# Annual Financial Statements



# Shareholder information

# CFO Report

## Key Performance Highlights

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

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

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

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

Group cash increased from R24 million to
**R40 million**

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

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

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

**Samantha Sequeira**
Chief Financial Officer

## Operational overview

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

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

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

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

## Fintech Grouping

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

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

## Telecom Grouping

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

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

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

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

## Corporate Office Grouping

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

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

## Capital Structure

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

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

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

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

## Cash flow and cash generation

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

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

## COVID-19

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

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

# DEFINITIONS

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

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

## DEFINITIONS (continued)

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

# APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2020

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

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

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

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

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

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

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

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

**Duarte da Silva**
*Chairman*

**James Herbst**
*Chief Executive Officer*

**Samantha Sequeira**
*Chief Financial Officer*

# COMPANY SECRETARY CERTIFICATION

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

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

**Karen Robinson**
*Company Secretary*

31 August 2020

## CERTIFICATE BY PREPARER OF THE FINANCIAL STATEMENTS

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

**Samantha Sequeira**
*Chief Financial Officer*

31 August 2020

# DIRECTORS' REPORT

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

## 1. Nature of business

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

Huge has five principal subsidiary companies:

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

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

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

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

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

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

The remaining subsidiary companies are:

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

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

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

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

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

## 2. Financial results

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

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

# DIRECTORS' REPORT (continued)

## 3. COVID-19 Assessment

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

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

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

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

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

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

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

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

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

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

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

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

## 4. Going concern

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

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

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

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

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

## 5. Borrowing powers

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

# DIRECTORS' REPORT (continued)

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

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

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

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

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

## 7. Goodwill

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

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

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

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

## 8. Authorised and issued share capital

### Authorised share capital

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

### Issued share capital

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

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

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

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

## Shares issued

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

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

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

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

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

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

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

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

# DIRECTORS' REPORT (continued)

## 8. Authorised and issued share capital (continued)

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

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

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

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

### Shares of the Company repurchased by the Company

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

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

### Treasury shares

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

### Forward issue of Shares

In terms of an announcement published on SENS on 3 January 2017, shareholders of 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 had agreed to subscribe for 17 500 000 Shares, at a subscription price of 850 cents per Share. This subscription agreement terminated during FY2019 as certain conditions had not been met. No Shares were issued in respect of this subscription agreement.

## 9. Directorate

### 9.1 Composition of the Board

**The Board consists of the following members:**

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

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

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

### 9.2 Rotation of directors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# DIRECTORS' REPORT (continued)

## 11. Restricted shares

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

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

*10 In terms of the subscription and repurchase agreement entered into between Huge and ConnectNet Broadband Wireless 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 reporting periods ended 28 February 2018, 28 February 2019 and 29 February 2020 will be no less than 80% of the cumulative aggregate operating profit target of R239.9 million. On 8 July 2019 the Group published an announcement on SENS that the vendors involved in the above mentioned transaction agreed to extend their lock-in for another two years. In return, the Group waived the profit warranties it held against the vendors.*

*11 In terms of the subscription and repurchase agreement, 10 335 518 Shares issued to the relevant shareholders were the subject of a 24-month lock-in undertaking, which expired on 29 March 2019. Subsequent to the closing of the subscription and repurchase agreement, the relevant shareholders, of their own volition, created a trust to be known as The CI Trust and decided to donate 1 466 667 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. On 8 July 2019 the Group published an announcement on SENS that the vendors involved in the above mentioned transaction agreed to extend their lock-in for another two years. In return, the Group waived the profit warranties it held against the relevant shareholders.*

*12 During August 2019, 468 038 Shares (2019: 131 226) were transferred by The CI Trust share beneficiaries, being certain existing employees, directors and/or consultants to the ConnectNet Broadband Wireless Group. Of the remaining 737 989 Shares, 624 818 Shares will be allocated to share beneficiaries after 29 February 2020 with the residual balance of 113 169 Shares ceded against the loan between the CI Trust and Huge. Shares that have been allocated to share beneficiaries are not restricted. Refer to note 22 for additional information.*

## 12. Directors' personal financial interests

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

## 13. Litigation

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

## 14. Dividends

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

**DIVIDENDS DECLARED AND PAID**

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

## 15. Events after the reporting period

**SHARE REPURCHASE PROGRAMME:**

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

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

**DEALINGS IN SECURITIES BY DIRECTORS:**

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

**PERFORMANCE INCENTIVE:**

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

**COVID-19:**

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

**OTHER MATTERS:**

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

# DIRECTORS' REPORT (continued)

## 16. Company Secretary and administration

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

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

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

## 17. Audit Committee

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

## 18. Auditors

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

# INDEPENDENT AUDITOR'S REPORT

## To the shareholders of Huge Group Limited

**Report on the Audit of the Consolidated and Separate Financial Statements**

## Opinion

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

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

## Basis for opinion

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

# INDEPENDENT AUDITOR'S REPORT (continued)

## Key audit matters

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

| Key audit matter | Audit response |
|---|---|
| **Assessment of goodwill impairment and the related impairment of the investment in subsidiaries (refer to note 6)** | |
| Refer to the following notes to the consolidated financial statements:<br>• Accounting Policies: Critical accounting judgements, estimates and assumptions.<br>• Note 6: Goodwill.<br><br>Judgement applied regarding the impairment of goodwill.<br><br>Due to the number of business combinations that the Group has historically entered into, the Group's net assets include a significant amount of goodwill at the reporting date. The goodwill relates to cash-generating units that are significant to the group's Statement of Financial Position as a whole and subject to potentially sensitive assumptions that could result in an impairment of a relevant cash-generating unit.<br><br>As required by IAS 36: Impairment of Assets (IAS 36), the directors conducted an annual impairment test on the goodwill balances to assess the recoverability of the carrying value of this goodwill. There is a potential risk that the businesses included in each cash-generating unit may not trade in line with expectations and forecasts, resulting in a potential impairment of the carrying amount of goodwill allocated to the businesses in each cash-generating unit.<br><br>There are several key assumptions made in determining the inputs into the valuation models which include: future cash flow forecasts specifically for conflict markets where reliable economic data is not available, expense growth rates, operating margins, terminal value growth rates and discount rates (weighted average cost of capital).<br><br>As a result of the significant judgements the valuation of goodwill is considered to be a key audit matter. | We focused our testing relating to the impairment of goodwill on the key assumptions made by management and the consultant. Our audit procedures included, amongst others:<br>• Confirmed the independence of the consultant.<br>• Critically evaluated whether the model used by the consultant in calculating the value in use of the cash-generating units complied with IAS 36 Impairment of Assets.<br>• Validated the assumptions used to calculate the discount rates and long-term growth rates.<br>• Analysed the future projected cash flows, including the capital expenditure, EBITDA and working capital flows used in the valuation models to determine whether they are reasonable and supportable given the current economic climate and expected future performance of each cash-generating unit.<br>• Compared the growth rates used to historical data regarding economic growth rates included in the relevant cash-generating units.<br>• Tested the inputs into the cash flow forecast against historical performance and in comparing these to the management's strategic plans in respect of each cash-generating unit.<br>• Performed a sensitivity analysis on the key assumptions.<br>• Compared the projected cash flows, including the assumptions relating to revenue growth rates, operating margins and commodity prices against historical performance in order to test the accuracy of management's projections.<br>• Assessed the related disclosure requirements relating to the calculation around the impairment of goodwill in terms of the IFRS. |

## Other information

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

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

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

## Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

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

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

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

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

# INDEPENDENT AUDITOR'S REPORT (continued)

## Report on other legal and regulatory requirements

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

**Per: CA Whitefield CA(SA)**
*Partner*

*Registered Auditor*

31 August 2020

**Johannesburg**
50 Oxford Road
Parktown
Johannesburg
2193

# AUDIT COMMITTEE REPORT

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

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

### Statutory duties

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

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

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

### Delegated duties

- **Financial statements**

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

- **Integrated reporting**

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

- **Internal audit**

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

- **Risk management**

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

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

- **Independent audit**

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

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

- **Chief Financial Officer**

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

- **Financial function**

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

- **Oversight of risk management**

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

## AUDIT COMMITTEE REPORT (continued)

- **Internal financial controls**

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

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

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

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

- **Combined assurance**

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

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

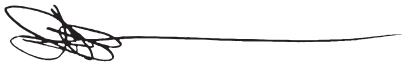
| | |
|---|---|
| First line: | Line management is responsible for monitoring and managing risk and opportunity |
| Second line: | Risk management functions in each subsidiary company, including those at Group level, review and consider risk and opportunity |
| Third line: | the Company utilises the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

- **IT Governance**

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

- **Regulatory compliance**

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



**Dennis Gammie**
*Chairman of the Audit Committee*

31 August 2020

# STATEMENT OF FINANCIAL POSITION

as at 29 February 2020

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

## STATEMENT OF FINANCIAL POSITION (continued)

as at 29 February 2020

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

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

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

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 29 February 2020

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

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

2 *The loss on sale of investment in a subsidiary company as well as the reversal of impairment on investment in subsidiary company relates to the sale of 51% of Huge Soho in FY2019. The 100% investment in Huge Soho, previously held, amounted to R69 411 943 in FY2019 and a corresponding provision for impairment of the investment, previously held in Huge Soho, amounted to R69 411 943 in FY2019. Refer to note 37 for additional information relating to this business combination.*

3 *The impairment of investment in subsidiary companies relates to the sale of 16.29% of Huge Connect to Windfall during the current reporting period. Refer to note 37 for further details relating to the issue of preference shares, impairment of ordinary equity and change in control reserve adjustments relating to this transaction.*

# STATEMENT OF CHANGES IN EQUITY

for the year ended 29 February 2020

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

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

1 *Issue of Shares presented in FY2019 was the net balance of the Share issue and capital raising expenses as per note 21. This has been adjusted to be separately disclosed.*

2 *Following the announcement on SENS on 15 January 2020, the Company repurchased 12 500 Huge Shares up to the end of FY2020 and this amounted to R62 500 at an average price per share of 500 cents. Subsequent to the end of FY2020, the Company purchased an additional 1 614 043 Huge Shares and this amounted to R5 918 625 at an average price per share of 367 cents.*

3 *The distribution of treasury Shares between share premium and the share-based payment reserve relates to 258 840 Huge Shares which were held as an investment by The CI Trust and which were distributed by The CI Trust to its share beneficiaries during FY2019 amounting to R2 895 747. A total of 728 678 Huge Shares have been distributed by The CI Trust to its share beneficiaries up to the end of FY2020 amounting to R6 593 240 split between the respective years.*

4 *The movement in the change in control reserve relates to a business combination involving Huge, Huge Connect and Windfall 111 Properties Proprietary Limited (***Windfall***) and the change in the degree of Huge's control over Huge Connect in favour of Windfall (the* **Huge Connect Business Combination***). Windfall subscribed for new ordinary shares in Huge Connect and after its subscription, 16.296% of the ordinary shares of Huge Connect in issue are held by it. The equity attributable to the holders of the parent has been adjusted for Windfall's non-controlling interest. Additional information on business combinations can be found in note 37.*

5 *The non-controlling interest in Pansmart was raised in a business combination in which Huge subscribed for 101 new ordinary shares in Pansmart for a purchase consideration of R100, such that after the subscription Huge became the holder of 50.3% of the ordinary shares of Pansmart in issue (the* **Pansmart Business Combination***). Additional information on business combinations can be found in note 37.*

6 *This prior period adjustment relates to The CI Trust donation made in FY2018 which reduced the purchase consideration of Huge Connect. Refer to note 38 (prior period restatement) for further details.*

# STATEMENT OF CASH FLOWS

for the year ended 29 February 2020

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

# ACCOUNTING POLICIES

## 1. Presentation of Consolidated and Separate Annual Financial Statements

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

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

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

### Basis of preparation

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

### 1.1 Segment reporting

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

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

### 1.2 Consolidation

#### Basis of consolidation

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

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

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

#### Subsidiary companies

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

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

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

#### Joint arrangements

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

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

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

## Associate companies

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

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

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

## Details of consolidations

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

### Goodwill

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

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

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

Further details on goodwill can be found in note 6.

### Business combinations

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

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

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

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

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

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

# ACCOUNTING POLICIES (continued)

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

### Business combinations (continued)

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

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

### 1.3 Significant judgements and sources of estimation uncertainty

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

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

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

#### Significant judgements

**Leases – Renewal and termination options**

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

#### Estimates and assumptions

**Trade receivables, loans, receivables and contract assets**

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

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

**Taxation**

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

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

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

### Determination of possible impairment of goodwill

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

### Determination of impairment of intangible assets

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

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

Further details can be found in note 7.

## 1.4 Significant accounting policies

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

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

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

#### Adoption of IFRS 16 Leases

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

### Leasing activities and significant accounting policies

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

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

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

# ACCOUNTING POLICIES (continued)

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

### 1.4 Significant accounting policies (continued)

**Leasing activities and significant accounting policies (continued)**

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

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

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

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

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

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

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

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

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

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

**Renewal and termination options**

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

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

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

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

### Lease and non-lease components

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

### Transition

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

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

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

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

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

### Impacts on financial statements

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

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

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

# ACCOUNTING POLICIES (continued)

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

### 1.4 Significant accounting policies (continued)

**Leasing activities and significant accounting policies (continued)**

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

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

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

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

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

**Policy applicable before 1 March 2019**

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

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

Finance charges, which represented the difference between the total lease commitments and fair value of the assets acquired, were charged to profit or loss over the term of the relevant lease so as to produce a constant periodic rate of interest on the remaining balance of the obligation for each accounting period.

**Inventories**

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

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

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

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

Refer to note 17 for further detail.

### 1.5 Revenue from contracts with customers

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

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

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

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

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

### Network services

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

Customers pay monthly instalments over the contractual period.

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

### Devices

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

### Capitalisation and customer acquisition costs

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

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

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

### Significant financing component:

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

Refer to note 27 for further details.

## 1.6 Property, plant and equipment

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

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

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

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

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

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

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

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

# ACCOUNTING POLICIES (continued)

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

### 1.6 Property, plant and equipment (continued)

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

Refer to note 4 for additional details.

### 1.7 Intangible assets

Intangible assets are recognised when:

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

#### Router Development Technology

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

No research costs have been capitalised to Router Development Technology.

Refer to note 7 for additional details.

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

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

#### Patents

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

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

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

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

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

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

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

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

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

## 1.8 Financial Instruments

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

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

### Financial assets:

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

### Financial liabilities:

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

### Initial recognition and measurement

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

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

### Derecognition

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

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

### Financial assets

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

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

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

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

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

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

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

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

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

# ACCOUNTING POLICIES (continued)

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

### 1.8 Financial instruments (continued)

**Subsequent measurement and gains and losses**

**Financial assets**

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

**Financial liabilities**

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

**Impairment**

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

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

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

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

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

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

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

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

**Measurement of expected credit losses**

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

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

**Write-off policy**

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

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

**Credit risk**

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

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

### 1.9 Tax

**Current tax assets and liabilities**

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

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

Refer to note 36 for further details.

### Deferred tax assets and liabilities

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

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

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

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

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

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

Refer to note 15 for further details.

## 1.10 Impairment of assets

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

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

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

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

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

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

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

## 1.11 Share capital and equity

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

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

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

Retained earnings include all current and prior period retained profits.

Refer to note 21 for further detail.

### Treasury shares

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

Refer to note 21 for further detail.

# ACCOUNTING POLICIES (continued)

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

### 1.12 Employee benefits

**Short-term employee benefits**

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

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

**Share-based payment**

Equity settled share based payment transactions:

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

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

The fair value of shares granted by the Group to employees for no consideration is recognised as an expense over a relevant service period and vesting period. The fair value is measured at the grant date of the shares and is recognised in equity in a share-based payment reserve. Where the granting of shares arises from a business combination and the shares are recognised as a reduction of the transaction price in the business combination (please refer to note 6: Goodwill) a negative reserve (the **Donation Trust Reserve**) is established in equity and represents an accelerated reversal of the transfer which would take place from the share based payment reserve when the shares in question have vested.

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

### 1.13 Earnings and headline earnings per share

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

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

### 1.14 Borrowing costs

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

Refer to note 32 for further detail.

### 1.15 Other income

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

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

Refer to note 29 and 31 for further detail.

## 2. New Standards and Interpretations

### Standards and interpretations not yet effective

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

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

## 3. Segment reporting

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

### Operating segments

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

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

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

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

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

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

### Changes to the operating segments

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

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

### Geographic areas

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

# ACCOUNTING POLICIES (continued)

## 3. Segment reporting (continued)

### Services

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

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

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

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

## 4. Property, plant and equipment

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

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

**Reconciliation of property, plant and equipment – Group – 2020**

| | Opening balance | Transfer to right-of-use asset at adoption of IFRS 16[1] | Additions | Additions from business combinations | Transfer from right-of-use assets[2] | Disposals | Depreciation | Total |
|---|---|---|---|---|---|---|---|---|
| Customer premises equipment | 215 948 096 | (314 548) | 62 564 010 | – | 314 548 | (208 135) | (20 378 206) | 257 925 765 |
| Furniture and fixtures | 1 625 234 | – | 2 398 052 | 148 261 | – | – | (1 035 591) | 3 135 956 |
| Motor vehicles | 5 239 454 | (4 777 868) | 931 363 | – | 3 818 680 | – | (1 175 034) | 4 036 595 |
| Computer equipment | 3 869 618 | – | 4 848 782 | 43 418 | – | (154 793) | (722 051) | 7 884 974 |
| Leasehold improvements | – | – | – | 74 028 | – | – | (74 028) | – |
| | **226 682 402** | **(5 092 416)** | **70 742 207** | **265 707** | **4 133 228** | **(362 928)** | **(23 384 910)** | **272 983 290** |
| *Notes* | | | | *37* | *5* | | | |

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

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

**Reconciliation of property, plant and equipment – Group – 2019**

| | Opening balance | Additions | Additions from business combinations | Transfer to contract assets | Disposals | Depreciation | Total |
|---|---|---|---|---|---|---|---|
| Customer premises equipment | 171 533 480 | 105 895 496 | – | (3 922 382) | (35 628 546) | (21 929 952) | 215 948 096 |
| Furniture and fixtures | 446 477 | 403 544 | 1 046 010 | – | (29 772) | (241 025) | 1 625 234 |
| Motor vehicles | 4 010 623 | 1 955 279 | 675 367 | – | – | (1 401 815) | 5 239 454 |
| Computer equipment | 2 678 418 | 2 691 421 | 242 336 | – | (109 487) | (1 633 070) | 3 869 618 |
| | **178 668 998** | **110 945 740** | **1 963 713** | **(3 922 382)** | **(35 767 805)** | **(25 205 862)** | **226 682 402** |
| *Notes* | | | *37* | *13* | | | |

## 4. Property, plant and equipment (continued)

**Reconciliation of property, plant and equipment – Company – 2020**

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

**Reconciliation of property, plant and equipment – Company – 2019**

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

### Encumbered assets

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

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

## 5. Right-of-use assets/Lease liabilities

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

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

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

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

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

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

| | Opening balance | Additions through business combinations | Additions | Transfer to property, plant and equipment[1] | Depreciation | Carrying value |
|---|---|---|---|---|---|---|
| Equipment | 1 388 005 | – | 72 746 | – | (386 671) | 1 074 080 |
| Premises | 7 567 996 | 1 767 834 | 11 064 241 | – | (5 790 492) | 14 609 579 |
| Network infrastructure | 400 962 | – | – | – | (213 436) | 187 526 |
| IT equipment | 314 548 | – | – | (314 548) | – | – |
| Motor vehicles | 5 252 819 | – | – | (3 818 680) | (474 951) | 959 188 |
| **Total** | **14 924 330** | **1 767 834** | **11 136 987** | **(4 133 228)** | **(6 865 550)** | **16 830 373** |
| *Notes* | | *37* | | *4* | | |

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

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

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

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

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

### Operating lease commitments – Lessee

At 28 February 2019, the Group and Company had outstanding commitments under non-cancellable operating leases which fall due as follows:

| | Group | Company |
|---|---|---|
| **Minimum lease payments due** | 2019 | 2019 |
| – within one year | 6 840 443 | 1 161 234 |
| – in second to fifth year inclusive | 8 672 491 | 1 226 964 |
| | **15 512 934** | **2 388 198** |

### Lease payments not recognised as a liability

The Company has elected not to recognise a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

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

The expense relating to payments not included in the measurement of the lease liability is as follows:

| | Group 2020 | 2019 |
|---|---|---|
| Short-term leases | **6 281 611** | 9 427 149 |
| Leases of low value assets | **300 127** | 189 799 |
| | **6 581 738** | **9 616 948** |

At 29 February 2020, the Company was committed to short-term leases and the total commitment at that date was R537 459.

| **Finance lease commitments** | Group 2020 | 2019 |
|---|---|---|
| **Minimum instalment payments due** | | |
| – within one year inclusive | 8 790 676 | 3 999 582 |
| – in second to fifth year inclusive | 15 342 680 | 5 692 726 |
| | **24 133 356** | **9 692 308** |
| *Less*: Future finance charges | (3 316 807) | (2 061 921) |
| Present value of minimum instalment payments | **20 816 549** | **7 630 387** |
| **Present value of minimum instalment payments due** | | |
| – within one year | 6 307 544 | 3 175 177 |
| – in second to fifth year | 14 509 005 | 4 455 210 |
| | **20 816 549** | **7 630 387** |
| Non-current liabilities | 14 509 005 | 4 455 210 |
| Current liabilities | 6 307 544 | 3 175 177 |
| | **20 816 549** | **7 630 387** |

## 6. Goodwill

| **Group** | 2020 Cost | 2020 Accumulated impairment | 2020 Carrying value | 2019 Cost | 2019 Accumulated impairment | 2019 Carrying value |
|---|---|---|---|---|---|---|
| Goodwill | **607 792 063** | **(97 774)** | **607 694 289** | 595 447 930 | (97 774) | 595 350 156 |

| **Reconciliation of goodwill – Group – 2020** | Opening Balance | Additions through business combinations | Total |
|---|---|---|---|
| Goodwill | **595 350 156** | **12 344 133** | **607 694 289** |
| *Note* | | *37* | |

| **Reconciliation of goodwill – Group – 2019** | Opening Balance | Additions through business combinations | Total |
|---|---|---|---|
| Goodwill | **578 972 320** | **16 377 836** | **595 350 156** |
| *Note* | | *37* | |

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

## 6. Goodwill (continued)

| Goodwill | 2020 | 2019 |
|---|---|---|
| **Consisting of:** | | |
| Huge Telecom | 215 153 482 | 215 153 482 |
| Pansmart | 9 075 964 | – |
| Huge Networks | 30 196 325 | 30 196 325 |
| **Huge Telecom CGU** | **254 425 771** | **245 349 807** |
| Huge Connect | 345 537 298 | 345 537 298 |
| Huge Payments | 3 268 169 | – |
| **Huge Connect CGU** | **348 805 467** | **345 537 298** |
| Huge Software | 4 463 051 | 4 463 051 |
| **Huge Software CGU** | **4 463 051** | **4 463 051** |
| **Total Goodwill** | **607 694 289** | **595 350 156** |

### Huge Telecom Cash Generating Unit

The goodwill balance of the Huge Telecom CGU as at 29 February 2020 amounted to R254 425 771. This goodwill balance is the sum of the goodwill of R215 153 483 that arose from the Huge Telecom acquisition on 9 July 2007 and the Huge Soho acquisition on 13 August 2007, the goodwill of R30 196 325 that arose from the Huge Networks acquisition on 30 March 2017 and the goodwill of R9 075 964 that arose from the Pansmart acquisition on 13 May 2019.

