form of proxy.
5. Unless revoked, the appointment of proxy in terms of this form of proxy remains valid until the end of the AGM even if such meeting or a part thereof is postponed or adjourned.
6. If:
   - 6.1. a shareholder does not indicate on this instrument that the proxy is to vote in favour of or against or to abstain from voting on any resolution; or
   - 6.2. the shareholder gives contrary instructions in relation to any matter; or
   - 6.3. any additional resolution/s which are properly put before the AGM; or
   - 6.4. any resolution listed in the form of proxy is modified or amended,

   the proxy shall be entitled to vote or abstain from voting, as he/she thinks fit, in relation to that resolution or matter. If, however, the shareholder has provided further written instructions which accompany this form of proxy and which indicate how the form of proxy should vote or abstain from voting in any of the circumstances referred to in 6.1 to 6.4, then the form of proxy shall comply with those instructions.
7. If this proxy is signed by a person (signatory) on behalf of the shareholder, whether in terms of a power of attorney or otherwise, then this form of proxy will not be effective unless:
   - 7.1. it is accompanied by a certified copy of the authority given by the shareholder to the signatory; or
   - 7.2. the Company has already received a certified copy of that authority.
8. Any alterations made in this form of proxy must be initialled by the authorised signatory/ies.
9. This form of proxy is revoked if the shareholder who granted the proxy:
   - 9.1. delivers a copy of the revocation instrument to the Company and to the proxy or proxies concerned, so that it is received by the Company prior to the proxy exercising such shareholder's rights as a shareholder at the AGM, in accordance with the instructions therein, with the Chairman of the AGM; or
   - 9.2. appoints a later, inconsistent appointment of proxy for the AGM; or
   - 9.3. attends the AGM in person.
10. If duly authorised, companies and other corporate bodies who are shareholders of the Company having Shares registered in their own name may, instead of completing this form of proxy, appoint a representative to represent them and exercise all of their rights at the AGM by giving written notice of the appointment of that representative. This notice should be received by the Company's meeting scrutineers, The Meeting Specialist Proprietary Limited, 29 La Rochelle Road, Glenesk, Johannesburg, not later than 10:00 on Wednesday, 28 August 2019 and must be accompanied by a duly certified copy of the resolution/s or other authorities in terms of which that representative is appointed.

Summary of rights established by section 58

Summary of rights established by section 58 of the Companies Act, 71 of 2008 (**Companies Act**), as required in terms of sub-section 58(8)(b)(i):