The goodwill that arose on the Huge Networks acquisition arose from two transaction involving Huge Networks, namely:

- the March 2017 intra-group acquisition of Sainet Internet by Huge Telecom. In terms of this agreement, Huge Networks became a wholly-owned subsidiary company of Huge Telecom; and
- the acquisition by Huge Networks of the businesses of Otel Business and Otel Communications in February 2019 (the **Otel Transaction**). Huge Telecom's shareholding in Huge Networks was diluted from 100% to 50.03% as a result of the Otel Transaction.

On 28 February 2014, the assets of Huge Telecom were transferred to Huge Technologies and accordingly Huge Technologies forms part of the Huge Telecom CGU for Goodwill Impairment Review purposes.

Up to 28 February 2018, the Huge Telecom business unit comprised of stand-alone subsidiary companies Huge Telecom, Huge Technologies, Huge Cellular and Huge Soho. On 27 February 2019, Huge concluded a B-BBEE transaction with Windfall, which resulted in a dilution of its shareholding in both Huge Cellular and Huge Soho. Huge's shareholding in Huge Cellular and Huge Soho decreased from 100% to 49% and as such there was a loss of control. Huge Cellular and Huge Soho subsequently no longer form part of the Huge Telecom CGU. At 28 February 2019, the Huge Telecom CGU consisted of Huge Telecom and Huge Technologies.

Huge announced the closing of the Otel Transaction on 14 March 2019 on the JSE's Stock Exchange News Service. The rationale for the acquisition, in support of the recognition of goodwill, is summarised in the following quantitative and qualitative factors:

- Otel Communications and Otel Business have the potential to increase Group revenues by more than 9,4%, the Telecom Grouping segment revenues by more than 14% and the Huge Networks' revenue by 95%;
- It allows for network synergies and efficiencies;
- It will allow Huge Networks access to new customer segments;
- Huge will acquire the potential to scale its operations, grow its customer base and expand its national footprint;
- The VoIP and related products and services acquired will allow Huge Networks to become a more substantial provider of end-to-end ICT services;
- It will provide Huge with increased network capacity and connectivity options;
- It will provide Huge with skilled and experienced staff;
- Huge Networks will acquire specialised software systems and benefit from the already implemented internal structures and processes which will establish a platform for accelerating growth while containing costs; and
- It was more cost effective to acquire Otel than to acquire and customise a third-party product with the same functionality as the Radiant billing engine owned by Otel.

## 6. Goodwill (continued)

Huge Group acquired 50.25% of Pansmart on 13 May 2019 with the objective of augmenting the business of Huge Telecom by consolidating part of the industry vertical in which Huge Telecom operates so that it can supply PABX equipment to its existing customers as well as to new customers.

The goodwill that arose on the Pansmart acquisition is supported by the following quantative and qualitative factors which Huge considered in support of the acquisition:

- The acquisition of Pansmart is an opportunity for Huge Telecom to grow its market share and Pansmart will drive Huge Telecom connectivity with each sale;
- The Panasonic brand of PABXs is well respected in the market and it is one of the last hybrid systems in the market which has embedded analogue voice parts;
- The Panasonic price point is extremely competitive in the SME market; and
- It will allow Huge access to new customer segments. Huge historically has not offered PABX products or services, while many of the competitors of Huge Telecom, Huge Connect and Huge Networks do so. The relationships that Huge has with its Business Partners will enable shifting some of these Business Partners from other PABX brands to Panasonic.

During FY2020 Huge Telecom acquired the remaining 50% interest in Huge Services (formerly Gonondo and previously held as a joint venture). No goodwill arose on this transaction.

At 29 February 2020, Huge Telecom, Huge Technologies, Pansmart and Huge Networks collectively form the Huge Telecom CGU.

Huge Networks, previously a stand-alone CGU was incorporated into the Huge Telecom CGU. Huge Telecoms holds 50,03% share in Huge Networks.

The Group has assessed the recoverable amount of goodwill and determined that no impairment was required.

The valuation of the goodwill attributable to the Huge Telecom CGU was undertaken by Managhan SA Proprietary Limited and calculated to be R766 399 732 (2019: R427 999 878 in respect of the Huge Telecom CGU plus R69 181 630 in respect of the Huge Networks CGU). Huge's share of the goodwill attributable to the Huge Telecom CGU is R487 893 593 (2019: R288 707 476 in respect of the Huge Telecom CGU plus R33 572 336 in respect of the Huge Networks CGU).

A goodwill impairment review was undertaken in accordance with IFRS 3 and IAS 36, by:

- assessing the recoverable amount by determining the value-in-use amount and comparing this to the carrying amount;
- assessing the reasonability of management's cash flow forecasts through discussions with management, including discussions about the processes undertaken to develop the budgets and the forecasts as well as the assumptions utilised in compiling the budgets and forecasts;
- determining the recoverable amount or value-in-use by discounting the future cash flows generated by the Huge Telecom CGU; and
- conducting a sensitivity analysis over the value-in-use calculations, by varying the assumptions used (the revenue growth rate, the sustainable gross profit margins and the weighted average cost of capital) and assessing the sensitivity of the values to changes in these assumptions.

The assumptions used in computing the value-in-use are based on estimates provided by management, which take account of future expectations related to changes in the market in which the businesses in the Huge Telecom CGU operate. The weighted average cost of capital (**WACC**) is represented by a pre-tax discount rate which is based on a risk-free rate of return, adjusted by a premium applicable to the businesses and the market in which they operate as well as a beta to reflect an appropriate level of volatility relative to the market. The assumptions that were used include:

- a projected revenue growth rate of 21.9% for the budget year 28 February 2021 (2019: 5.8% Huge Telecoms CGU only) and an average growth rate of 7.9% for the forecast period beyond the budget year (2019: 15.32% Huge Telecoms CGU only);
- a gross profit margin of 57.1% for the years 28 February 2021 to 28 February 2025 (2019: 55.0% Huge Telecoms CGU only);
- a WACC represented by a pre-tax discount rate of 16.96% (2019: 16.62%); and
- a terminal growth rate of 2.05% (2019: 2.97%).

The Huge Telecom CGU's strategy for the forecast period beyond the budget year is to grow its revenue through customer. This has a compounding effect on line rental income in the years following customer growth. A drive to increase Business Partner activations is a priority for forecast period. These new line installations will generate higher annuity line rental income.

The gross profit margin increases in the current financial year are supported by the reduction in network associated costs and other cost efficiency measures that were implemented.

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

## 6. Goodwill (continued)

Whilst the value-in-use calculation demonstrates no impairment at year-end, the calculation is sensitive to the following inputs (assuming all others remain constant):

- an increase in the WACC;
- a decrease in the forecast gross profit percentage;
- a decrease in the expected revenue growth rates over the five-year forecast period; and
- a decrease in the terminal growth rate.

At this stage, no tested changes would have resulted in an impairment.

The directors of Huge continue to assess the industry and the possible changes that may impact the carrying value of goodwill.

### Huge Connect and Huge Networks

Goodwill arose on the acquisition of Huge Connect (formerly ConnectNet Broadband Wireless) and Huge Networks (formerly Sainet Internet) on 30 March 2017. At the time of the acquisition of Huge Connect and Huge Networks, Huge Networks was a wholly owned subsidiary of Huge Connect. The goodwill that arose on the acquisition of Huge Connect and Huge Networks amounted to R359 355 790. The goodwill attributable to Huge Connect was R345 537 298 and the goodwill attributable to Huge Networks was R13 818 492.

On 30 March 2017, Huge Connect sold its shares in Huge Networks to Huge Telecom in terms of a Sale of Shares Agreement.

Huge Connect and Huge Networks were measured and viewed as separate CGUs from 2019, with Huge Networks forming part of the Huge Telecom CGU and Huge Connect forming a separate CGU. Therefore independent, separate assessments were concluded in respect of the recoverable amounts of the goodwill attributable to Huge Connect and Huge Networks.

### Huge Connect Cash Generating Unit

During the current reporting period, Huge Connect entered into an agreement with Windfall, an associate of VM Mokholo, who is a non-executive director of the Company and a related party to Huge. Various transaction agreements were concluded, including a Preference Share Subscription Agreement between Huge and Huge Connect, an Ordinary Share Subscription Agreement between Huge Connect and Windfall and a Shareholders Agreement between Huge, Windfall and Huge Connect.

Huge Connect declared an ordinary dividend of R457 075 000 to the holders of the ordinary shares in Huge Connect. In terms of the Preference Share Subscription Agreement, Huge subscribed for 1 000 preference shares in Huge Connect for a subscription price of R457 075 000. The obligation of the preference share subscription price was discharged *in toto* by set-off against the obligation of Huge Connect to effect payment of the ordinary dividend. Thereafter, in terms of the Ordinary Subscription Agreement, Windfall subscribed for 36 ordinary no par value shares in the issued ordinary capital of Huge Connect, which resulted in Windfall owning 16.29% of the issued ordinary share capital of Huge Connect. The agreements became unconditional on 28 February 2020.

At the time that Huge acquired Huge Connect, the Huge Connect CGU comprised Huge Networks and Huge Payments (formerly IntelPay). Huge Connect did not own Huge Payments at the time but it did have the option to do so. On 5 April 2019 Huge acquired IntelPay and changed its name to Huge Payments. Huge Payments cannot operate without the development knowledge of Huge Connect, which created the coding and product, and therefore must form part of the Huge Connect CGU.

The goodwill related to the IntelPay Transaction amounted to R3 268 169. Following its acquisition by Huge, Huge Payments has been included as part of the Huge Connect CGU.

The total goodwill for the Huge Connect CGU at 29 February 2020 amounts to R348 805 467, of which R345 537 298 arose on the Huge Connect acquisition in March 2017 and R3 268 169 arose on the Huge Payments acquisition in May 2019.

The value of Huge Payments to Huge, is described in Huge's rationale for the acquisition. The following quantitative and qualitative factors have been taken into account:

- The partly developed software has the potential to be a highly profitable product once completed;
- Huge Connect has the in-house development expertise and funding that is required to complete the software development for proper commercialisation;
- It is more cost effective to acquire Huge Payments and complete the development than to re-develop the application in-house to the current level of completion;
- As the sole shareholder, Huge will be better positioned to secure and utilise the assessed losses in Huge Payments; and
- The investment in Huge Payments will add to Huge's product diversity.

During the current reporting period, Huge assessed the recoverable amount of goodwill and determined that no impairment was required.

## 6. Goodwill (continued)

The recoverable amount or value-in-use was determined by discounting the future cash flows generated by the Huge Connect CGU. The value of the goodwill attributable to the Huge Connect CGU, based on the valuation performed by Managhan SA Proprietary Limited, is R473 228 465 (2019: R509 855 256).

The assumptions used in computing the value-in-use are based on estimates provided by management, which take account of future expectations related to changes in the market in which the businesses in the Huge Connect CGU operate.

The WACC is represented by a pre-tax discount rate which is based on a risk-free rate of return, adjusted by a premium applicable to the businesses and the market in which they operate as well as a beta to reflect an appropriate level of volatility relative to the market. The assumptions that were used include:

- a projected revenue growth rate of 13% for the budget year to 28 February 2021 (2019: 28.6%), and an average projected growth rate of 10% for the forecast period beyond the budget year from 1 March 2021 to 28 February 2025 (2019: 8%);
- a gross profit margin of 70% for the forecast period from 1 March 2020 to 28 February 2025 (2019: 64%);
- a WACC represented by a pre-tax discount rate of 16.96% (2019: 17.58%); and
- a terminal growth rate of 2.05% (2019: 2.97%).

Whilst-the-value in use calculation demonstrates no impairment at year-end, the calculation is sensitive to the following inputs (assuming all others remain constant):

- an increase in the WACC;
- a decrease in the forecast gross profit percentage;
- a decrease in the expected revenue growth rates over the five-year forecast period; and
- a decrease in the terminal growth rate.

At this stage, no tested changes would have resulted in an impairment.

The directors of Huge continue to assess the industry and the possible changes that may impact the carrying value of goodwill.

### Huge Software Cash Generating Unit

The goodwill arose on the acquisition of Huge Software on 30 June 2017. This business is measured and viewed as a single CGU.

During the current reporting period, the Group assessed the recoverable amount of goodwill and determined that no impairment was required.

The recoverable amount or value-in-use was determined by discounting the future cash flows generated by this CGU, which consists only of Huge Software. The value of the goodwill of this CGU was based on a valuation performed by Managhan SA Proprietary Limited and amounts to R7 185 965 (2019: R8 187 012). Huge's 75% share in the goodwill of this CGU is R5 389 473 (2019: R6 140 259).

The assumptions used in computing the value-in-use are based on estimates provided by management, which take account of future expectations related to changes in the market in which the businesses of the Huge Software CGU operate.

The weighted average cost of capital (WACC) is represented by a pre-tax discount rate which is based on a risk-free rate of return, adjusted by a premium applicable to the businesses and the market in which they operate as well as a beta to reflect an appropriate level of volatility relative to the market. The assumptions that were used include:

- a projected revenue growth rate of 4% for the budget year to 28 February 2021 (2019: 27.7%), and an average projected growth rate of 21% for the forecast period beyond the budget year from 1 March 2021 to 28 February 2025 (2019: 32%);
- an average gross profit margin of 88% for the years 28 February 2021 to 28 February 2025 (2019: 86.4%);
- a WACC represented by a pre-tax discount rate of 20.83% (2019: 19.64%); and
- a terminal growth rate of 2.05% (2019: 2.97%).

Whilst the value-in-use calculation demonstrates no impairment at year-end, the calculation is sensitive to the following inputs (assuming all others remain constant):

- an increase in the WACC;
- a decrease in the forecast gross profit percentage;
- a decrease in the expected revenue growth rates over the five-year forecast period; and
- a decrease in the terminal growth rate.

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

## 6. Goodwill (continued)

The qualitative factors that were summarised in the Purchase Price Allocation Report were:

- This proprietary intellectual property is integrated with HIVE, Huge Telecom's billing and rating engine and thus critical for Huge Telecom's back office operations;
- It was more cost effective to acquire a shareholding in Huge Software than acquiring and customising a third-party accounting software product;
- However, Huge Software has under invested in its software assets and requires funding to create an asset that is capable of market penetration. Huge acquired Huge Software for its potential and to increase its scale by providing funding assistance; and
- Huge will benefit from the improved operational performance of an integrated platform.

The goodwill relating to the Huge Software CGU is the excess over the purchase price paid by Huge for its 75% shareholding. A review of the goodwill relating to Huge's acquisition of Huge Software was undertaken and it was determined that the goodwill was not required to be impaired because of the following factors:

- The historical cash flows of Huge Software were limited as a result of the limited access to customers and the sub-scale size of Huge Software;
- Huge Software was previously under-funded; and
- The future cash flows of Huge Software are able to increase substantially because (i) Huge will ensure that other subsidiary companies and future companies that are acquired, make use of the Huge Software accounting software product, WebAccounting.

At this stage, no tested changes would have resulted in an impairment.

The directors of Huge continue to assess the industry and the possible changes that may impact the carrying value of goodwill.

## 7. Intangible assets

| | **2020** | | | **2019** | | |
|---|---|---|---|---|---|---|
| **Group** | **Cost** | **Accumulated amortisation and impairment losses** | **Carrying value** | Cost | Accumulated amortisation and impairment losses | Carrying value |
| Router Development Technology | 3 193 549 | (729 442) | 2 464 107 | 3 072 249 | (459 148) | 2 613 101 |
| Software, internally generated | 39 074 436 | (20 513 642) | 18 560 794 | 27 872 115 | (20 999 974) | 6 872 141 |
| Software, purchased | 3 174 448 | (2 412 654) | 761 794 | 4 825 180 | (1 172 055) | 3 653 125 |
| Patents | 808 571 | (274 522) | 534 049 | 728 002 | (435 050) | 292 952 |
| Other intangible assets | 285 076 | (86 257) | 198 819 | – | – | – |
| **Total** | **46 536 080** | **(24 016 517)** | **22 519 563** | **36 497 546** | **(23 066 227)** | **13 431 319** |

| **Company** | **Cost** | **Accumulated amortisation** | **Carrying Value** | Cost | Accumulated amortisation | Carrying Value |
|---|---|---|---|---|---|---|
| Software, internally generated | – | – | – | 13 925 | (13 925) | – |
| **Total** | **–** | **–** | **–** | **13 925** | **(13 925)** | **–** |

## 7. Intangible assets (continued)

| Reconciliation of intangible assets – Group – 2020 | Opening balance | Additions | Additions from business combinations | Amortisation | Total |
|---|---|---|---|---|---|
| Router Development Technology | 2 613 101 | 121 300 | – | (270 294) | 2 464 107 |
| Software, internally generated | 6 872 141 | 4 468 818 | 5 309 208 | (1 564 448) | 15 085 719 |
| Software, purchased | 3 653 125 | 876 102 | – | (292 359) | 4 236 868 |
| Patents | 292 952 | 241 097 | – | – | 534 049 |
| Other intangible assets | – | 285 076 | – | (86 256) | 198 820 |
| **Total** | **13 431 319** | **5 992 393** | **5 309 208** | **(2 213 357)** | **22 519 563** |
| *Note* | | | *37* | | |

| 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 |
| Computer software, internally generated | 4 951 809 | 2 855 978 | – | (935 646) | 6 872 141 |
| Computer software, purchased | 837 212 | 958 656 | 2 023 000 | (165 743) | 3 653 125 |
| Patents | 194 450 | 98 502 | – | – | 292 952 |
| **Total** | **8 679 681** | **4 114 636** | **2 023 000** | **(1 385 998)** | **13 431 319** |
| *Note* | | | *37* | | |

### Router Development Technology

During the prior reporting periods, Huge Technologies acquired certain intellectual property to facilitate the development of the Group's own router equipment. The development costs incurred during the year amount to R121 300 (2019: R201 500) and is included under additions.

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

## 8. Investments in subsidiary companies

| Name of company | Held by | % holding 2020 | % holding 2019 | Carrying value 2020 | Carrying amount 2019 |
|---|---|---|---|---|---|
| Huge Software | Huge | 75.0 | 75.0 | 3 750 000 | 3 750 000 |
| Huge Management | Huge | 100.0 | 100.0 | 10 151 | 10 151 |
| Huge Messaging | Huge | 100.0 | 100.0 | 2 525 499 | 2 525 499 |
| Huge Media[1] | Huge | 96.0 | 96.0 | 6 115 193 | 6 115 194 |
| Huge Connect[2] | Huge | 83.7 | 100.0 | 88 653 792 | 403 529 066 |
| Huge Networks | Huge Telecom | 50.0 | 50.0 | – | – |
| Huge Technologies | Huge | 100.0 | 100.0 | 100 | 100 |
| Huge Services[3] | Huge Telecom | 100.0 | – | – | – |
| Huge Telecom | Huge | 100.0 | 100.0 | 113 343 379 | 113 343 379 |
| Huge Payments[4] | Huge | 100.0 | – | 100 000 | – |
| Pansmart[5] | Huge | 50.3 | – | 100 | – |
| The CI Trust[6] | Huge | 100.0 | 100.0 | – | – |
| | | | | **214 498 214** | **529 273 389** |
| Provision for impairment of investment in Huge Media[1] | | | | (6 115 194) | (6 115 194) |
| Net carrying amount | | | | **208 383 021** | **523 158 195** |

1 *The investment in Huge Media was impaired by R6 115 194 in the 2018 reporting period, as a result of the uncertainty of the recoverability of the carrying amount of this investment. No further impairment has been raised.*

2 *The investment in Huge Connect was impaired by R314 875 274 at the end of the current reporting period as a result of the payment of ordinary dividends of R457 000 000 and the sale of 16.29% of Huge Connect to Windfall. Huge Connect issued 1 000 Preference shares to Huge to the value of R457 000 000. The remaining investment in the ordinary shares of Huge Connect fairly valued equated to R88 653 792 resulting in the impairment of the ordinary shares (post the dividend received of R 457 000 000) of R314 875 274. Huge, the Company, holds a Preference Share Financial Asset of R457 000 000 measured in accordance with IFRS 9. The total investment (Preference and Ordinary) in Huge Connect amounts to R545 653 792. Refer to note 37 for additional information relating to this business combination.*

3 *On 1 October 2019, Huge Telecom, which held 50% of Huge Services (formerly Gonondo) a jointly controlled entity of Huge Telecom, terminated the Joint Venture Agreement with Adapt IT Proprietary Limited and entered into a Sale of Shares Agreement in terms of which it acquired the remaining 50% of Huge Services. Huge Services became a wholly-owned subsidiary company of Huge Telecom during FY2020. Refer to note 37 for further detail.*

4 *On 27 March 2019, Huge entered into a Sale of Shares and Claims Agreement in terms of which it acquired 100% of the issued share capital and shareholder claims of Huge Payments (formerly IntelPay) for R100 000. Huge Payments became a wholly-owned subsidiary company of Huge. Refer to note 37 for further detail.*

5 *On 13 May 2019, Huge concluded agreements involving Pansmart resulting in the acquisition of a 50.25% stake in Pansmart. The purchase consideration for the 50.25% was R100 and 50% of the shareholder claims on loan account which amounted to R13 151 309. Refer to note 37 for further detail.*

6 *A substantial amount of information relating to the consolidation of The CI Trust can be found in the AFS of Huge for the financial year ended 28 February 2019. Due to the detail of that information, it has not been duplicated in these AFS.*

The above mentioned subsidiary companies are incorporated and have their effective place of business in South Africa. The carrying amounts of Investments in subsidiary companies are shown net of impairments.

## 9. Investments in joint venture company

**By the Group**

| Name of company | Held by | % ownership interest 2020 | % ownership interest 2019 | Carrying amount 2020 | Carrying amount 2019 |
|---|---|---|---|---|---|
| Huge Services | Huge Telecom | – | 50 | – | 597 022 |

The abovementioned joint venture company was incorporated and had its effective place of business in South Africa. The information presented below represents 100% of Huge Services results while it was an associate. The financial period of the joint venture and company was aligned with that of the Group.

Huge Telecom entered into a Sale of Shares Agreement with Adapt IT Proprietary Limited in respect of the acquisition of 50% of the issued share capital in Huge Services (formerly Gonondo). Prior to the conclusion of the Sale of Shares Agreement, Huge Services had been the subject of a joint venture between Huge Telecom and Adapt IT Proprietary Limited. The Sale of Shares Agreement became unconditional on 16 September 2019. Refer to note 37 for further detail.

### Carrying amount

The movement in the carrying amount of the investment in the joint venture company is as follows:

| Figures in Rand | Group 2020 | 2019 |
|---|---|---|
| Opening balance | **597 022** | 615 833 |
| Share of retained earnings | **–** | (18 811) |
| Gain on bargain purchase | **138 212** | – |
| Impairment of joint venture | **(458 811)** | – |
| Transfer to investment in subsidiary company[1] | **(276 422)** | – |
| **Carrying amount** | **–** | **597 022** |

*1 Refer to note 8*

### The Group's share of earnings in the joint venture company is made up as follows:

| Loss from joint venture company | Group 2020 | 2019 |
|---|---|---|
| Share of retained earnings from the joint venture company | **–** | **(18 811)** |

| Summarised Statement of Financial Position | Group 2020 | 2019 |
|---|---|---|
| Current assets | – | 317 511 |
| Current liabilities | – | (27 613) |
| **Equity** | **–** | **289 898** |
| **Statement of Profit or Loss** | | |
| Revenue | – | 355 524 |
| Other expenses | – | (402 336) |
| Finance income | – | 9 191 |
| **Loss for the year** | **–** | **(37 621)** |
| **Statement of Cash flows** | | |
| Cash flows from operating activities | – | (271 088) |
| **Net cash flow** | **–** | **(271 088)** |

### Joint venture risks:

There are no material risk concerns to note in relation to the joint venture company.

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

## 10. Investments in associate companies

### By the Group

| Name of company | Held by | % holding 2020 | % holding 2019 | Carrying value 2020 | Carrying value 2019 |
|---|---|---|---|---|---|
| Huge Cellular | Huge Telecom | 49.0 | 49.0 | – | 4 900 |
| Huge Soho | Huge | 49.0 | 49.0 | 25 011 | 4 900 |
| | | | | **25 011** | **9 800** |

The investments in Huge Cellular and Huge Soho are recognised at their fair value, which equates to the purchase consideration differential of the remaining shares held by Huge. As the investments in associates are equity accounted, the share of profits from the associates earned are included in the investment value. As Huge Cellular incurred losses exceeding the investment value, the investment is held at nil until such time as profits exceed accumulated losses.

### By the Company

| Name of company | Held by | % holding 2020 | % holding 2019 | Carrying value 2020 | Carrying value 2019 |
|---|---|---|---|---|---|
| Huge Soho | Huge | 49.0 | 49.0 | 29 911 | 4 900 |
| | | | | **29 911** | **4 900** |

The associate companies are incorporated and have their effective place of business in South Africa. The information presented below represents 100% of the associate's results.

| Summarised Statement of Profit or Loss | Huge Soho 2020 | Huge Soho 2019 | Huge Cellular 2020 | Huge Cellular 2019 |
|---|---|---|---|---|
| Revenue | **3 380 676** | 176 579 | **30 059 001** | 68 724 547 |
| Other income and expenses | **(3 309 783)** | (605 963) | **(71 461 898)** | (61 892 702) |
| **Profit/(loss) before tax** | **70 893** | **(429 384)** | **(41 402 897)** | **6 831 845** |
| Income tax expense | **(19 850)** | 120 895 | **11 143 641** | (1 612 063) |
| **Profit/(loss) from continuing operations** | **51 043** | **(308 489)** | **(30 259 256)** | **5 219 782** |

| Summarised Statement of Financial Position | Huge Soho 2020 | Huge Soho 2019 | Huge Cellular 2020 | Huge Cellular 2019 |
|---|---|---|---|---|
| Non-current assets | **227 494** | 247 345 | **23 774 691** | – |
| Current assets | **770 264** | 1 506 901 | **31 652 955** | 79 980 390 |
| **Total assets** | **997 758** | **1 754 246** | **55 427 646** | **79 980 390** |
| Non-current liabilities | **–** | – | **7 845 719** | – |
| Current liabilities | **2 479 780** | 3 287 311 | **77 841 181** | 79 980 385 |
| **Total liabilities** | **2 479 780** | **(3 287 311)** | **85 686 900** | **79 980 385** |
| **Total net (liability) asset** | **(1 482 022)** | **(1 533 065)** | **(30 259 254)** | **5** |

### Associate risks:

There are no material risk concerns to note in relation to the associate companies.

## 11. Loans to/(from) associate/Group companies

| | Group | | Company | |
|---|---|---|---|---|
| **Group companies** | **2020** | 2019 | **2020** | 2019 |
| Huge Telecom[1] | – | – | 38 760 856 | 86 425 960 |
| Huge Networks[1] | – | – | 7 469 293 | – |
| Huge Technologies[1] | – | – | 36 457 848 | 33 842 944 |
| The CI Trust[2] | – | – | – | 1 134 000 |
| Huge Media[1] | – | – | 21 238 535 | 21 238 535 |
| Huge Management[1] | – | – | 72 168 104 | 539 629 |
| Huge Connect[3] | – | – | – | (13 693 203) |
| Huge Software[1] | – | – | – | 2 519 392 |
| Pansmart[4] | – | – | 15 141 438 | – |
| | **–** | **–** | **191 236 074** | **132 007 257** |
| Impairment of Huge Media[5] | – | – | (21 238 535) | (21 238 535) |
| | **–** | **–** | **169 997 539** | **110 768 722** |
| Non-current assets | – | – | **133 000 062** | **–** |
| Current assets | – | – | **36 997 477** | **124 461 925** |
| Current liabilities | – | – | **–** | **(13 693 203)** |
| **Total group company loans** | **–** | **–** | **169 997 539** | **110 768 722** |
| **Associate companies** | | | | |
| Huge Cellular[6] | 68 297 016 | 64 200 648 | – | – |
| Huge Soho[6] | 2 406 542 | 2 407 507 | 1 206 542 | 1 207 507 |
| | **70 703 558** | **66 608 155** | **1 206 542** | **1 207 507** |
| Non-current asset | 70 703 558 | 62 400 648 | 1 206 542 | – |
| Current assets | – | 4 207 507 | – | 1 207 507 |
| **Total associate company loans** | **70 703 558** | **66 608 155** | **1 206 542** | **1 207 507** |

1 *The loans are unsecured and interest-free. There are no fixed terms of repayment.*

2 *The loan to The CI Trust is unsecured, shall be repayable by the borrower when it is commercially convenient for the borrower to do so provided that the borrower will make the final repayment of the loan outstanding before the 29th anniversary of the advance date and interest is levied at a rate equal to the prime rate, capitalised monthly.*

3 *The loan was repayable on the first business day of March, June, September and December of each year starting on 1 March 2019. The repayment amount is the amount equal to the lesser of R1 million or the balance on the outstanding loan. The loan was subject to interest at prime plus 2%. The loan was fully repaid during the current reporting period.*

4 *The loan is unsecured and split between two advances. The initial loan was advanced at acquisition (the capital amounting to R13 151 309) where interest is charged at JIBAR plus 4%. This loan has preferential rights to repayment above all other loans owing by Pansmart. The subsequent advance (capital amounting to R750 000) incurs interest at JIBAR plus 7%. The loans have no fixed terms of repayment.*

5 *The provision for impairment of loans of loans owing by Huge Media were not adjusted during the current reporting period (the adjustment in the provision in FY2019 amounted to R5 000).*

6 *The loans are unsecured and interest-free. There are no fixed terms of repayment.*

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

## 12. Loans receivable/(payable)

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Huge Payments[1] | **–** | 8 453 809 | **–** | – |
| Windfall[2] | **–** | 10 200 | **–** | 5 100 |
| Otel Communications[3] | **540 331** | – | **–** | – |
| **Loans receivable** | **540 331** | **8 464 009** | **–** | **5 100** |
| J Ingram[4] | **(450 000)** | – | **–** | – |
| GB Shiers[4] | **(450 000)** | – | **–** | – |
| M Driesel[5] | **(1 630 947)** | – | **–** | – |
| MIA Telecomms Proprietary Limited[5] | **(14 311 866)** | – | **–** | – |
| MIA Networking Centre Proprietary Limited[5] | **(801 156)** | – | **–** | – |
| CRS Corporate Rental Solutions Proprietary Limited[5] | **(1 214 235)** | – | **–** | – |
| **Loans payable** | **(18 858 204)** | **–** | **–** | **–** |

| | Group | | Company | |
|---|---|---|---|---|
| **Non-current and current portion** | **2020** | 2019 | **2020** | 2019 |
| Non-current assets | **335 848** | 8 453 809 | **–** | – |
| Current assets | **204 483** | 10 200 | **–** | 5 100 |
| **Total assets** | **540 331** | **8 464 009** | **–** | **5 100** |
| Non-current liabilities | **(18 258 204)** | – | **–** | – |
| Current liabilities | **(600 000)** | – | **–** | – |
| **Total liabilities** | **(18 858 204)** | **–** | **–** | **–** |

1 **Huge Payments**

*The loan is unsecured, bears interest at prime plus 2% and has been subordinated by Huge Connect in favour of the other creditors of Huge Payments. The loan was dischargeable by way of a conversion of the loan (the Loan Outstandings) into ordinary no par value shares in Huge Payments on any date selected by Huge Connect in its sole discretion between 31 March 2018 and 31 March 2019 (the Available Conversion Dates). Huge Connect did not select a date between the Available Conversion Dates and as such the loan was required to be converted to ordinary no par value shares in Huge Payments on 31 March 2019 (the Conversion Date) based on a conversion formula. The balance of Loan Outstandings on 31 March 2019 was R8 453 809. In terms of the agreement governing the loan, Huge Connect was entitled and remains entitled to subscribe for as many no par value shares in Huge Payments for no consideration (the Conversion Shares) as would give it a shareholding in Huge Payments post its subscription of 43%. Huge Connect has, at the date of this report, not subscribed for the Conversion Shares. In terms of the agreement governing the loan, the Loan Outstandings were required to be repaid within 12 months of the Conversion Date. No payments have been made by Huge Payments.*

*Subsequent to 28 February 2019, Huge acquired 100% of the issued share capital of Huge Payments and shareholder claims in accordance with a Sale of Shares and Claim Agreement. Huge acquired the 100% issued share capital for a value of R100 000. The acquisition of Huge Payments took effect 27 March 2019. The loan has therefore moved from Loans receivable to Loans to Group Companies (refer to note 11).*

2 **Windfall**

*The loan was unsecured, interest free and paid in full during the current reporting period.*

*The loan arose as result of the acquisition by Windfall of 51% of Huge Soho from Huge and 51% of Huge Cellular from Huge Telecom during the prior reporting period.*

3 **Otel Communications**

*The loan is secured, bears interest at a rate of JIBAR plus 7% and is repayable in equal monthly instalments over a period of 36 months.*

*Huge Telecom entered into a loan and pledge agreement with Otel Communications which became effective on 16 August 2019. All shares held by Otel Communications in Huge Networks (consisting of 49.97%) have been ceded to Huge Telecom until such time as the loan is repaid in full.*

4 **J Ingram and GB Shiers**

*The J Ingram and GB Shiers loans are unsecured, bear no interest and are repayable over 36 months in equal instalments of R25 000. The loans were reclassified to loans payable in the current year because no interest is charged and therefore they are more correctly presented under loans payable rather than interest-bearing liabilities. Refer to note 24 for prior year details where each loan balance was R750 000.*

5 **Mia Telecomms and Mia Networking Centre Loans**

*The loans are unsecured, bear interest at JIBAR plus 7% and have no fixed terms of repayment. The loans existed on acquisition of Pansmart on 13 May 2019 and all loans have been subordinated by the MIA Group in favour of all other creditors of Pansmart. Refer to the business combinations note (note 37) for further details.*

## 13. Contract assets

| Group | 2020 Cost | 2020 Accumulated amortisation and impairment losses | 2020 Carrying value | 2019 Cost | 2019 Accumulated amortisation and impairment losses | 2019 Carrying value |
|---|---|---|---|---|---|---|
| Discretionary renewal bonuses[1] | **18 799 869** | **(11 730 255)** | **7 069 614** | 15 589 440 | (677 186) | 14 912 254 |
| **Total** | **18 799 869** | **(11 730 255)** | **7 069 614** | **15 589 440** | **(677 186)** | **14 912 254** |

| | Group 2020 | Group 2019 | Company 2020 | Company 2019 |
|---|---|---|---|---|
| Non-current assets | **4 901 206** | 14 912 254 | **–** | – |
| Current assets | **2 168 408** | – | **–** | – |
| **Total** | **7 069 614** | **14 912 254** | **–** | **–** |

| Reconciliation of contract assets – Group – 2020 | Opening balance | Additions | Amortisation[2] | Total |
|---|---|---|---|---|
| Discretionary renewal bonuses[1] | 14 912 254 | 3 210 429 | (11 053 069) | 7 069 614 |
| | **14 912 254** | **3 210 429** | **(11 053 069)** | **7 069 614** |

| Reconciliation of contract assets – Group – 2019 | Opening balance | Additions | Transfer from PPE[3] | Amortisation | Total |
|---|---|---|---|---|---|
| Discretionary renewal bonuses[1] | – | 11 667 058 | 3 922 382 | (677 186) | 14 912 254 |
| | **–** | **11 667 058** | **3 922 382** | **(677 186)** | **14 912 254** |

1 *The contract asset consists of discretionary renewal bonuses (**DRBs**) paid to Business Partners on the renewal of customer contracts. The average customer contract period is 27 months, over which the contract asset is amortised. The DRB is recognised as a contract asset as it represents the incremental costs of obtaining contracts with customers. The contract asset is only recognised if the Group expects to recover the costs through revenue generation from the customer contract signed on the renewal.*

2 *Management elected to accelerate the amortisation on the contract asset balance in the current reporting period.*

3 *The transfer of contract assets from property, plant and equipment in the prior reporting period related to DRBs that were capitalised to property, plant and equipment. At the adoption of IFRS 15, the DRBs were assessed as customer acquisition costs and therefore were transferred from customer premises equipment to contract assets, which are amortised over the contract lifetime, being on average 27 months.*

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

## 14. Investments at fair value

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Discovery Invest Endowment Plan[1] | **403 640** | 45 005 610 | **403 640** | 45 005 610 |
| Preference Shares[2] | **–** | – | **457 075 000** | – |
| | **403 640** | **45 005 610** | **457 478 640** | **45 005 610** |

*Investments at fair value measured through profit/loss including:*

1 *Huge invested R45 000 000 in a Discovery Invest Endowment Plan, consisting of 10 Money Market Funds (CLASS A) of R4 500 000 each, on 14 February 2019 (without Life Assured) with an initial investment term of five years. In terms of the current legislative restrictions (March 2018), one withdrawal is permitted during the first five years of the policy. Any withdrawal in the first five years may not exceed the total contributions to date accumulated at 5% per year compound interest. After five years, Huge may make withdrawals from the investment as required. At the end of the investment term, the funds may be withdrawn in a tax-free lump sum or it may be decided that the capital remains invested with Discovery and regular withdrawals are made available. Huge withdrew R44 601 970 of the Discovery Invest Endowment Plan during the current reporting period.*

2 *On 6 March 2020, Huge Connect concluded a related party transaction in which Windfall acquired 16.29% of the ordinary shares of Huge Connect. As part of the same transaction, Huge subscribed for 1 000 preference shares in Huge Connect for a subscription price of R457 075 000. Huge Connect declared an ordinary dividend of R457 075 000 and the obligation of Huge Connect to effect payment of the ordinary dividend was discharged in toto by set-off against the obligation of Huge to effect payment of the preference shares subscription price. Huge Connect issued 11% cumulative, non-redeemable preference shares with discretionary dividends that are subject to the availability of distributable reserves. The directors of Huge Connect decide at each period end whether and the extent to which a dividend will be paid on the preference shares. The terms of the instrument include a dividend stopper. The payment of dividends on the preference shares is entirely at Huge Connect's discretion. For this reason, Huge Connect continues to have an unconditional right to avoid the outflow of cash (or other financial asset) and therefore the preference shares are classified as equity in the separate financial statements of Huge Connect.*

## 15. Deferred tax

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Deferred tax asset | **29 552 068** | 20 431 608 | **11 975 732** | 3 447 941 |
| Deferred tax liability | **(43 181 093)** | (37 539 046) | **(1 176 427)** | – |
| | **(13 629 025)** | **(17 107 438)** | **10 799 305** | **3 447 941** |

### Recognition of deferred tax asset

A deferred tax asset has been raised on assessed tax losses based on conservative forecasts of future taxable income. The directors are satisfied that the deferred tax assets will be recovered based on business plans, budgets and forecasts of the respective entities.

Numerous discussions and assessments have been performed by the directors in assessing the implications of COVID-19 on the individual subsidiary companies within the Group as well as the Group as a whole. The future economic activities and profit generation of the Group's subsidiary companies, although affected by COVID-19, are not believed to be materially impacted. As the Group's subsidiary companies meet the definition of essential services in terms of national regulation, each subsidiary company within the Group is effectively trading and will continue to be effectively trading in the future.