1. A shareholder may at any time appoint any individual, including a non-shareholder of the Company, as a proxy to participate in, speak and vote at a shareholders' meeting on his/her behalf (section 58(1)(a)), or to give or withhold consent on behalf of the shareholder to a decision in terms of section 60 (shareholders acting other than at a meeting) (section 58(1)(b)).
2. A proxy appointment must be in writing, dated and signed by the shareholder, and remains valid for one year after the date on which it was signed or any longer or shorter period expressly set out in the appointment, unless it is revoked in terms of paragraph 6.3 below or expires earlier in terms of paragraph 10.4 below (section 58(2)).
3. A shareholder may appoint two or more persons concurrently as proxies and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder (section 58(3)(a)).
4. A proxy may delegate his/her authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy ("proxy instrument") (section 58(3)(b)).
5. A copy of the proxy instrument must be delivered to the Company, or to any other person acting on behalf of the Company, before the proxy exercises any rights of the shareholder at a shareholders' meeting (section 58(3)(c)) and in terms of the Memorandum of Incorporation (**MOI**) of the Company at least 48 hours before the meeting commences.
6. Irrespective of the form of instrument used to appoint a proxy:
   - 6.1. the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder (section 58)4)(a));
   - 6.2. the appointment is revocable unless the proxy appointment expressly states otherwise (section 58(4)(b)); and
   - 6.3. if the appointment is revocable, a shareholder may revoke the proxy appointment by cancelling it in writing or by making a later, inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company (section 58(4)(c)).
7. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered as contemplated in paragraph 6.3 above (section 58(5)).
8. If the proxy instrument has been delivered to a Company, as long as that appointment remains in effect, any notice required by the Companies Act or the Company's MOI to be delivered by the Company to the shareholder must be delivered by the Company to the shareholder (section 58(6)(a)), or the proxy or proxies, if the shareholder has directed the Company to do so in writing and paid any reasonable fee charged by the Company for doing so (section 58(6)(b)).
9. A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the MOI or proxy instrument provides otherwise (section 58(7)).
10. If a Company issues an invitation to shareholders to appoint one or more persons named by the Company as a proxy, or supplies a form of proxy instrument:
    - 10.1. the invitation must be sent to every shareholder entitled to notice of the meeting at which the proxy is intended to be exercised (section 58(8)(a));
    - 10.2. the invitation or form of proxy instrument supplied by the Company must:
      - 10.2.1. bear a reasonably prominent summary of the rights established in section 58 of the Companies Act (section 58(8)(b)(i));
      - 10.2.2. contain adequate blank space, immediately preceding the name(s) of any person(s) named in it, to enable a shareholder to write the name, and if desired, an alternative name of a proxy chosen by the shareholder (section 58(8)(b)(ii)); and
      - 10.2.3. provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution(s) to be put at the meeting, or is to abstain from voting (section 58(8)(b)(iii));
    - 10.3. the Company must not require that the proxy appointment be made irrevocable (section 58(8)(c)); and
    - 10.4. the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to paragraph 7 above (section 58(8)(d)).

Corporate information

Company registration number	2006/023587/06
Country of incorporation and domicile	South Africa
JSE Code	HUG
A2X Code	HUG
ISIN	ZAE000102042
Nature of business and principal activities	Investment holding company, holding investments in subsidiary companies operating in the telecommunications and software industries
Directors:	
Executive	James Herbst (*Chief Executive Officer*) Andy Openshaw (*Chief Operating Officer*) (*Appointed 1 March 2019*) Samantha Sequeira (*Chief Financial Officer*) (*Appointed 1 March 2019*) Zunaid Bulbulia (*resigned 31 December 2018*)
Non-executive	Duarte da Silva *(Chairman)* Stephen Tredoux *(Lead Independent Director)* Brian Armstrong *(Independent)* Dennis Gammie *(Independent)* Craig Lyons *(Independent)* Vincent Mokholo *(Non-Executive)*
Registered address	Unit 6, 1 Melrose Boulevard, Melrose Arch Johannesburg, Gauteng
Business address	Unit 6, 1 Melrose Boulevard, Melrose Arch, Johannesburg, Gauteng
Postal address	PO Box 1585, Kelvin, 2054
Auditor	Moore Stephens MWM Incorporated
Business address	50 Oxford Road, Parktown, Johannesburg 2193
Postal address	PO Box 3094, Houghton, 2041
Company Secretary	Karen Robinson
Business address	Unit 6, 1 Melrose Boulevard, Melrose Arch Johannesburg, Gauteng
Postal address	PO Box 1585, Kelvin, 2054
Sponsor	Questco Corporate Advisory Proprietary Limited First Floor, Yellowwood House, Ballywoods Office Park 33 Ballyclare Drive, Bryanston, 2191
Transfer secretaries	Computershare Services Proprietary Limited
Business address	Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
Postal address	P O Box 61051, Marshalltown, 2107
Email	Web.queries@computershare.co.za
Tax reference number	9378909155
VAT reference number	4390253955
Level of assurance	These Consolidated and Separate Annual Financial Statements have been audited in compliance with section 30(2)(a) of the Companies Act, 71 of 2008 (as amended)
Preparer	These Consolidated and Separate Annual Financial Statements were compiled internally under the ultimate supervision of SL Sequeira CA(SA)
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