## 15. Deferred tax (continued)

### Reconciliation of deferred tax balances

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| At beginning of year | **(21 086 238)** | (17 864 826) | **3 447 941** | 2 288 747 |
| Included in income tax | **336 804** | (2 974 061) | **7 351 364** | 1 406 539 |
| Prior period restatement[1] | **–** | 3 978 794 | **–** | – |
| Acquired through business combinations[2] | **7 120 409** | (247 345) | **–** | (247 345) |
| | **(13 629 025)** | **(17 107 438)** | **10 799 305** | **3 447 941** |
| **Composition of deferred tax** | | | | |
| Accrual for credit notes | **–** | 64 914 | **–** | – |
| Accrual for leave pay | **1 766 400** | 1 581 595 | **–** | 230 568 |
| Allowance for credit losses | **3 789 011** | 586 845 | **–** | – |
| Treasury shares held by The CI Trust | **–** | (1 029 340) | **–** | – |
| Deferred expenditure | **(694 255)** | – | **–** | |
| Right-of-use assets | **250 980** | – | **90 130** | – |
| Prepayments | **(312 469)** | (269 699) | **–** | – |
| Deferred income | **1 593 298** | 3 978 794 | **–** | |
| Income received in advance | **112 463** | 164 333 | **–** | – |
| Provisions[3] | **(1 458 955)** | 111 543 | **–** | – |
| Property, plant and equipment | **(33 809 597)** | (28 073 900) | **–** | – |
| Intangible assets | **(1 706 579)** | – | **–** | – |
| Contract assets | **(1 285 237)** | (1 255 535) | **–** | – |
| Tax losses available for set-off against future taxable income | **18 125 916** | 7 033 012 | **10 709 175** | 3 217 373 |
| | **(13 629 025)** | **(17 107 438)** | **10 799 305** | **3 447 941** |

1 *Refer to note 38 for further details relating to the prior period restatement. Deferred tax on Deferred Income was adjusted for.*
2 *Refer to note 37 for further details relating to business combinations.*
3 *The movement in provisions relates to the profit warranty claim Huge Telecom has over Otel Communications in relation to Huge Networks post the Otel Transaction.*

## 16. Finance lease receivables

| | Group | |
|---|---|---|
| | **2020** | 2019 |
| **Present value of minimum instalment payments due** | | |
| – within one year | **–** | 608 060 |
| – in second to fifth year | **–** | 1 777 008 |
| | **–** | **2 385 068** |
| Non-current assets | **–** | 1 777 008 |
| Current assets | **–** | 608 060 |
| | **–** | **2 385 068** |

Finance lease receivables related to the present value of financed deals due from customers. These assets were secured over sureties signed by the customers of which the average term was 36 months and incurred interest at 15%. The average monthly instalment was R72 578. The finance lease receivables were settled in full during the current reporting period.

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

## 17. Inventories

| | Group 2020 | Group 2019 |
|---|---|---|
| Telephone lines[1] | **24 573 646** | – |
| Router equipment | **10 710 460** | 1 962 536 |
| Merchandise | **5 752 282** | 547 098 |
| Devices[2] | **18 879 851** | 16 290 041 |
| Data | **1 502 569** | – |
| | **61 418 808** | **18 799 675** |
| Merchandise (impairment provision)[3] | **(1 379 994)** | **–** |
| | **60 038 814** | **18 799 675** |

1 *Telephone lines relates to the capitalisation of costs through work-in-progress associated with the development and build of telephone lines for resale.*

2 *Devices recognised as a result of a prior period restatement in the separate annual financial statements of Huge Connect identified during the current reporting period. Refer to note 38 for further detail.*

3 *A provision for inventory impairment was raised on slow moving Panasonic merchandise held by Pansmart.*

## 18. Loans to shareholders

| | Group 2020 | Group 2019 | Company 2020 | Company 2019 |
|---|---|---|---|---|
| JC Herbst[1] | **–** | 13 034 | **–** | 13 034 |
| | **–** | **13 034** | **–** | **13 034** |
| Current assets | **–** | 13 034 | **–** | 13 034 |
| | **–** | **13 034** | **–** | **13 034** |

1 *The loan was unsecured, was subject to interest at a rate of 4% above the prime overdraft rate and was repaid in full during the current reporting period.*

## 19. Trade and other receivables

| | Group 2020 | Group 2019 | Company 2020 | Company 2019 |
|---|---|---|---|---|
| **Financial instruments:** | | | | |
| Trade receivables[1] | **67 099 251** | 54 094 947 | **3 553 471** | 18 427 620 |
| Loss allowance[2] | **(22 778 643)** | (2 946 160) | **–** | – |
| **Trade receivables at amortised cost** | **44 320 608** | **51 148 787** | **3 553 471** | **18 427 620** |
| Contractual asset | **–** | 244 456 | **–** | – |
| Deposits | **435 310** | 4 206 872 | **–** | – |
| Profit warranty accrual[3] | **5 210 553** | | | |
| Other receivables | **1 100 082** | 25 634 | **–** | – |
| Credit note accrual[4] | **6 824 534** | – | **–** | – |
| Insurance receivable | **500 000** | – | **–** | – |
| Amounts subject to legal dispute | **–** | 4 020 004 | **–** | 4 020 005 |
| **Non-financial instruments:** | | | | |
| Prepayments | **2 099 841** | 1 634 147 | **–** | – |
| VAT | **8 766 353** | 3 813 552 | **860 328** | – |
| | **69 257 281** | **65 093 452** | **4 413 799** | **22 447 625** |

1 *No loss allowance has been raised on the Company's trade receivables as this relates to intercompany receivables which have been assessed in accordance with IFRS 9 and no provision for credit losses is required.*

2 *Refer to note 41 - Financial instruments and risk management for the loss allowance computation and measurement relating to fair value.*

3 *In terms of the Otel Communications Sale of Business Agreement, Otel Communications warranted to Huge Telecom that the profit of Huge Networks for FY2020 would not be less than the stipulated profit threshold. The stipulated profit threshold was not attained and as a result a claim has been raised in the current reporting period.*

4 *The credit note accrual relates to an MTN billing adjustment which has been corrected subsequent to year end, relating to fair value.*

## 19. Trade and other receivables (continued)

### Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| At amortised cost | **58 391 087** | 59 645 753 | **3 553 471** | 22 447 625 |
| Non-financial instruments | **10 866 194** | 5 447 699 | **860 328** | – |
| | **69 257 281** | **65 093 452** | **4 413 799** | **22 447 625** |

### Trade and other receivables pledged as security

Huge Telecom has ceded, as security, all its rights, title and interest in and to the Huge Telecom book debts of R30 000 000 (2019: R30 000 000) to FirstRand Bank (refer to note 20).

## 20. Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Cash on hand | **70 421** | 33 205 | **–** | – |
| Bank balances | **38 793 443** | 21 902 727 | **19 550 522** | 2 296 665 |
| Short-term deposits | **1 288 742** | 2 022 562 | **–** | – |
| Bank overdraft | **(891 249)** | (2 750 927) | **–** | (3 084) |
| | **39 261 357** | **21 207 567** | **19 550 522** | **2 293 581** |
| Current assets | **40 152 606** | 23 958 494 | **19 550 522** | 2 296 665 |
| Current liabilities | **(891 249)** | (2 750 927) | **–** | (3 084) |
| | **39 261 357** | **21 207 567** | **19 550 522** | **2 293 581** |

**FirstRand Bank, a division of Rand Merchant Bank, acts as bankers to the following companies within the Group by providing these companies with current account facilities:**

- Huge
- Huge Cellular
- Huge Connect
- Huge Management
- Huge Media
- Huge Messaging
- Huge Networks
- Huge Services
- Huge Software
- Huge Telecom

**Nedbank acts as banker, and provides current account facilities, to:**

- Huge Messaging

**Absa acts as banker, and provides current account facilities, to:**

- Huge Connect
- Huge Networks

**Huge Telecom Overdraft facility**

Huge Telecom has concluded an agreement with FirstRand Bank, a division of Rand Merchant Bank, for the provision of the following additional banking facilities which is subject to annual review and where amounts owing are repayable on demand:

- Overdraft Facility of R8 000 000;
- Short-term Direct Facility of R420 000 which is an auto card demand facility;
- Long-term Contingent Facility of R180 000 which is a demand facility where individual guarantees may not exceed 36 months;

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

## 20. Cash and cash equivalents (continued)

- Short-term Contingent Facility of R108 000 which is a demand facility where individual guarantees may not exceed 12 months, alternatively, individual guarantees must provide for notice of cancellation by the Bank with the notice period not exceeding three months; and
- Settlement Facility of R3 008 000 which is a demand facility.

The Overdraft Facility is subject to the following material terms and covenants:

**Collateral**

- an unlimited cession *in securitatem debiti* given in favour of the Bank by the Borrower of any and all rights which the Borrower has against its debtors from time to time;
- a limited cross suretyship for the joint and several obligations of, and by, and between, the companies listed below, provided that such cross suretyship be limited to R15 709 000, now and/or in future towards the Bank:
  - Huge Telecom
  - Huge
- Utilisation of the facility may not exceed 50% of the value of the borrower's good ceded debtors;
- The Borrower undertakes to maintain a minimum adjusted shareholder interest of R20 000 000; and
- The Borrower undertakes to maintain a minimum EBITDA of R10 000 000.

**Huge Connect short-term deposit material terms**

- Total cash and cash equivalents of Huge Connect pledged as security for guarantees issued to suppliers. Guarantees issued by ABSA Bank Limited were provided to Inani Property Holdings Proprietary Limited (formerly ERIS Property Group Proprietary Limited). An amount of R688 742 (2019: R624 000) has been ceded to Absa Bank Limited as security for the guarantees issued. These guarantees will only be paid if Huge Connect does not settle its rental obligation to Inani Property Holdings Proprietary Limited. The guarantees are limited to R688 742.
- The remaining balance of the short-term deposit account R600 000 has been ceded to BankServ as security for Huge Connect's debit order service. The guarantee is limited to R600 000.

## 21. Share capital

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| 1 000 000 000 Authorised Shares | **100 000** | 100 000 | **100 000** | 100 000 |
| **Reconciliation of number of shares in issue** | | | | |
| Issued shares | **175 627 007** | 175 627 007 | **175 602 077** | 175 602 077 |
| Shares held by Huge Telecom as treasury shares | **(9 646 926)** | (9 646 926) | **–** | – |
| Shares held by The CI Trust as treasury shares | **(737 989)** | (1 206 027) | **–** | – |
| Shares held by Huge as treasury shares (share buy-back)[1] | **(12 500)** | – | **(12 500)** | **–** |
| | **165 229 592** | **164 774 054** | **175 589 577** | **175 602 077** |

| Issued share capital | 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 | 229 313 266 | 11 090 | 230 675 332 |
| 14 650 000 shares issued at R6.15 per share | 14 650 000 | 1 465 | 90 096 035 | 1 465 | 90 096 035 |
| **Opening balance at 1 March 2017** | **115 904 517** | **11 590** | **319 409 301** | **12 555** | **320 771 367** |
| 24 373 551 shares issued at R6.15 per share | 24 373 551 | 2 437 | 149 894 901 | 2 437 | 149 894 901 |
| 25 208 333 shares issued at R6.00 per share | 25 208 333 | 2 522 | 151 247 478 | 2 522 | 151 247 478 |
| 468 750 shares issued at R8.00 per share | 468 750 | 47 | 3 749 953 | 47 | 3 749 953 |
| Capital raising expenses | – | – | (5 546 149) | – | (5 546 149) |
| **Closing balance at 28 February 2018** | **165 955 151** | **16 596** | **618 755 484** | **17 561** | **620 117 550** |
| 25 000 shares issued at R9.00 per share | 25 000 | 2 | 224 999 | 2 | 224 997 |
| Capital raising expenses | – | – | (729 000) | – | (729 000) |
| Treasury shares held by The CI Trust | (1 206 027) | (121) | (12 374 579) | – | – |
| Distribution of treasury shares previously held by The CI Trust[3] | – | – | 2 895 747 | – | – |
| **Closing balance at 28 February 2019** | **164 774 124** | **16 477** | **608 772 651** | **17 563** | **619 613 547** |
| Shares acquired by Windfall | **–** | **–** | **180 000** | **–** | **–** |
| Capital raising expenses | **–** | **–** | **(720 000)** | **–** | **(720 000)** |
| Share buy-back[1] | **–** | **–** | **(62 500)** | **–** | **(62 500)** |
| Distribution of treasury shares previously held by The CI Trust[3] | **–** | **–** | **3 697 492** | **–** | **–** |
| **Closing balance at 29 February 2020** | **164 774 124** | **16 477** | **611 867 643** | **17 563** | **618 831 047** |
| **Treasury shares** | | | | | |
| **Opening balance at 1 March 2017** | 9 646 926 | 965 | (64 946) | – | – |
| **Closing balance at 28 February 2018** | **9 646 926** | **965** | **(64 946)** | **–** | **–** |
| Treasury shares held by The CI Trust | 1 206 027 | 121 | 12 374 577 | – | – |
| **Closing balance at 28 February 2019** | **10 852 953** | **1 086** | **12 309 631** | **–** | **–** |
| The CI Trust vested shares[2] | **(468 038)** | **–** | **–** | **–** | **–** |
| Share buy-back[1] | **12 500** | **–** | **(62 500)** | **–** | **–** |
| **Closing balance at 29 February 2020** | **10 397 415** | **1 086** | **12 247 131** | **–** | **–** |

1 *Shares held by Huge are in terms of the Repurchase Programme (details provided in paragraph 8 of the Directors' Report). The 12 500 Shares are held for delisting at year end and were delisted subsequent to year end.*

2 *Refer to note 22 for further detail relating to the treasury shares held in relation to The CI Trust.*

3 *The distribution of treasury shares relates to 468 038 Huge Shares which were held as an investment by The CI Trust and which were distributed by The CI Trust to its share beneficiaries during FY2021. A total of 728 678 Huge Shares have been distributed by The CI Trust to its share beneficiaries up to the end of FY2020.*

| Total share capital | Group 2020 | Group 2019 | Company 2020 | Company 2019 |
|---|---|---|---|---|
| Issued shares | **16 477** | 16 477 | **17 563** | 17 563 |
| Share premium | **611 867 643** | 608 772 651 | **618 831 047** | 619 613 547 |
| | **611 884 120** | **608 789 128** | **618 848 610** | **619 631 110** |

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

## 22. Share-based payment reserve

### Employee share-based transactions

| | Group | |
|---|---|---|
| | **2020** | 2019 |
| **Total share-based payment reserve** | **3 905 915** | 4 141 848 |

In terms of the Subscription and Repurchase Agreement entered into between Huge and ConnectNet Broadband Wireless on 30 March 2017, Huge agreed to the transfer of 1 466 667 of the Shares issued to the relevant shareholders, to The CI Trust.

The CI Trust was established by the relevant shareholders for the purposes of creating incentives for certain employees, directors and/or consultants of ConnectNet Broadband Wireless and Sainet Internet to *inter alia* assist those companies to achieve the profit warranties given by the relevant shareholders in the Subscription and Repurchase Agreement.

The allocation of these Shares to share beneficiaries is governed by The CI Trust Deed.

During August 2019, 468 038 Shares (August 2018: 131 226 and June 2017: 129 415) were transferred by The CI Trust to share beneficiaries, being certain existing employees, directors and/or consultants to ConnectNet Broadband Wireless and Sainet Internet, at a grant price of R6.30 (2019: R9.74 and 2018: R8.90).

Of the remaining 737 989 Shares (2019: 1 206 027 and 2018: 1 337 253), 624 818 Shares will be allocated to the share beneficiaries after 29 February 2020, with the residual 113 169 Shares ceded as security for the loan between Huge and The CI Trust.

During FY2020, no Shares (2019: 113 169) that had vested in the share beneficiaries were settled alternatively in cash. During FY2019, cash settlements were paid to share beneficiaries *in lieu* of Shares, which equaled the number of Shares at a price of R9.50 per Share. This resulted in a cash outflow from The CI Trust of R1 075 106.

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

Shares held by The CI Trust and not yet issued to the share beneficiaries at the end of the reporting period are shown as treasury shares in the AFS. At 29 February 2020, 737 989 Shares (2019: 1 206 027 and 2018: 1 337 253) were held by The CI Trust. Refer to note 21 for further detail.

| | **2020** | 2019 |
|---|---|---|
| Number of shares issued under the plan to participating employees on 8 August 2019[1] | **468 038** | 244 395 |

1 *During the prior reporting period 131 226 Shares were transferred to the share beneficiaries. During the prior reporting period 113 169 Shares were retained and cash payments were made and received as an alternative. No Shares were substituted with cash in the current year.*

### Expense arising from share-based payment transactions

Total expenses of R3 461 559 (2019: R7 037 595) related to equity-settled share based payment transactions were recognised in 2020 and 2019 respectively.

### Executive Share Option Agreements

The Company concluded Executive Option Agreements (the **Option Agreements**) with JC Herbst (the Chief Executive Officer), AP Openshaw (the Chief Operating Officer) and SL Sequeira (the Chief Financial Officer) on 29 August 2019 (the **Effective Date**) and the Option Agreements were approved by the Shareholders of Huge on 26 February 2020 (the **Grant Date**). As the options contemplated in the Option Agreements (the **Options**) were approved three days prior to the end of the current reporting period the computed share-based payment for the current reporting period of R345 115 was quantitatively immaterial. However, all of the qualitative factors are disclosed below.

The Option Agreements contemplate the granting by the Company of a right to subscribe for Huge Shares at a strike price equal to the 30-day volume-weighted average price (**VWAP**) of a Huge Share on the Effective Date, which is R5.21 per share (the **Strike Price**).

The Option Agreement concluded with JC Herbst contemplates the granting by the Company of a right to subscribe for 7 500 000 Huge Shares at the Strike Price with a market value of R39.825 million.

The Option Agreement concluded with AP Openshaw contemplates the granting by the Company of a right to subscribe for 7 500 000 Huge Shares at the Strike Price with a market value of R39.825 million.

The Option Agreement concluded with SL Sequeira contemplates the granting by the Company of a right to subscribe for 750 000 Huge Shares at the Strike Price with a market value of R3.9825 million.

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

## 22. Share-based payment reserve (continued)

The following internal and external key value drivers (inputs for the Binomial Option Pricing Model) were taken into account:

- The price of a Huge Share on the Effective Date was R5.65;
- The exercise price of the Huge Shares underlying the Options is R5.31 per share;
- The Options vest in three equal tranches on 1 March 2020, 1 March 2021 and 1 March 2022;
- The Options are capable of being exercised over a period of five years from the date on which each tranche vests;
- The number of steps for each Option is 1 000;
- A risk-free rate based on the yield of the R186 Government Bond, being 8.19% on 29 August 2019 was used;
- The historic annual volatility of a Huge Share based on the most recent 12-month period of 42.59% was referenced to the standard deviation of the daily closing share price movements. The historic volatility of a Huge Share over the most recent 12-month period is considered the most appropriate bench mark in determining the possible magnitude of future stock price movements as this period excludes large corporate activity such as the acquisition of Huge Connect in March 2017; and
- The Company's average historic dividend yield is 2.35%.

In undertaking the valuation of the Options above, a core valuation was determined as follows:

- First tranche of the Option: R2.52 per Share;
- Second tranche of the Option: R2.67 per Share; and
- Third tranche of the Option: R2.80 per Share.

## 23. Non-controlling interest

| | Huge Networks | Huge Media | Huge Messaging | Huge Mobile | Huge Software | Pansmart | Huge Connect | Total |
|---|---|---|---|---|---|---|---|---|
| **Non-controlling shareholding** | 0.00% | 4.00% | 49.80% | 50.30% | 25.00% | 0.00% | 0.00% | |
| **Balance as at 28 February 2018** | **–** | (2 371 178) | 536 175 | (950 079) | (230 470) | – | – | (3 015 552) |
| Non-controlling shareholding | 49.70% | 4.00% | 0.00% | 0.00% | 25.00% | 0.00% | 0.00% | |
| Share of profit (loss) for the year | (3 393 325) | 34 760 | 328 178 | (47 535) | (9 081) | – | – | (3 087 003) |
| Change in ownership – loss of control | – | – | (864 353) | 997 614 | – | – | – | 133 261 |
| Change in ownership – control retained | 11 636 182 | – | – | – | – | – | – | 11 636 182 |
| **Balance at 28 February 2019** | **8 242 857** | **(2 336 418)** | **–** | **–** | **(239 551)** | **–** | **–** | **5 666 888** |
| Non-controlling shareholding | 49.70% | 4.00% | 0.00% | 0.00% | 25.00% | 49.97% | 16.29% | |
| Share of profit (loss) for the year | 462 337 | 162 703 | – | – | (142 433) | (181 597) | – | 301 010 |
| Business combination – control acquired[1] | – | – | – | – | – | (8 986 103) | – | (8 986 103) |
| Change in ownership – control retained[2] | – | – | – | – | – | – | (57 234 860) | (57 234 860) |
| **Balance at 29 February 2020** | **8 705 194** | **(2 173 715)** | **–** | **–** | **(381 984)** | **(9 167 700)** | **(57 234 860)** | **(60 253 065)** |

*1 Refer to note 37 for more detail relating to the business combinations concluded during the current and prior reporting periods.*

*2 The movement in the non-controlling interest relates to a business combination involving Huge, Huge Connect and Windfall and the change in the degree of Huge's control over Huge Connect in favour of Windfall (the Huge Connect Business Combination). Windfall subscribed for new ordinary shares in Huge Connect and after its subscription, 16.296% of the ordinary shares of Huge Connect are held by it. The equity attributable to the holders of the parent has been adjusted for Windfall's non-controlling interest. Additional information on business combinations can be found in note 37.*

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

## 23. Non-controlling interest (continued)

The below information represents 100% of the subsidiary companies' results that are not wholly-owned by Huge.

**Summary of Group's interest in the subsidiary companies**

| Statement of financial position | Huge Networks 2020 | Huge Networks 2019 | Huge Media 2020 | Huge Media 2019 | Huge Connect 2020 |
|---|---|---|---|---|---|
| Non-current assets | **31 562 443** | 25 520 278 | **762 262** | 2 026 637 | **103 365 189** |
| Current assets | **18 731 411** | 12 699 735 | **14 574 314** | 8 658 534 | **57 080 166** |
| Non-current liabilities | **(22 557 251)** | (3 240 920) | **(21 388 069)** | – | **(28 799 137)** |
| Current liabilities | **(9 702 754)** | (12 390 591) | **(895 226)** | (21 868 952) | **(21 521 950)** |
| **Equity** | **18 033 849** | **22 588 502** | **(6 946 719)** | **(11 183 781)** | **110 124 268** |
| **Statement of comprehensive income** | | | | | |
| Revenue | **96 768 135** | 43 898 459 | **6 000 000** | – | **167 700 037** |
| Cost of sales | **(57 778 966)** | (28 809 728) | **–** | – | **(59 934 957)** |
| Other income | **436 690** | 52 820 | **–** | 1 500 000 | **2 194 340** |
| Other expenses | **(34 898 516)** | (17 713 955) | **(107 933)** | (205 885) | **(52 260 114)** |
| Finance costs | **(1 648 386)** | (2 270) | **–** | (11 446) | **(610 348)** |
| Investment income | **576 610** | 443 511 | **–** | – | **2 659 152** |
| Income tax expense | **(1 606 217)** | 580 758 | **(1 655 015)** | (413 680) | **(13 852 843)** |
| **Profit/(loss) for the year** | **1 849 350** | **(1 550 405)** | **4 237 052** | **868 989** | **45 895 267** |
| **Statement of cash flows** | | | | | |
| Cash flows from operating activities | **(12 591 076)** | 4 788 318 | **241 546** | 93 160 | **55 636 632** |
| Cash flows from investing activities | **(4 435 869)** | (17 762 110) | **(241 546)** | (98 502) | **9 547 833** |
| Cash flows from financing activities | **18 408 687** | 10 276 387 | **–** | 5 000 | **(60 293 862)** |
| **Net cash outflow** | **1 381 742** | **(2 697 405)** | **–** | **(342)** | **4 890 603** |

| Statement of financial position | Huge Messaging 2019 | Huge Mobile 2019 | Huge Software 2020 | Huge Software 2019 | Pansmart 2020 |
|---|---|---|---|---|---|
| Non-current assets | 507 558 | – | **3 571 939** | 2 016 310 | **9 312 208** |
| Current assets | 760 734 | 18 619 | **758 344** | 658 430 | **9 904 033** |
| Non-current liabilities | – | – | **(5 161 172)** | (2 519 392) | **(36 116 432)** |
| Current liabilities | (2 075 024) | (583 195) | **(886 970)** | (1 113 562) | **(1 888 183)** |
| **Equity** | **(806 732)** | **(564 576)** | **(1 717 859)** | **(958 214)** | **(18 788 374)** |
| **Statement of comprehensive income** | | | | | |
| Revenue | 3 007 998 | 7 821 | **3 108 475** | 2 876 086 | **17 860 888** |
| Cost of sales | (2 319 351) | (4 015) | **(583 627)** | (396 560) | **(13 724 315)** |
| Other income | 622 487 | – | **69 363** | – | **2 883 440** |
| Other expenses | (892 305) | (92 036) | **(3 112 670)** | (2 755 085) | **(10 457 194)** |
| Finance costs | (208 035) | – | **(317 372)** | (170 945) | **(2 430 738)** |
| Investment income | 40 | – | **434** | 261 | **184** |
| Income tax expense | (62 976) | – | **75 753** | 409 918 | **7 280 801** |
| **Profit/(loss) for the year** | **147 858** | **(88 230)** | **(759 644)** | **(36 325)** | **1 413 066** |
| **Statement of cash flows** | | | | | |
| Cash flows from operating activities | 1 040 219 | (21 631) | **(675 485)** | (236 572) | **(9 160 420)** |
| Cash flows from investing activities | – | – | **(1 038 839)** | (906 750) | **(10 118)** |
| Cash flows from financing activities | (1 011 923) | 15 000 | **1 923 308** | 1 256 171 | **9 096 059** |
| **Net cash outflow** | **28 296** | **(6 631)** | **208 984** | **112 849** | **(74 479)** |

## 24. Interest-bearing liabilities held at amortised cost

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| **Futuregrowth – Held through Huge**<br>The loan bears interest compounded quarterly at three-month JIBAR plus 4%. A portion of the capital is repayable every quarter until the final repayment date being the 5th anniversary of the first utilisation date.<br>**Covenants:**<br>1. Debt to EBITDA Ratio shall be between 0 and 2.5 times;<br>2. EBITDA to Debt Interest Ratio shall not be less than 3 times;<br>3. EBITDA to Debt Service Ratio shall not less than 1.5 times;<br>4. Group Debt to Group EBITDA Ratio shall be between 0 and 2.5 times;<br>5. Huge's Debt to Subsidiaries Debt Ratio shall not be less than:<br>a. 86.96%; 13.04% in the period between Signature Date and 29 November 2019;<br>b. 90%; 10% in the period between 29 November 2019 and the final repayment date; and<br>6. A Security Cover Ratio which is equal to or greater than 3. | **142 519 872** | 137 821 648 | **142 519 872** | 137 821 648 |
| **Futuregrowth – Held through Huge Technologies**<br>The loan bears interest compounded quarterly at three-month JIBAR plus 4.5%. The loan is repayable by 29 November 2021.<br>**Covenant:**<br>1. Debt to EBITDA Ratio shall be between 0 and 4 times;<br>2. EBITDA to Debt Interest Ratio not less than 4 times;<br>3. Group Debt to Group EBITDA Ratio shall be between 0 and 2.5 times; and<br>4. Group Debt Interest to Group EBITDA Ratio shall not be less than 3 times. | **30 000 000** | 30 000 000 | **–** | – |
| **M Jankovic – Held through Huge Networks**<br>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 | **–** | – |
| **Nedbank Limited – Held through Huge Networks**<br>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. | **–** | 1 010 000 | **–** | – |
| **Unwire Communications – Held through Huge Connect**<br>The above loan is unsecured, interest free and repayable in May 2019. | **–** | 1 595 | **–** | – |
| **J Ingram1 – Held through Huge Telecom** | **–** | 750 000 | **–** | – |
| **GB Shiers1 – Held through Huge Telecom** | **–** | 750 000 | **–** | – |
| | **172 519 872** | **170 524 470** | **–** | **137 821 648** |

1 *The J Ingram and GB Shiers loans are unsecured, bear no interest and are repayable over 36 months in equal instalments of R25 000. The loans have been reclassified to loans payable in the current year due to the fact that no interest is being charged. Therefore, the loans are more correctly presented under loans payable rather than Interest-bearing liabilities. Refer to note 12 for further detail. The amounts have been assessed and are not material quantitatively or qualitatively and therefore no prior year restatement is necessary.*

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

## 24. Interest-bearing liabilities held at amortised cost (continued)

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| **Non-current liabilities** | | | | |
| At amortised cost | **120 936 298** | 96 535 713 | **90 936 298** | 94 434 486 |
| | **120 936 298** | **96 535 713** | **90 936 298** | **94 434 486** |
| **Current liabilities** | | | | |
| At amortised cost | **51 583 574** | 73 988 757 | **51 583 574** | 43 387 162 |
| | **51 583 574** | **73 988 757** | **51 583 574** | **43 387 162** |
| **Total Liabilities** | **172 519 872** | **170 524 470** | **142 519 872** | **137 821 648** |

### Futuregrowth Term Facility Agreement – Held through Huge

On 14 December 2018, Huge concluded a Term Facility Agreement with Futuregrowth for R200 million (the Facility). The Facility replaced the R90 million Term Facility Agreement concluded as part of the acquisition of ConnectNet Broadband Wireless and Sainet Internet and provides Huge with access to additional funds to fulfil its growth aspirations. Huge has the ability to draw down on the Facility as and when its needs require. The principal amounts outstanding are payable in quarterly tranches of R10 million, with the final quarterly tranche due for payment in December 2023. Interest on the Facility is payable on a quarterly basis.

The Facility provides for various Group's subsidiary companies, associate companies and joint venture companies (the **Obligors**) to provide various guarantees, cessions, pledges and subordinations.

The Obligors irrevocably and unconditionally undertake to pay to Futuregrowth all amounts which Huge and any other Obligor is obliged to pay to Futuregrowth in terms of the Facility, to the extent to which Huge or any other Obligor fails to pay those amounts.

In terms of the cession between Futuregrowth and Huge, Huge cedes in *securitatem debiti* and pledges to Futuregrowth as continuing covering security for the fulfilment of its obligations under the Facility, all of its right, title and interest in and to all of the shares held by Huge in and claims held by Huge against the Obligors.

In terms of a Subordination Agreement between Futuregrowth, Huge and the Obligors, Huge and each of the Obligors, where applicable, irrevocably and unconditionally subordinate all of their claims in favour of Futuregrowth's claims against Huge arising from or related to the Facility.

Futuregrowth and Huge have agreed to terminate the Borrower Debt to Subsidiary Debt ratio, and replace it with an a positive or negative undertaking that Huge will not create any further obligations in each of the Obligors without Futuregrowth's written consent.

On 29 November 2019, Huge Technologies concluded an Addendum to the R30 million Term Facility Agreement with Futuregrowth. The parties amended the final repayment date to 29 November 2021 and agreed to increase the lending margin from JIBAR + 400 bps to JIBAR + 450 bps, nominal annual, compounded quarterly.

## 25. Deferred Income

Deferred income is accounted for in accordance with the accounting policy disclosed in paragraph 1.5 Revenue from Contracts with Customers.

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Non-current liabilities | **–** | 6 397 634 | **–** | – |
| Current liabilities | **6 092 003** | 10 479 312 | **–** | – |
| | **6 092 003** | **16 876 946** | **–** | **–** |

This contract liability relates to income from an agreement entered into in the prior reporting period by Huge Connect as compensation for the use and supply of Telkom sim cards and data packages to a Huge Connect customer operating a taxi-hailing service. The amounts are amortised to the Statement of Profit or Loss on a monthly basis in accordance with the term of the customer contract, being three years. This related to a prior period restatement which is referred to in note 38.

## 26. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| **Financial Instruments:** | | | | |
| Trade payables | **30 088 303** | 17 480 289 | **396 633** | 4 610 203 |
| Income received in advance | **499 809** | – | **–** | – |
| Payroll accruals | **1 935 223** | 5 181 369 | **–** | 115 416 |
| Accrued leave pay | **6 874 110** | 5 906 399 | **–** | 708 041 |
| Accrued Business Partner fees | **–** | 3 548 640 | **–** | – |
| Other accruals | **3 652 705** | – | **–** | – |
| Deposits received | **814 692** | 718 610 | **–** | – |
| **Non-financial instruments:** | | | **–** | |
| VAT | **6 365 082** | 6 368 336 | **–** | 1 155 090 |
| Operating lease payables | **–** | 21 159 | **–** | – |
| | **50 229 924** | **39 224 802** | **396 633** | **6 588 750** |
| Financial Instruments | **43 864 842** | 32 835 307 | **396 633** | 5 433 660 |
| Non-financial instruments | **6 365 082** | 6 389 495 | **–** | 1 155 090 |
| **Total trade and other payables** | **50 229 924** | **39 224 802** | **396 633** | **6 588 750** |

## 27. Revenue

### Disaggregation of revenue

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets, major products and service lines and timing of revenue recognition. The table includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

| | Fintech Grouping | | Corporate Office | | Telecom Grouping | | Total Operating Segments | |
|---|---|---|---|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| **South Africa** | **158 175 545** | 145 667 777 | **2 562 717** | 2 353 894 | **321 693 387** | 269 572 996 | **482 431 649** | 417 594 667 |
| **Africa** | **9 476 248** | 14 685 752 | **–** | – | **236 885** | 381 359 | **9 713 133** | 15 067 111 |
| | **167 651 793** | **160 353 529** | **2 562 717** | **2 353 894** | **321 930 272** | **269 954 355** | **492 144 781** | **432 661 778** |
| **Major goods/service lines** | | | | | | | | |
| Network devices | **1 813 570** | 1 456 636 | **–** | – | **15 063 844** | 70 868 508 | **16 877 414** | 72 325 144 |
| Network services[1] | **165 838 223** | 158 896 893 | **–** | – | **292 481 421** | 199 085 847 | **458 319 644** | 357 982 740 |
| Software licence fees | **–** | – | **2 562 717** | 2 353 894 | **529 688** | – | **3 092 405** | 2 353 894 |
| Communication equipment | **–** | | **–** | | **13 855 319** | | **13 855 319** | – |
| | **167 651 793** | **160 353 529** | **2 562 717** | **2 353 894** | **321 930 272** | **269 954 355** | **492 144 782** | **432 661 778** |
| **Timing of revenue recognition** | | | | | | | | |
| Goods transferred at a point in time | **1 813 570** | 1 456 636 | **–** | – | **29 448 851** | 692 460 | **31 262 421** | 2 149 096 |
| Services transferred over time | **165 838 223** | 158 896 893 | **2 562 717** | 2 353 894 | **292 481 421** | 269 261 895 | **460 882 361** | 430 512 682 |
| | **167 651 793** | **160 353 529** | **2 562 717** | **2 353 894** | **321 930 272** | **269 954 355** | **492 144 782** | **432 661 778** |

*1 The service line Network services can be broken down further into the following revenue streams:*

| | **2020** | 2019 |
|---|---|---|
| **Network services** | | |
| Voice connectivity services | **220 483 024** | 150 424 500 |
| Payment connectivity services | **165 838 223** | 158 355 525 |
| Data connectivity services | **68 165 767** | 43 898 459 |
| Messaging services | **2 783 882** | 3 946 712 |
| Telephone management services | **1 048 748** | 1 357 544 |
| **Total** | **458 319 644** | **357 982 740** |

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

## 28. Cost of sales

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Voice connectivity services | **33 154 214** | 63 791 592 | **–** | – |
| Business Partner fees | **26 464 573** | 28 021 625 | **–** | – |
| Router equipment depreciation | **9 472 209** | 12 434 194 | **–** | – |
| Contract asset amortisation[1] | **8 603 068** | – | **–** | – |
| Payment connectivity services | **55 480 070** | 60 040 218 | **–** | – |
| Data connectivity services | **46 697 880** | 28 809 728 | **–** | – |
| Messaging services | **268 249** | 2 116 698 | **–** | – |
| Telephone management services | **732 393** | 1 224 915 | **–** | – |
| Software licence fees | **583 627** | 395 560 | **–** | – |
| Electronic equipment[2] | **18 158 154** | – | **–** | – |
| Capitalisation to work-in-progress[3] | **(15 705 648)** | – | **–** | – |
| | **183 908 789** | **196 834 530** | **–** | **–** |

1 *Amortisation of contract assets is recognised under cost of sales due to the connection to IFRS 15 Revenue from Contracts with Customers. Refer to note 13 for additional information.*

2 *Electronic equipment is as a result of the Pansmart acquisition during the current reporting period.*

3 *During the current reporting period, router equipment held by the Group was capitalised to work-in-progress. This routing equipment is used in the manufacture of telephone lines. In the current year, this in a credit to cost of sales.*

## 29. Other income

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Profit on sale of property, plant and equipment | **1 575 203** | 807 022 | **–** | – |
| Administration fees received | **–** | 110 250 | **–** | 27 914 748 |
| Insurance proceeds | **536 356** | 190 215 | **–** | |
| Arrangement fee[1] | **–** | – | **–** | 6 790 725 |
| Rental income | **381 457** | 52 538 | **–** | – |
| Loans written off | **–** | 839 800 | **–** | – |
| Learnership and SETA | **1 237 950** | – | **–** | |
| Other income | **657 327** | 167 470 | **379 389** | – |
| Credit losses recovered | **819 406** | 808 528 | **–** | – |
| Profit warranty claim[2] | **5 210 553** | – | **–** | |
| | **10 418 252** | **2 975 823** | **379 389** | **34 705 473** |

1 *In terms of the provisions of the agreements relating to the Otel Transaction, Huge was entitled to an arrangement fee (referred to in note 37).*

2 *In terms of the provisions of the agreements relating to the Otel Transactions, Otel Communications has given Huge Telecom a profit warranty. In terms of the profit warranty, Otel Communications has warranted that the Huge Networks 2020 Profit (as this term is defined) will not be less than a stipulated profit threshold. The profit warranty claim represents Huge Telecom's claim against Otel Communications because the Huge Networks 2020 Profit was less than the stipulated profit threshold.*

## 30. Operating profit

Operating profit for the year is stated after accounting for the following:

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| **Short-term lease charges** | | | | |
| Premises | | | | |
| Straight-line basis | **5 076 473** | 9 427 149 | **–** | 1 095 504 |
| Equipment | | | | |
| Straight-line basis | **1 505 265** | 189 799 | **–** | – |
| | **6 581 738** | **9 616 948** | **–** | **1 095 504** |
| Depreciation of property, plant and equipment[1] | **23 384 910** | 25 205 862 | **–** | 15 640 |
| Depreciation of right-of-use assets[2] | **6 865 550** | – | **1 050 381** | – |
| Depreciation of contract assets[3] | **11 053 069** | 677 186 | **–** | – |
| Amortisation of intangible assets[4] | **2 213 357** | 1 385 998 | **–** | – |
| **Total depreciation and amortisation** | **43 516 886** | **27 269 046** | **1 050 381** | **15 640** |
| Impairment of investment in joint venture company | **458 841** | – | **–** | – |
| Supplier settlement | **4 020 004** | – | **–** | – |
| Reversal of impairment of other financial assets | **–** | (508 792) | **–** | – |
| Gain on sale of property, plant and equipment | **(1 575 202)** | (807 022) | **–** | – |
| Gain/(loss) on sale of investment in subsidiary[5] | **–** | (1 530 392) | **–** | 35 394 991 |
| Reversal of impairment on investment in subsidiary company[5] | **–** | – | **–** | (36 633 120) |
| Profit on exchange differences | **198 853** | 245 722 | **–** | – |
| Statutory and listing fees | **1 868 108** | 854 179 | **379 389** | 850 490 |
| Legal expenses | **3 964 560** | 4 298 047 | **–** | 2 340 593 |
| Consulting and professional fees | **7 935 223** | 4 625 795 | **–** | 3 096 834 |
| Credit losses written off | **3 480 683** | 1 969 787 | **–** | – |
| | **20 351 070** | **9 147 324** | **379 389** | **5 049 788** |
| **Employee costs** | | | | |
| Salaries, wages, bonuses and other benefits | **126 055 403** | 100 274 931 | **–** | 14 956 032 |
| Retirement benefit plans: defined contribution expense | **3 281 708** | 4 430 788 | **–** | – |
| Share-based compensation expense | **3 461 559** | 7 037 595 | **–** | – |
| **Total employee costs** | **132 798 670** | **111 743 314** | **–** | **14 956 032** |
| *Less:* Employee costs included in cost of sales | **(36 737 654)** | (33 478 937) | **–** | – |
| **Total employee costs expensed** | **96 061 016** | **78 264 377** | **–** | **14 956 032** |

*1 Refer to note 4 for additional detail.*
*2 Refer to note 5 for additional detail.*
*3 Refer to note 13 for additional detail.*
*4 Refer to note 7 for additional detail.*
*5 Refer to note 37 for additional detail.*

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

## 31. Investment income

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| **Dividends received** | | | | |
| Subsidiary companies[1] | **–** | – | **515 075 000** | 28 000 000 |
| **Total dividend revenue** | **–** | **–** | **515 075 000** | **28 000 000** |
| **Finance income** | | | | |
| Bank | **234 605** | 1 360 135 | **–** | 5 609 |
| Discovery endowment | **1 757 969** | 600 326 | **1 757 969** | 600 326 |
| Interest charged on trade and other receivables | **552 601** | 488 081 | **–** | – |
| Other receivables | **1 171 871** | 957 887 | **–** | – |
| Loans to group companies | **–** | 98 219 | **4 961 493** | 2 704 505 |
| **Total Finance income** | **3 717 046** | **3 504 648** | **6 719 462** | **3 310 440** |
| **Total Investment income** | **3 717 046** | **3 504 648** | **521 794 462** | **31 310 440** |

1 *Huge Connect, a wholly-owned subsidiary company of Huge, entered into a transaction with Windfall, a 100% black-owned company, wherein Windfall subscribed for 36 ordinary shares in Huge Connect, constituting 16.29% of the ordinary share capital in Huge Connect (**Windfall Subscription Shares**) for a total subscription consideration of R180 000 (**Windfall Subscription Price**), which subscription consideration is settled in cash. To give effect to the transaction, Huge, Huge Connect and Windfall have concluded a series of interlinked and inter-conditional agreements where in:*

- *Huge subscribed for 1 000 preference shares in Huge Connect (the **Preference Shares**) for a cumulative subscription price of R457 075 000 (the **Preference Share Subscription Price**). The Preference Shares are unsecured, cumulative, redeemable at the option of the issuer and bear a variable coupon rate of prime plus one percent;*
- *Huge Connect declared an ordinary dividend, in an aggregate amount equivalent to the Preference Share Subscription Price (the **Huge Connect Ordinary Dividend**);*
- *The obligation of Huge Connect to effect payment of the Huge Connect Ordinary Dividend to Huge was discharged by set-off against the obligation of Huge to effect payment of the Preference Share Subscription Price to Huge Connect;*
- *Windfall subscribed for the Windfall Subscription Shares for the Windfall Subscription Price; and*
- *Post implementation of the above transactions, Huge holds 100% of the preference share capital in Huge Connect and 83.71% of the ordinary share capital of Huge Connect, with the remainder of the 16.29% issued ordinary share capital being held by Windfall.*

## 32. Finance costs

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Group companies | – | – | – | 1 706 796 |
| Shareholders' loans | 850 619 | 89 439 | – | – |
| Interest bearing liabilities | 17 712 884 | 13 355 312 | 14 387 551 | 10 041 122 |
| Trade and other payables | 152 408 | 307 470 | – | 12 |
| Lease liabilities | 2 140 617 | 864 081 | 427 976 | – |
| Bank overdraft | 688 215 | 630 045 | 533 | – |
| Tax authority | 28 302 | 92 486 | – | – |
| | **21 573 045** | **15 338 833** | **14 816 060** | **11 747 930** |

## 33. Income tax (expense)/income

### Major components of the tax expense/(income)

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| **Current** | | | | |
| Local income tax – current period | (21 595 034) | (19 294 381) | – | – |
| Local income tax – recognised in current period for prior periods | (1 431 873) | 582 097 | – | – |
| Security transfer tax | (39 379) | (29 356) | – | – |
| | **(23 066 286)** | **(18 741 640)** | **–** | **–** |
| **Deferred** | | | | |
| Originating and reversing temporary differences | **327 206** | (2 974 062) | **7 351 365** | 1 159 194 |
| | **327 206** | **(2 974 062)** | **7 351 365** | **1 159 194** |
| **Total** | **(22 739 080)** | **(21 715 702)** | **7 351 365** | **1 159 194** |

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| **Reconciliation of tax expense** | | | | |
| Reconciliation between the statutory tax rate and the average effective tax rate. | | | | |
| Applicable tax rate | **28.0%** | 28.0% | **28.0%** | 28.0% |
| Exempt income[1] | **(0.08%)** | – | **(81.73%)** | (26.73%) |
| Disallowable expenditure[2] | **0.03%** | – | **–** | – |
| Unutilised assessed loss[3] | **(4.23%)** | (6.14%) | **(2.7%)** | 14.21% |
| Donations[4] | **0.03%** | (3.7%) | **–** | – |
| Prior year under/(over) provision[5] | **(3.28%)** | (0.12%) | **–** | – |
| Deferred tax adjustment[6] | **(2.07%)** | 1.57% | **–** | – |
| Expenses attributable to dividend income | **–** | – | **–** | 15.38% |
| Group gains/losses – impairments on disposals | **–** | 1.31% | **52.26%** | (35.05%) |
| SARS interest and penalties | **0.04%** | 0.29% | **–** | – |
| Trust donation not taxable | **–** | (3.62%) | **–** | – |
| Legal fees | **–** | 0.33% | **–** | 1.0% |
| Capital gains tax effect | **–** | (0.33%) | **–** | (1.0%) |
| Share based payment | **0.82%** | 1.76% | **–** | – |
| | **19.26%** | **19.35%** | **(4.17%)** | **(4.19%)** |

1 *Exempt income consists of dividends received.*
2 *Disallowed expenditure consists of fines, penalties, donations, finance costs of a capital nature and legal fees of a capital nature.*
3 *Un-utilised assessed losses related to unrecognised deferred tax assets on assessed losses.*
4 *Prior year donations includes dividends added back.*
5 *Prior year under/(over) provision includes the prior period restatement referred to in note 38.*
6 *Deferred tax adjustments relate to permanent differences in the current year relating to the prior period including the accelerated amortisation on contract assets.*

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

## 34. Earnings and headline earnings per share

| 2020 | Gross | Tax | Net |
|---|---|---|---|
| Profit attributable to owners of the parent adjusted for: | – | – | 95 022 679 |
| Gain from bargain purchase on joint venture | (138 091) | 38 665 | (99 426) |
| Impairment of investment on joint venture | 458 811 | (128 467) | 330 344 |
| Gain on disposal of property, plant and equipment | (1 575 202) | 441 057 | (1 134 146) |
| **Headline earnings** | **(1 254 482)** | **351 255** | **94 119 451** |

| 2019 | | | |
|---|---|---|---|
| Profit attributable to owners of the parent adjusted for: | – | – | 79 121 837 |
| Gain on disposal of investment of subsidiaries | (1 548 265) | 433 514 | (1 114 751) |
| Gain on disposal of property, plant and equipment | (807 022) | 225 966 | (581 055) |
| **Headline earnings** | **(2 355 287)** | **659 480** | **77 426 031** |

| | 2020 | 2019 | 2020 | 2019 |
|---|---|---|---|---|
| **Weighted average number of ordinary shares** | | | | |
| Issued ordinary shares at 1 March | **175 159 039** | 175 382 682 | **–** | – |
| Weighted average ordinary shares issued during the year | **262 871** | 141 280 | **–** | – |
| Treasury shares held by Huge Telecom | **(9 646 926)** | (9 646 926) | **–** | – |
| Treasury shares held by The CI Trust | **(737 989)** | (1 206 027) | **–** | – |
| **Weighted average number of ordinary shares in issue at 29 February (basic, and headline)** | **165 036 995** | 164 671 009 | **–** | – |
| IFRS 2 share-based dilutive effect[1] | **462 243** | 833 537 | **–** | – |
| **Weighted average number of ordinary shares in issue at 29 February (diluted)** | **165 499 238** | 165 504 546 | **–** | – |
| **Per share statistics (cents)** | | | **–** | – |
| Earnings per share | **57.58** | 48.05 | **–** | – |
| Headline earnings per share | **57.03** | 47.02 | **–** | – |
| Diluted basic earnings per share | **57.42** | 47.81 | **–** | – |
| Diluted headline earnings per share | **56.87** | 46.78 | **–** | – |

1 *The IFRS 2 share-based dilutive effect includes The CI Trust shares. The IFRS 2 share-based effect of the Executive Options was calculated and identified as an anti-dilutive effect and therefore there is no affect to the earnings and headline earnings calculation.*

## 35. Cash generated from/(used in) operations

| | Note(s) | Group 2020 | Group 2019 | Company 2020 | Company 2019 |
|---|---|---|---|---|---|
| Profit before taxation | | **118 062 769** | 97 750 536 | **190 935 680** | 29 325 023 |
| **Adjustments for:** | | | | | |
| Depreciation | 5&4 | **30 250 460** | 25 205 862 | **1 050 381** | 15 640 |
| Amortisation | 7&13 | **13 266 426** | 2 063 184 | **–** | – |
| Profit on sale of Property, plant and equipment | | **(1 575 202)** | (807 022) | **–** | – |
| Loss from joint venture | | **–** | 18 811 | **–** | – |
| Dividends received | 31 | **–** | – | **(515 075 000)** | (28 000 000) |
| Finance income received | 31 | **(3 717 046)** | (3 504 648) | **(6 719 462)** | (3 310 440) |
| Finance costs | 32 | **21 573 045** | 15 338 833 | **14 816 060** | 11 747 930 |
| Reversal of impairment loss | | **–** | – | **–** | (36 702 608) |
| Inventory write off provision | | **(1 334 632)** | – | **–** | – |
| Insurance claim receivable | | **–** | – | **–** | – |
| Profit warranty claim | 29 | **(5 210 553)** | – | **–** | – |
| Movement in credit loss allowance | 41 | **17 121 368** | 2 196 632 | **–** | – |
| Impairment of Investment in joint venture | 37 | **276 442** | – | **–** | – |
| Impairment of Investment in subsidiary company[1] | 37 | **–** | – | **314 875 274** | – |
| (Profit)/loss on sale of Investments in subsidiary company[2] | 37 | **–** | (1 530 392) | **–** | 35 394 991 |
| Share-based payment raised | 30 | **3 461 559** | 7 037 595 | **–** | – |
| Other non-cash items | | **173 842** | – | **(25 011)** | (535 650) |
| **Changes in working capital:** | | | | | |
| Inventories | | **(35 714 219)** | (1 102 667) | **–** | – |
| Trade and other receivables | | **(16 966 367)** | (37 187 454) | **18 265 450** | (15 435 481) |
| Contract assets | | **(3 210 429)** | (10 989 872) | **–** | – |
| Trade and other payables | | **4 770 989** | 1 462 421 | **(6 192 119)** | 2 387 111 |
| Deferred income | | **(10 784 942)** | 586 904 | **–** | – |
| | | **130 443 510** | **96 538 723** | **11 931 253** | **(5 113 484)** |

1 *The impairment of the investment in subsidiary companies relates to the sale of 16.29% of Huge Connect to Windfall during the current reporting period. Refer to note 37 for further details relating to the issue of preference shares, impairment of ordinary equity and change in control reserve adjustment relating to this transaction.*

2 *The loss on sale of investment in a subsidiary company as well as the reversal of impairment on investment in subsidiary company relates to the sale of 51% of Huge Soho in FY2019. The investment in Huge Soho amounted to R69 411 943 in FY2019 and a corresponding provision for impairment of the investment in Huge Soho was held amounting to R69 411 943 in FY2019. Refer to note 37 for additional information relating to this business combination.*

## 36. Tax (paid)/refunded

| | Note | Group 2020 | Group 2019 | Company 2020 | Company 2019 |
|---|---|---|---|---|---|
| Balance at beginning of the year | | **(4 354 737)** | (9 667 996) | **–** | – |
| Current tax for the year recognised in profit or loss | 33 | **(23 066 286)** | (18 741 640) | **–** | – |
| Adjustment in respect of businesses sold and acquired during the year | | **–** | 2 169 066 | **–** | – |
| Prior year over/(under) provision | | **3 978 800** | (3 978 800) | | |
| Current year over/(under) provision | | **(9 599)** | – | **–** | – |
| Balance at end of the year | | **4 068 558** | 4 354 737 | **–** | – |
| | | **(19 383 264)** | **(25 864 633)** | **–** | **–** |
| Current tax receivable | | **4 223 530** | 1 891 440 | **–** | – |
| Current tax payable | | **(8 292 088)** | (6 246 177) | **–** | – |
| | | **(4 068 558)** | **(4 354 737)** | **–** | **–** |

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

## 37. Business combinations

### Aggregated business combinations

| Fair value of assets acquired and liabilities assumed | Group 2020 | Group 2019 | Company 2020 | Company 2019 |
|---|---|---|---|---|
| Property, plant and equipment | **265 707** | 1 963 713 | **–** | – |
| Right-of-use assets | **1 767 834** | – | **–** | |
| Intangible assets | **5 309 208** | 2 023 000 | **–** | – |
| Deferred tax assets | **7 120 409** | – | **–** | |
| Loans receivable | **–** | – | **13 151 109** | – |
| Finance lease receivables | **–** | 2 385 068 | **–** | – |
| Inventories | **4 190 287** | 187 774 | **–** | – |
| Trade and other receivables | **4 887 293** | (77 526 600) | **–** | (116 385) |
| Cash and cash equivalents | **731 166** | (1 471 406) | **–** | (1 390 516) |
| Borrowings | **–** | (1 201 227) | **–** | – |
| Lease liabilities | **(1 832 987)** | – | **–** | |
| Finance lease liabilities | **–** | (2 894 915) | **–** | – |
| Loans payable | **(24 007 670)** | – | **–** | |
| Deferred tax liabilities | **–** | (247 345) | **–** | (247 345) |
| Loans from Group companies | **–** | 59 955 126 | **–** | 2 412 557 |
| Current tax payable | **–** | 2 169 060 | **–** | – |
| Dividends payable | **–** | 11 698 278 | **–** | – |
| Trade and other payables | **(6 233 853)** | 3 755 197 | **–** | 884 704 |
| Bank overdraft | **–** | (2 747 844) | **–** | – |
| Cash received from subscription | **(180 000)** | – | **–** | – |
| Investment acquired in Pansmart | **–** | – | **100** | – |
| Investment acquired in Huge Payments for cash | **–** | – | **100 000** | – |
| Preference shares acquired in Huge Connect | **–** | – | **457 075 000** | – |
| Investment in Huge Connect | **–** | – | **403 529 066** | – |
| Impairment of investment in Huge Connect | **–** | | **(314 875 274)** | – |
| Dividends receivable | **–** | – | **457 075 000** | – |
| Preference share subscription payable | **–** | – | **(457 075 000)** | – |
| **Total identifiable net assets/(liabilities)** | **(7 982 606)** | **(1 952 121)** | **558 980 001** | **1 543 015** |
| Non-controlling interest | **66 220 964** | (11 636 181) | **–** | – |
| Goodwill | **12 344 133** | 16 377 836 | **–** | – |
| Change in ownership | **(57 234 860)** | (1 241 419) | **–** | – |
| Impairment of investment in Huge Services | **(276 422)** | – | **–** | – |
| Existing share of net assets before acquisition | **–** | – | **(417 999 998)** | – |
| | **13 071 209** | **1 548 115** | **140 980 003** | **1 543 015** |
| **Consideration (paid)/received** | | | | |
| Cash paid for equity | **(100 100)** | – | **(100 100)** | – |
| Cash received from subscription | **180 000** | – | **–** | – |
| Equity – Renounceable Letters of Allocation | **–** | 901 | **–** | – |
| Equity – Issue of shares | **–** | (12 877 601) | – | – |
| Purchase consideration receivable | **–** | 10 200 | – | – |
| Cash loan advanced | **(13 151 109)** | – | **(13 151 109)** | – |
| Liabilities settled | **–** | – | **–** | – |
| **Total identifiable net assets/(liabilities)** | **(13 071 209)** | **(12 866 500)** | **(13 251 209)** | **–** |
| **Net cash (outflow)/inflow** | | | **–** | |
| Cash acquired | **731 166** | – | **–** | – |
| Cash liability assumed | **–** | (2 746 942) | **–** | – |
| Cash asset sold | **–** | (1 471 406) | **–** | (1 390 516) |
| | **(12 340 043)** | **(4 218 348)** | **(13 251 209)** | **(1 390 516)** |

## Otel Transaction

At 28 February 2018, Huge Networks was a wholly owned subsidiary company of Huge Telecom, which in turn was and remains a wholly owned subsidiary company of Huge. On 27 February 2019 (the Relevant Date), Huge Networks concluded agreements with Otel Communications and Otel Business (collectively known as Otel) in which the business of Otel was acquired by Huge Networks (the Otel Transaction). On the Relevant Date, Huge Telecom subscribed for 901 new ordinary shares in Huge Networks (the Huge Networks Subscription), such that after the Huge Networks Subscription, Huge Telecom was the holder of 1 001 Huge Networks ordinary shares, representing 100% of the ordinary share capital of Huge Networks. On the Relevant Date, Huge Networks issued 400 new ordinary shares to Otel Business (the Otel Business Share Issue) as consideration for the business of Otel Business (comprising its business operations, assets and assumed liabilities. On the Relevant Date, Otel Business transferred its 400 Huge Networks' ordinary shares to Otel Communications as a dividend *in specie*. On the Relevant Date, Huge Networks issued 600 new ordinary shares to Otel Communications (the Otel Communications Share Issue) as consideration for the business of Otel Communications (comprising its business operations, and assumed liabilities. After the Otel Business Share Issue and the Otel Communications Share Issue, 2 001 Huge Networks' ordinary shares were in issue, 1 000 of which were held and remain held by Otel Communications and 1 001 shares are held and remain held by Huge Telecom.

After the closing date of the Otel Transaction, Huge Networks became a 50.025% subsidiary company of Huge Telecom, which is a wholly owned subsidiary company of Huge.

Goodwill of R16 377 836 arose as a result of the Otel Transaction.

Huge announced the acquisition of Otel on 14 March 2019 on the JSE's Stock Exchange News Service. The rationale for the acquisition, in support of the recognition of goodwill, is summarised as follows:

- The Otel Transaction has the potential to increase Group revenues by more than 9,4%, the Telecom Grouping segment revenues by more than 14% and Huge Networks' revenue by 95%;
- It allows for network synergies and efficiencies;
- It will allow Huge Networks access to new customer segments;
- Huge will be able to scale the operations of Huge Networks, grow its customer base and expand its national footprint;
- The VoIP and related products and services acquired by Huge Networks will allow Huge Networks to become a more substantial provider of end-to-end ICT services;
- It will provide Huge and Huge Networks with increased network capacity and connectivity options;
- Huge Networks will acquire skilled and experienced staff;
- Huge Networks will acquire specialised software systems and benefit from the already implemented internal structures and processes; this will establish a platform for accelerating growth and containing costs; and
- It was more cost effective to acquire Otel than to acquire and customize a third-party product with the same functionality as the Radiant billing engine.

| Fair value of assets acquired and liabilities assumed | Group 2020 | 2019 |
|---|---|---|
| Property, plant and equipment | – | 1 963 713 |
| Intangible assets | – | 2 023 000 |
| Finance lease receivables | – | 2 385 068 |
| Inventories | – | 187 774 |
| Trade and other receivables | – | 2 489 285 |
| Borrowings | – | (1 201 227) |
| Finance lease liabilities | – | (2 894 915) |
| Trade and other payables | – | (5 705 992) |
| Bank overdraft | – | (2 747 844) |
| **Total identifiable net assets** | **–** | **(3 501 138)** |
| Non-controlling interest[1] | – | (11 636 182) |
| Goodwill | – | 16 377 836 |
| Change in ownership | – | (1 241 419) |
| Equity – Renounceable Letters of Allocation | | 901 |
| Equity – Issue of shares | | (12 877 601) |
| Cash liability assumed | | (2 747 844) |
| | **–** | **(15 625 445)** |

1 *Non-controlling interest is measured as the proportionate share of the recognised amounts of the acquiree's identifiable net assets.*

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

## 37. Business combinations (continued)

### Huge Payments

Huge concluded a sale of shares and claims agreement in which it acquired 100% of the issued ordinary share capital of Huge Payments (formerly IntelPay) and the shareholders claims of loan account against Huge Payments for the sum of R100 000 (the **IntelPay Agreement**). The IntelPay Agreement became unconditional on 27 March 2019.

Goodwill of R3 268 169 arose on the acquisition of Huge Payments. The acquisition of Huge Payments is expected to create synergies and economies of scale from combining the operations of Huge Payments and Huge Connect. Goodwill is not deductible for income tax purposes.

The value of Huge Payments to Huge and Huge Connect is, and the rationale for the acquisition of Huge Payments is:

- The partly developed software has the potential to be a profitable product, once completed;
- Huge has the in-house development expertise and funding that is required to complete the software development for commercialisation;
- It is more cost effective to acquire Huge Payments and complete the development than to re-develop the application in-house to the current level of completion;
- As the sole shareholder of Huge Payments, Huge will be better positioned to secure and utilise the assessed losses in Huge Payments; and
- The Huge Payments' investment will add more diversity to Huge.

| Fair value of assets acquired and liabilities assumed | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Intangible assets | **5 309 208** | – | **–** | – |
| Deferred tax assets | **61 930** | – | **–** | – |
| Cash and cash equivalents | **2 456** | – | **–** | – |
| Loans payable | **(8 541 763)** | – | **–** | – |
| Investment acquired in Huge Payments for cash | **–** | – | **100 000** | – |
| Goodwill | **3 268 169** | – | **–** | – |
| | **100 000** | **–** | **–** | **–** |
| **Acquisition date fair value of consideration paid** | | | **–** | |
| Investment acquired in Huge Payments for cash | **(100 000)** | – | **(100 000)** | – |
| | **(100 000)** | **–** | **(100 000)** | **–** |

### Pansmart

Huge concluded various agreements which resulted in its acquisition of a controlling shareholding in Pansmart. The agreements became unconditional on 13 May 2019. The purchase consideration for 50.25% of the ordinary shares of Pansmart was R100. Huge acquired 50% of the existing shareholder claims on loan account for an amount of R13 151 309.

Goodwill of R9 075 964 arose on the acquisition of the controlling shareholding of Pansmart. The acquisition is expected to create synergies for the Group. Goodwill is not deductible for income tax purposes.

The value of the goodwill that arises from the Pansmart acquisition and rationale for the Pansmart acquisition is:

- The acquisition of Pansmart is an opportunity for Huge Telecom to grow its market share as Pansmart will drive Huge Telecom connectivity with each sale;
- The Panasonic brand of PABXs is well respected in the market and it is one of the last hybrid systems in the market which has embedded analogue voice parts;
- The Panasonic price point is extremely competitive in the SME market; and
- It will allow Huge access to new customer segments. Historically, Huge historically has not supplied PABX products or services, while many of the competitors of Huge Telecom, Huge Connect and Huge Networks do so. The relationships that Huge has with its Business Partners should enable Huge to shift some of these Business Partners from selling other PABX brands to selling the Panasonic PABXs.

| Fair value of assets acquired and liabilities assumed | Group | | Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Property, plant and equipment | 265 707 | – | – | – |
| Right-of-use assets | 1 767 834 | – | – | – |
| Deferred tax assets | 7 058 479 | – | – | – |
| Inventories | 4 190 287 | – | – | – |
| Trade and other receivables | 4 881 749 | – | – | – |
| Cash and cash equivalents | 457 553 | – | – | – |
| Lease liabilities | (1 832 987) | – | – | – |
| Loans payable | (15 465 907) | – | – | – |
| Trade and other payables | (6 233 574) | – | – | – |
| Loans receivable | – | – | 13 151 109 | – |
| Investment acquired in Pansmart for cash | – | – | 100 | – |
| Non-controlling interest[1] | 8 986 104 | – | – | – |
| Goodwill | 9 075 964 | – | – | – |
| | 13 151 209 | – | 13 151 209 | – |
| **Acquisition date fair value of consideration paid** | | – | – | – |
| Investment acquired in Pansmart for cash | (100) | – | (100) | – |
| Cash loan advanced | (13 151 109) | – | (13 151 109) | – |
| | (13 151 209) | – | (13 151 209) | – |

*1 The non-controlling interest is measured at the fair value of the acquiree's identifiable net assets.*

## Huge Services

Huge Telecom concluded a sale of shares agreement (the **Sale Agreement**) with Adapt IT Proprietary Limited (**AdaptIT**). In terms of the Sale Agreement Huge Telecom acquired all of the shares held by AdaptIT in Huge Services (formerly Gonondo Telecom) for the amount of R120.00 (the **AdaptIT Transaction**). Huge Services was previously a 50% held joint venture company of Huge Telecom. As a result of the AdaptIT Transaction, Huge Services became a wholly owned subsidiary company of Huge Telecom. The transaction became unconditional on 16 September 2019.

There was no goodwill that arose on the acquisition of Huge Services.

| Fair value of assets acquired and liabilities assumed | Group | |
|---|---|---|
| | 2020 | 2019 |
| Trade and other receivables | 5 544 | – |
| Cash and cash equivalents | 271 157 | – |
| Trade and other payables | (279) | – |
| Impairment of investment in Huge Services | (276 422) | – |
| | – | – |

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

## 37. Business combinations (continued)

**Changes in degree of control over existing subsidiary companies**

### The sale of 16.29% of the ordinary shares of Huge Connect

On 29 February 2020, Huge and Huge Connect concluded an implementation agreement with Windfall, an associate of VM Mokholo, who is a non-executive director of Huge and a related party to Huge.

In terms of the implementation agreement, Huge concluded a preference share subscription agreement with Huge Connect, Huge Connect declared an ordinary dividend of R457 075 000 to its ordinary shareholder, being Huge, and Huge Connect and Windfall concluded an ordinary share subscription agreement.

In terms of the preference share subscription agreement, Huge subscribed for 1 000 new preference shares in Huge Connect for a subscription price of R457 075 000. Thereafter, Huge Connect declared an ordinary dividend of R457 075 000 to the holders of the ordinary shares in Huge Connect, being Huge. The obligation of Huge Connect to effect payment of the ordinary dividend to Huge was discharged *in toto* by set-off against the obligation of Huge to effect payment of the preference shares subscription price. Thereafter, and in terms of the ordinary share subscription agreement, Windfall subscribed (**the Subscription**) for 36 new ordinary no par value shares (the **Subscription Shares**).

The subscription price (the **Subscription Consideration**) for the Subscription Shares was an amount of R180 000 and was settled by Windfall in cash. The Subscription Consideration will be used for the purposes of working capital.

Non-controlling interest is measured as the proportionate share of the recognised amounts of the identifiable net assets.

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Preference shares acquired in Huge Connect | **–** | – | **457 075 000** | – |
| Investment in Huge Connect | **–** | – | **403 529 066** | – |
| Impairment of investment in Huge Connect | **–** | – | **(314 875 274)** | – |
| Dividends receivable | **–** | – | **457 075 000** | – |
| Preference share subscription payable | **–** | – | **(457 075 000)** | – |
| Non-controlling interest | **57 234 860** | – | **–** | – |
| Change in ownership | **(57 234 860)** | – | **–** | – |
| **Total identifiable net assets** | **–** | **–** | **545 728 792** | **–** |
| *Less:* Existing share of net assets before acquisition | **–** | – | **(417 999 998)** | – |
| | **–** | **–** | **127 728 794** | **–** |
| **Acquisition date fair value of consideration paid** | | | | |
| Cash received from subscription | **180 000** | – | **–** | – |
| | **180 000** | **–** | **–** | **–** |

### The acquisition of the remaining 49.8% of Huge Messaging

On 31 August 2018, Huge Telecom, which held 50.2% of Huge Messaging, concluded a sale of shares agreement in which it acquired 49.8% of the shares in Huge Messaging held by the minority shareholders (the **Huge Messaging Sale Shares**). On 31 August 2018, Huge Messaging became a wholly-owned subsidiary company of Huge Telecom.

Huge Telecom acquired the Huge Messaging Sale Shares from the minority shareholders for the sum of R2 000 000 (the **Cash Consideration**) and 25 000 ordinary Shares of Huge at a price of 900 cents per share. R200 000 of the Cash Consideration was settled on the closing date of the transaction, while R1 800 000 of the Cash Consideration was deferred and must be settled in 36 equal monthly instalments of R50 000 each.

On 22 January 2019, Huge acquired 100% of the shares of Huge Messaging from Huge Telecom for a purchase consideration of R2 525 499. As a result of this transaction, Huge Messaging became a wholly owned subsidiary company of Huge.

## The acquisition of the remaining 50.33% of Huge Management (formerly Huge Mobile)

On 31 August 2018, Huge Telecom, which held 49.67% of Huge Mobile, concluded a sale of shares agreement in which it acquired 50.33% of the shares in Huge Management held by the minority shareholder (the **Huge Management Sale Shares**). On 31 August 2018, Huge Mobile became a wholly owned subsidiary company of Huge Telecom.

Huge Telecom acquired the Huge Management Sale Shares from the minority shareholders for the sum of R10 000, which was settled in cash on the closing date of the transaction.

On 31 August 2019, Huge acquired 100% of the shares of Huge Mobile from Huge Telecom for a purchase consideration of R10 151. As a result of this transaction, Huge Mobile became a wholly owned subsidiary company of Huge.

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Change in ownership | – | 4 760 650 | – | 2 535 650 |
| **Total identifiable net assets** | **–** | **4 760 650** | **–** | **2 535 650** |
| *Less:* Existing share of net assets before acquisition | – | – | – | (310 650) |
| | **–** | **–** | **–** | **2 225 000** |
| **Acquisition date fair value of consideration paid** | | | | |
| Cash received from subscription | – | (4 760 650) | – | (2 535 650) |
| | **–** | **(4 760 650)** | **–** | **(2 535 650)** |

## The sale of 51% of the ordinary shares of Huge Soho and Huge Cellular

Huge Telecom concluded a sale of shares agreement in which it disposed of 51% of its ordinary shares Huge Cellular to Windfall. This sale resulted in loss of control of Huge Cellular and the subsequent recognition and measurement of Huge Cellular as an associate of Huge Telecom and the Group.

Huge concluded a sale of shares agreement in which it disposed of 51% of its ordinary shares in Huge Soho to Windfall. This sale resulted in loss of control of Huge Soho and the subsequent recognition and measurement of Huge Soho as an associate of Huge and the Group.

The agreements became unconditional on 26 February 2019.

## Sale of subsidiaries

| | Group | | Company | |
|---|---|---|---|---|
| **Carrying value of assets sold** | **2020** | 2019 | **2020** | 2019 |
| Deferred tax liabilities | **–** | (247 345) | – | (247 345) |
| Trade and other receivables | **–** | (80 015 885) | – | (116 385) |
| Trade and other payables | **–** | 9 450 486 | – | 884 704 |
| Current tax payable | **–** | 2 169 060 | – | – |
| Loans from Group companies | **–** | 59 959 877 | – | 2 412 557 |
| Cash and cash equivalents | **–** | (1 471 406) | – | (1 390 516) |
| Dividends payable | **–** | 11 698 278 | – | – |
| Total net assets sold | **–** | 1 543 065 | – | 1 543 015 |
| Profit on sale of disposal | **–** | (1 543 065) | – | (1 543 015) |
| **Net cashflow on acquisition** | | | | |
| Cash asset sold | **–** | (1 471 406) | – | (1 390 516) |

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

## 38. Prior period restatement

**Consolidated Statement of Financial Position including restatements detailed below:**

| | | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| **Figures in Rand** | Note(s) | **2020** | 2019 | 2018 | **2020** | 2019 | 2018 |
| **Assets** | | | | | | | |
| **Non-current assets** | | | | | | | |
| Property, plant and equipment | 4 | **272 983 290** | 226 682 402 | 178 668 998 | **–** | 104 599 | – |
| Right-of-use assets | 5 | **16 830 373** | – | – | **4 201 525** | – | – |
| Goodwill | 6 | **607 694 289** | 595 350 156 | 578 972 320 | **–** | – | – |
| Intangible assets | 7 | **22 519 563** | 13 431 319 | 8 679 681 | **–** | – | – |
| Investments in subsidiary companies | | **–** | – | – | **208 383 021** | 523 158 195 | 520 622 545 |
| Investment in joint venture company | 9 | **–** | 597 022 | 615 832 | **–** | – | – |
| Investment in associate companies | 10 | **25 011** | 9 800 | – | **29 911** | 4 900 | – |
| Loans to associate companies | 11 | **70 703 558** | 62 400 648 | – | **1 206 542** | – | – |
| Loans to Group companies | | **–** | – | – | **133 000 062** | – | – |
| Loans receivable | 12 | **335 848** | 8 453 809 | 7 495 923 | **–** | – | – |
| Contract assets | 13 | **4 901 206** | 14 912 254 | – | **–** | – | – |
| Investments at fair value | 14 | **403 640** | 45 005 610 | – | **457 478 640** | 45 005 610 | – |
| Deferred tax | 15 | **29 552 068** | 20 431 608 | 12 805 450 | **11 975 732** | 3 447 941 | 2 288 747 |
| Finance lease receivables | 16 | **–** | 1 777 008 | – | **–** | – | – |
| | | **1 025 948 846** | **989 051 636** | **787 238 204** | **816 275 433** | **571 721 245** | **522 911 292** |
| **Current assets** | | | | | | | |
| Inventories | 17 | **60 038 814** | 18 799 675 | 1 219 193 | **–** | – | – |
| Loans to associate companies | 11 | **–** | 4 207 507 | – | **–** | 1 207 507 | 80 702 548 |
| Loans to Group companies | | | | | **36 997 477** | 124 461 925 | – |
| Loans to shareholders | 18 | **–** | 13 034 | – | **–** | 13 034 | – |
| Loans receivable | 12 | **204 483** | 10 200 | – | **–** | 5 100 | – |
| Contract assets | 13 | **2 168 408** | – | – | **–** | – | – |
| Trade and other receivables | 19 | **69 257 281** | 65 093 452 | 103 284 136 | **4 413 799** | 22 447 625 | 7 012 144 |
| Finance lease receivables | 16 | **–** | 608 060 | – | **–** | – | – |
| Current tax receivable | | **4 223 530** | 1 891 440 | 14 637 | **–** | – | – |
| Cash and cash equivalents | 20 | **40 152 606** | 23 958 494 | 30 265 495 | **19 550 522** | 2 296 665 | 12 149 506 |
| | | **176 045 122** | **114 581 862** | **134 783 461** | **60 961 798** | **150 431 856** | **99 864 198** |
| **Total assets** | | **1 201 993 968** | **1 103 633 498** | **922 021 665** | **877 237 231** | **722 153 101** | **622 775 490** |
| **Equity and Liabilities** | | | | | | | |
| **Equity** | | | | | | | |
| Equity attributable to holders of parent | | | | | | | |
| Share capital | 21 | **611 884 120** | 608 789 128 | 618 772 080 | **618 848 610** | 619 631 110 | 620 135 111 |
| Share-based payment reserve | 22 | **3 905 915** | 4 141 848 | – | **–** | – | – |
| Change in control reserve[1] | 37 | **52 474 210** | (4 760 650) | – | **–** | – | – |
| Donation trust reserve | | **–** | – | (14 470 932) | **(14 470 932)** | (14 470 932) | (14 470 932) |
| Accumulated profit (loss) | | **273 101 806** | 209 003 529 | 128 773 534 | **124 243 203** | (41 113 762) | (71 597 978) |
| | | **941 366 051** | **817 173 855** | **733 074 682** | **728 620 881** | **564 046 416** | **534 066 201** |
| Non-controlling interest | 23 | **(60 253 065)** | 5 666 888 | (3 015 552) | **–** | – | |
| | | **881 112 986** | **822 840 743** | **730 059 130** | **728 620 881** | **564 046 416** | **534 066 201** |

| Figures in Rand | Note(s) | Group 2020 | Group 2019 | Group 2018 | Company 2020 | Company 2019 | Company 2018 |
|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | |
| **Non-current liabilities** | | | | | | | |
| Interest-bearing liabilities | 24 | **120 936 298** | 96 535 713 | 82 500 000 | **90 936 298** | 94 434 486 | 52 500 000 |
| Deferred Income | 25 | **–** | 6 397 634 | – | **–** | – | – |
| Loans payable | 12 | **18 258 204** | – | – | **–** | – | – |
| Lease liabilities | 5 | **14 509 005** | – | – | **3 649 698** | – | – |
| Finance lease liabilities | 5 | **–** | 4 455 210 | 2 155 141 | **–** | – | – |
| Deferred tax | 15 | **43 181 093** | 37 539 046 | 30 670 276 | **1 176 427** | – | – |
| | | **196 884 600** | **144 927 603** | **115 325 417** | **95 762 423** | **94 434 486** | **52 500 000** |
| **Current liabilities** | | | | | | | |
| Loans from group companies | 11 | **–** | – | – | **–** | 13 693 203 | 11 215 318 |
| Deferred income | 25 | **6 092 003** | 10 479 312 | – | **–** | – | – |
| Loans payable | 12 | **600 000** | – | – | **–** | – | – |
| Interest-bearing liabilities | 24 | **51 583 574** | 73 988 757 | 22 199 080 | **51 583 574** | 43 387 162 | 20 792 337 |
| Current tax payable | | **8 292 088** | 6 246 177 | 9 682 633 | **–** | – | – |
| Lease liabilities | 5 | **6 307 544** | – | – | **873 720** | – | – |
| Finance lease liabilities | 5 | **–** | 3 175 177 | 1 917 658 | **–** | – | – |
| Trade and other payables | 26 | **50 229 924** | 39 224 802 | 41 506 875 | **396 633** | 6 588 750 | 4 201 634 |
| Bank overdraft | 20 | **891 249** | 2 750 927 | 1 330 872 | **–** | 3 084 | – |
| | | **123 996 382** | **135 865 152** | **76 637 118** | **52 853 927** | **63 672 199** | **36 209 289** |
| **Total liabilities** | | **320 880 982** | **280 792 755** | **191 962 535** | **148 616 350** | **158 106 685** | **88 709 289** |
| **Total equity and liabilities** | | **1 201 993 968** | **1 103 633 498** | **922 021 665** | **877 237 231** | **722 153 101** | **622 775 490** |

## Huge Connect Inventory and Deferred Income

During the current reporting period, the Group discovered that amounts relating to the purchase of devices by Huge Connect and amounts relating to the recognition of deferred income by Huge Connect had been set off through a suspense account in the Statement of Financial Position. As a result of this set off, assets and liabilities were understated in the prior reporting period, being FY2019. The understatements have been corrected by restating the FY2019 comparatives. The following tables summarise the impact of the restatements on the Group's consolidated financial statements for the FY2019 reporting period. The FY2019 reporting period was the only reporting period affected by this error and no further adjustments to any reporting periods are required in this regard.

There is no impact on the Group's basic or diluted earnings per share for FY2019 as a result of the above restatement. The impact on the Statement of Comprehensive and Other Income includes the recognition of an income tax liability (as a result of the adjustment to deferred income) as well as the recognition of a deferred tax credit. The income tax liability and the deferred tax credit are equal and opposite.

| Audited 28 February 2019 Statement of Financial Position | Group 2019 Restated | Group 2019 Previously reported | Adjustments |
|---|---|---|---|
| **Figures in Rand** | | | |
| **Assets** | | | |
| **Non-current assets** | | | |
| Deferred tax | 20 431 608 | 16 452 808 | 3 978 800 |
| **Current assets** | | | |
| Inventories | 18 799 675 | 2 509 634 | 16 290 041 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Deferred Income | (6 397 634) | – | (6 397 634) |
| **Current liabilities** | | | |
| Deferred income | (10 479 312) | (586 904) | (9 892 408) |
| Current tax payable | (6 246 176) | (2 267 377) | (3 978 799) |
| **Total** | **16 108 161** | **16 108 161** | **–** |

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

## 38. Prior period restatement (continued)

| Audited 28 February 2019 statement of profit or loss and other comprehensive income[1] | Group 2019 Restated | Group 2019 Previously reported | Adjustments |
|---|---|---|---|
| **Figures in Rand** | | | |
| **Profit before taxation** | **112 221 468** | **112 221 468** | **–** |
| Current Tax[1] | (18 741 640) | (22 720 440) | (3 978 800) |
| Deferred Tax[1] | (2 974 062) | 1 004 738 | 3 978 800 |
| **Profit for the year** | **90 505 766** | **90 505 766** | **–** |

1 *The adjustments raised in relation to the prior period error that affected the income statement included a debit to current tax and a credit to deferred tax in the same amounts.*

### Outcome of the FRIP Process

In terms of paragraph 8.65 of the JSE Listings Requirements the FRIP instructed Huge to:

Advise shareholders of the outcome of the JSE and FRIP process, specifically that:

(i) it was contrary to IFRS to recognise the R14.4 million donation as income in the February 2019 results; and

(ii) the purchase price for the ConnectNet acquisition should have been reduced by the cash and shares donated to The CI Trust.

Huge therefore made a correction for the above error in terms of IAS 8 in the audited AFS for 29 February 2020 as detailed below.

| Audited statement of financial position | Group 2019 Restated | Group 2019 Previously reported | Adjustments | Group 2018 Restated | Group 2018 Previously reported | Adjustments |
|---|---|---|---|---|---|---|
| **Figures in Rand** | | | | | | |
| **Assets** | | | | | | |
| **Non-current assets** | | | | | | |
| Goodwill | **595 350 156** | **609 821 088** | **(14 470 932)** | 578 972 320 | 593 443 252 | (14 470 932) |
| **Equity** | | | | | | |
| Share premium[1] | **608 772 651** | **605 876 904** | **(2 895 747)** | 618 755 484 | 618 755 484 | – |
| Share-based payment reserve[1] | **4 141 848** | **7 037 595** | **2 895 747** | – | – | – |
| Donation trust reserve[2] | **–** | **–** | **–** | 14 470 932 | – | 14 470 932 |
| Accumulated profit/(loss) | **(209 003 529)** | **(223 474 461)** | **14 470 932** | (128 773 534) | (128 773 534) | – |

1 *The distribution of treasury shares between share premium and the share-based payment reserve relates to 258 840 Huge Shares which were held as an investment by The CI Trust and which were distributed by The CI Trust to its share beneficiaries during FY2019 amounting to R2 895 747. A total of 728 678 Huge Shares have been distributed by The CI Trust to its share beneficiaries up to the end of FY2020 amounting to R6 593 240 split between the respective years.*

2 *Where the granting of shares arises from a business combination and the shares are recognised as a reduction of the transaction price in the business combination (please refer to note 6) a negative reserve (the* **Donation Trust Reserve***) is established in equity and represents an accelerated reversal of the transfer which would take place from the share based payment reserve when the shares in question have vested. Refer to note 37 for additional information relating to the granting of shares to The CI Trust in connection with the ConnectNet acquisition in FY2018.*

| Audited statement of profit or loss and other comprehensive income | Group 2019 Restated | Group 2019 Previously reported | Adjustments | Group 2018 Restated | Group 2018 Previously reported | Adjustments |
|---|---|---|---|---|---|---|
| **Figures in Rand** | | | | | | |
| Other income[2] | **2 975 823** | **17 446 755** | **(14 470 932)** | 2 579 656 | 2 579 656 | – |
| **Profit for the year** | **76 034 834** | **90 505 766** | **(14 470 932)** | **77 064 080** | **77 064 080** | **–** |
| **Total comprehensive income attributable to:** | **76 034 834** | **90 505 766** | **(14 470 932)** | **77 064 080** | **77 064 080** | – |
| Owners of the parent | **79 121 837** | **93 592 769** | **(14 470 932)** | 76 840 867 | 76 840 867 | – |
| Non-controlling interest | **(3 087 003)** | **(3 087 003)** | **–** | 223 213 | 223 213 | – |

2 *On or about 17 March 2017, the relevant shareholders and ConnectNet Broadband Wireless concluded an incentive agreement (the* **Incentive Agreement***). In terms of the Incentive Agreement, the parties made reference to the subscription and repurchase agreement (***SRA***) and the fact that the repurchase consideration (as that term is defined in the SRA) was subject to upward adjustment. The parties also made reference to a profit warranty made by the relevant shareholders to Huge. The parties acknowledged that it was necessary to provide certain employees, directors and or consultants of ConnectNet Broadband Wireless and its wholly-owned subsidiary company, Sainet Internet (the* **ConnectNet Broadband Wireless Group***), with incentives in order for ConnectNet Broadband Wireless Group to achieve the profit warranty. The parties agreed to establish an incentive trust (***The CI Trust***) and the relevant shareholders agreed to donate cash of R1.2 million and 1 466 667 Huge Shares to The CI Trust. The total donation amounted to R14 470 932.*

| Audited Statement of Cashflow | Group 2019 Restated | Group 2019 Previously Reported | Adjustments | Group 2018 Restated | Group 2018 Previously Reported | Adjustments |
|---|---|---|---|---|---|---|
| **Figures in Rand** | | | | | | |
| Cash flows from operating activities | **59 703 986** | **74 174 917** | **(14 470 931)** | 66 561 964 | 66 561 964 | – |
| Cash flows from investing activities | **(133 446 028)** | **(133 446 028)** | **–** | (210 459 442) | (210 459 442) | – |
| Cash flows from financing activities | **66 014 986** | **51 544 055** | **14 470 931** | 111 296 930 | 111 296 930 | – |

| Audited statement of financial position | Company 2019 Restated | Company 2019 Previously reported | Adjustments | Company 2018 Restated | Company 2018 Previously reported | Adjustments |
|---|---|---|---|---|---|---|
| **Figures in Rand** | | | | | | |
| **Assets** | | | | | | |
| **Non-current assets** | | | | | | |
| Investments in subsidiary companies | **523 158 195** | **537 629 127** | **(14 470 932)** | 520 622 545 | 535 093 477 | (14 470 932) |
| **Equity** | | | | | | |
| Donation trust reserve | **14 470 932** | **–** | **14 470 932** | 14 470 932 | – | 14 470 932 |

The impact on the Group's basic and diluted earnings per share for FY2020 and FY2019 are detailed below. There were no adjustment to the Group's basic and diluted earnings per share for FY2018.

| Earnings per share information | FY2020 | FY2019 Restated | FY2019 Previously reported |
|---|---|---|---|
| Basic earnings per share (cents) | **57.58** | 48.05 | 56.84 |
| Headline earnings per share (cents) | **57.03** | 47.02 | 55.81 |
| Diluted basic earnings per share (cents) | **57.42** | 47.81 | 56.55 |
| Diluted headline earnings per share (cents) | **56.87** | 46.78 | 55.53 |

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

## 39. Related parties

| Relationships | 2020 |
|---|---|
| Subsidiary companies | Huge Capital<br>Huge Connect<br>Huge Management<br>Huge Media<br>Huge Messaging<br>Huge Services<br>Huge Networks<br>Huge Payments<br>Huge Software<br>Huge Technologies<br>Huge Telecom<br>Pansmart |
| Trust under the control of Huge | The CI Trust |
| Associate companies | Huge Cellular<br>Huge Soho |
| Entities controlled by directors which have transacted with a Group Company | Casa Da Luz (DF da Silva)<br>Windfall (VM Mokholo) |
| Members of key management | JC Herbst<br>AP Openshaw<br>SL Sequeira |

### Related party balances

Loan accounts – Owing (to) by related parties

Loan accounts – Owing (to) by associate companies

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand** | **2020** | 2019 | **2020** | 2019 |
| Huge Cellular [1] | **68 297 016** | 64 200 648 | **–** | – |
| Huge Soho[1] | **2 406 542** | 2 407 507 | **1 206 542** | 1 207 507 |
| **Total** | **70 703 558** | **66 608 155** | **1 206 542** | **1 207 507** |

1 *Refer to note 11 for further details.*

Loan accounts – Owing (to) by subsidiary companies

| | Group | | Company | |
|---|---|---|---|---|
| **Figures in Rand** | **2020** | 2019 | **2020** | 2019 |
| Huge Connect[1] | **–** | – | **–** | (13 693 203) |
| Huge Management[1] | **–** | – | **72 168 104** | 539 629 |
| Huge Media[1+2] | **–** | – | **21 238 535** | 21 238 535 |
| Huge Networks | **–** | – | **7 469 293** | – |
| Huge Software[1] | **–** | – | **–** | 2 519 392 |
| Huge Technologies[1] | **–** | – | **36 457 848** | 33 842 944 |
| Huge Telecom | **–** | – | **38 760 856** | 86 425 960 |
| Pansmart[1] | **–** | – | **15 141 438** | – |
| The CI Trust[1] | – | – | – | 1 134 000 |
| **Total** | **–** | **–** | **191 236 074** | **132 007 257** |

1 *Refer to note 11 for further details.*
2 *A provision for impairment of the full Huge Media loan was raised in prior years.*

Loan accounts – Owing (to) by related individuals

| Figures in Rand | Group 2020 | Group 2019 | Company 2020 | Company 2019 |
|---|---|---|---|---|
| JC Herbst[3] | – | 13 034 | – | 13 034 |
| GB Shiers[4] | (450 000) | (750 000) | – | – |
| J Ingram[4] | (450 000) | (750 000) | – | – |
| **Total** | **(900 000)** | **(1 486 966)** | **–** | **13 034** |

*3 Refer to note 18 for further details.*
*4 Refer to note 12 for further details.*

Loan accounts – Owing (to) by company related to associate

| Figures in Rand | Group 2020 | Group 2019 | Company 2020 | Company 2019 |
|---|---|---|---|---|
| Windfall[4] | – | 10 200 | – | 5 100 |
| **Total** | **–** | **10 200** | **–** | **5 100** |

*4 Refer to note 12 for further details.*

Amounts included in Trade receivables/(Trade payables) – Owing (to) by subsidiary companies

| Figures in Rand | Group 2020 | Group 2019 | Company 2020 | Company 2019 |
|---|---|---|---|---|
| Huge Connect | – | – | – | (2 210 418) |
| Huge Management | – | – | 436 298 | – |
| Huge Networks | – | – | – | 7 980 254 |
| Huge Software | – | – | – | 4 781 |
| Huge Telecom | – | – | (31 346) | (1 285 525) |
| Huge Telecom | – | – | 3 117 174 | 10 443 813 |
| **Total** | **–** | **–** | **3 522 125** | **14 932 905** |

Amounts included in Trade receivables/(Trade payables) – Owing (to) by related individuals

| Figures in Rand | Group 2020 | Group 2019 | Company 2020 | Company 2019 |
|---|---|---|---|---|
| JC Herbst | – | – | – | 17 442 |
| VM Mokholo | – | – | – | (15 000) |
| Windfall | – | – | – | 5 101 |
| Z Bulbulia | – | – | – | (115 000) |
| **Total** | **–** | **–** | **–** | **(107 457)** |

**Related party transactions**

Interest paid to/(received from) subsidiary companies[1]

| | Group 2020 | Group 2019 | Company 2020 | Company 2019 |
|---|---|---|---|---|
| Huge Connect | – | – | – | 1 706 795 |
| Huge Management | – | – | (2 147 445) | – |
| Huge Software | – | – | – | (177 731) |
| Huge Telecom | – | – | (1 573 919) | (2 484 308) |
| Pansmart | – | – | (1 240 129) | – |
| The CI Trust | – | – | – | (42 466) |
| | **–** | **–** | **(4 961 493)** | **(997 710)** |

*1 Refer to note 31 and 32 for further details.*

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

## 39. Related parties (continued)

### Dividends paid to/(received from) subsidiary companies

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Huge Connect[1] | **–** | – | **(515 075 000)** | (28 000 000) |
| Huge Telecom | **–** | – | **1 808 799** | – |
| | **–** | **–** | **(513 266 201)** | **(28 000 000)** |

1 *Refer to note 31 for further details.*

### Purchases from subsidiary companies

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Huge Services | **–** | 470 702 | **–** | – |
| Huge Software | **–** | 400 007 | **–** | – |
| | **–** | **870 709** | **–** | **–** |

### Consulting fees paid to related parties

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Casa Da Luz Proprietary Limited[1] | **720 000** | 838 100 | **–** | – |
| VM Mokholo[2] | **200 000** | – | **–** | – |
| Z Bulbulia[3] | **–** | 1 200 000 | **–** | 1 200 000 |
| | **920 000** | **2 038 100** | **–** | **1 200 000** |

1 *Casa Du Luz Proprietary Limited entered into a capital raising fee consulting agreement in prior years which was still in effect at 29 February 2020.*
2 *VM Mokholo entered into a once-off consulting arrangement in relation to the Windfall transaction that took place in the current year.*
3 *The consulting agreement with Z Bulbulia was assigned to Huge Management from 1 March 2020 and came to an end on 12 May 2020.*

### Surety fees paid to related parties

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| JC Herbst[1] | **1 158 708** | – | **–** | – |
| | **1 158 708** | **–** | **–** | **–** |

1 *JC Herbst stood as surety for the obligations of Huge Telecom to various creditors during the previous reporting periods. The surety fees relate to payment for assuming these risks.*

### Management fees (received from)/paid to subsidiary companies

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Huge Connect | – | – | – | (7 800 000) |
| Huge Management | – | | – | – |
| Huge Network | **–** | – | **–** | (1 774 128) |
| Huge Software | – | – | – | (49 884) |
| Huge Telecom | – | – | – | (18 290 736) |
| Huge Telecom | – | – | – | 900 000 |
| | **–** | **–** | **–** | **(27 014 748)** |

### Acquisition of remaining equity in Huge Services

Huge Telecom concluded a sale of shares agreement with Adapt IT Proprietary Limited (**AdaptIT**) in respect of the acquisition of the remaining 50% of the issued share capital of Huge Services (formerly Gonondo Telecom). Huge Services had been the subject of a joint venture between Huge Telecom and AdaptIT. Subsequent to the acquisition of the remaining equity in Gonondo Telecom, its name was changed to Huge Services. The agreements became unconditional on 16 September 2019.

### Acquisition of a shareholding in Pansmart

Huge concluded agreements involving Pansmart. The agreements became unconditional on 13 May 2019. The purchase consideration for the 50.254% of the ordinary shares of Pansmart amounted to R100. Huge also acquired 50% of the shareholder claims on loan account which, amounted to R13 151 309.

### Acquisition of Huge Payments

Huge concluded a sale of shares and claims agreement involving IntelPay Proprietary Limited (**IntelPay**). In terms of the agreement, Huge acquired 100% of the issued share capital of IntelPay and all of the shareholder claims on loan account against IntelPay for the sum of R100 000. The agreements became unconditional on 27 March 2019.

### Sale of shares in Huge Cellular and Huge Soho

Huge Telecom, the holding company of Huge Cellular, concluded a sale of shares agreement with Windfall. In terms of the agreement, Huge Telecom disposed of 51% of its ordinary shares in Huge Cellular to Windfall. The sale resulted in loss of control of Huge Cellular and the subsequent recognition and measurement of Huge Cellular as an associate company of the Group. This recognition and measurement was undertaken in FY2019.

Huge, the holding company of Huge Soho, concluded a sale of shares agreement with Windfall. In terms of the agreement, Huge disposed of 51% of its ordinary shares in Huge Soho to Windfall. This sale resulted in loss of control of Huge Soho and the subsequent recognition and measurement of Huge Soho as an associate company of the Group. This recognition and measurement was undertaken during FY2019.

Refer to note 37 for additional disclosure.

## 40. Remuneration and benefits paid to directors/prescribed officers

### Executive

| 2020<br>Name | Services to the Company | Incentives | Services to other Group companies | Services in connection with the affairs of the Company or Group | Risk, retirement and medical contributions paid or payable | Total |
|---|---|---|---|---|---|---|
| JC Herbst | 3 736 182 | 3 960 000 | – | – | 524 781 | 8 220 963 |
| AP Openshaw | 2 919 966 | – | – | – | 111 819 | 3 031 785 |
| SL Sequeira | 1 138 416 | 75 000 | – | – | – | 1 213 416 |
| **Total** | **7 794 564** | **4 035 000** | **–** | **–** | **636 600** | **12 466 164** |

| 2019<br>Name | Services to the Company | Incentives | Services to other Group companies | Services in connection with the affairs of the Company or Group | Risk, retirement and medical contributions paid or payable | Total |
|---|---|---|---|---|---|---|
| JC Herbst | 3 658 339 | – | – | – | 339 720 | 3 998 059 |
| Z Bulbulia[1] | 3 995 487 | – | – | – | – | 3 995 487 |
| **Total** | **7 653 826** | **_** | **–** | **–** | **339 720** | **7 993 546** |

1 *Z Bulbulia resigned from the Board with effect from 31 December 2018.*

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

## 40. Remuneration and benefits paid to directors/prescribed officers (continued)

### Non-executive

| 2020 | Directors' fees | Consultancy fees | Total |
|---|---|---|---|
| BC Armstrong | 486 000 | – | 486 000 |
| DF da Silva | 844 000 | 720 000 | 1 564 000 |
| DR Gammie | 487 000 | – | 487 000 |
| CWJ Lyons | 487 000 | – | 487 000 |
| VM Mokholo | 487 000 | 200 000 | 687 000 |
| SP Tredoux | 469 000 | – | 469 000 |
| **Total** | **3 260 000** | **920 000** | **4 180 000** |

| 2019 | Directors' fees | Consultancy fees | Total |
|---|---|---|---|
| BC Armstrong | 451 800 | – | 451 800 |
| DF da Silva | 773 500 | 720 000 | 1 493 500 |
| DR Gammie | 451 800 | – | 451 800 |
| CWJ Lyons | 483 800 | – | 483 800 |
| VM Mokholo | 451 800 | – | 451 800 |
| SP Tredoux | 474 406 | – | 474 406 |
| **Total** | **3 087 106** | **720 000** | **3 807 106** |

### Prescribed officers

| 2020 | Services to the Company | Services to other Group companies | Services in connection with the affairs of the Company or Group | Risk, retirement and medical contributions paid or payable | Total |
|---|---|---|---|---|---|
| RR Burger[1] | – | 2 262 445 | – | 161 366 | 2 423 811 |
| A Lessing[2] | – | 2 196 532 | – | 77 592 | 2 274 124 |
| SM Oberholzer[3] | – | 1 754 637 | – | 58 920 | 1 813 557 |
| CWE Rowan[4] | – | 686 011 | – | – | 686 011 |
| **Total** | **–** | **6 899 625** | **–** | **297 878** | **7 197 503** |

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

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

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

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

| 2019 | Services to the Company | Services to other Group companies | Services in connection with the affairs of the Company or Group | Risk, retirement and medical contributions paid or payable | Total |
|---|---|---|---|---|---|
| RR Burger[1] | – | 590 073 | – | 92 732 | 682 805 |
| G Engling[2] | – | 2 000 470 | – | 132 388 | 2 132 858 |
| A Lessing | – | 2 086 909 | – | 92 913 | 2 179 822 |
| SM Oberholzer | – | 1 791 790 | – | 53 436 | 1 845 226 |
| CWE Rowan | – | 674 312 | – | – | 674 312 |
| **Total** | **–** | **7 143 554** | **–** | **371 469** | **7 515 023** |

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

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

## 41. Financial instruments and risk management

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and while it retains ultimate responsibility for risk management, has delegated the authority for designing and operating processes that ensure the effective implementation of objectives and policies to the Group's finance function. The Board receives monthly reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies which it sets.

### Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

| Group – 2020 | Note(s) | Fair value through profit or loss | Financial assets at amortised cost | Leases | Total | Fair Value |
|---|---|---|---|---|---|---|
| Loans to associate companies | 11 | – | 70 703 558 | – | 70 703 558 | 70 703 558 |
| Loans to shareholders | 18 | – | – | – | – | – |
| Loans receivable | 12 | – | 540 331 | – | 540 331 | 540 331 |
| Investments at fair value | 14 | 403 640 | – | – | 403 640 | 403 640 |
| Finance lease receivables | 16 | – | – | – | – | – |
| Trade and other receivables | 19 | – | 58 391 087 | – | 58 391 087 | 58 391 087 |
| Cash and cash equivalents | 20 | – | 40 152 606 | – | 40 152 606 | 40 152 605 |
| | | **403 640** | **169 787 582** | **–** | **170 191 222** | **170 191 221** |

| Group – 2019 | Note(s) | Fair value through profit or loss | Financial assets at amortised cost | Leases | Total | Fair Value |
|---|---|---|---|---|---|---|
| Loans to associate companies | 11 | – | 66 608 155 | – | 66 608 155 | 66 608 155 |
| Loans to shareholders | 18 | – | 13 034 | – | 13 034 | 13 034 |
| Loans receivable | 12 | – | 8 464 009 | – | 8 464 009 | 8 464 009 |
| Investments at fair value | 14 | 45 005 610 | – | – | 45 005 610 | 45 005 610 |
| Finance lease receivables | 16 | – | – | 2 385 068 | 2 385 068 | 2 385 068 |
| Trade and other receivables | 19 | – | 59 645 753 | – | 59 645 753 | 59 645 753 |
| Cash and cash equivalents | 20 | – | 23 958 494 | – | 23 958 493 | 23 958 493 |
| | | **45 005 610** | **158 689 445** | **2 385 068** | **206 080 122** | **206 080 122** |

| Company – 2020 | Note(s) | Fair value through profit or loss | Financial assets at amortised cost | Total | Fair Value |
|---|---|---|---|---|---|
| Loans to Group companies | 11 | – | 169 997 539 | 169 997 539 | 169 997 539 |
| Loans to associate companies | 11 | – | 1 206 542 | 1 206 542 | 1 206 542 |
| Loans to shareholders | 18 | – | – | – | – |
| Loans receivable | 12 | – | – | – | – |
| Investments at fair value | 14 | 457 478 640 | – | 457 478 640 | 457 478 640 |
| Trade and other receivables | 19 | – | 3 553 471 | 3 553 471 | 3 553 471 |
| Cash and cash equivalents | 20 | – | 19 550 522 | 19 550 522 | 19 550 522 |
| | | **457 478 640** | **194 308 074** | **651 786 714** | **651 786 714** |

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

## 41. Financial instruments and risk management (continued)

| Company – 2019 | Note(s) | Fair value through profit or loss | Financial assets at amortised cost | Total | Fair Value |
|---|---|---|---|---|---|
| Loans to Group companies | 11 | – | 110 768 722 | 110 768 722 | 110 768 722 |
| Loans to associate companies | 11 | – | 1 207 507 | 1 207 507 | 1 207 507 |
| Loans to shareholders | 18 | – | 13 034 | 13 034 | 13 034 |
| Loans receivable | 12 | – | 5 100 | 5 100 | 5 100 |
| Investments at fair value | 14 | 45 005 610 | – | 45 005 610 | 45 005 610 |
| Trade and other receivables | 19 | – | 22 447 625 | 22 447 625 | 22 447 625 |
| Cash and cash equivalents | 20 | – | 2 296 665 | 2 296 665 | 2 296 665 |
| | | **45 005 610** | **136 738 653** | **181 744 263** | **181 744 263** |

### Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

| Group – 2020 | Note(s) | Financial liabilities at amortised cost | Leases | Total | Fair value |
|---|---|---|---|---|---|
| Trade and other payables | 26 | 43 864 842 | – | 43 864 842 | 43 864 842 |
| Interest-bearing liabilities | 24 | 172 519 872 | – | 172 519 872 | 172 519 872 |
| Lease liabilities | 5 | – | 20 816 549 | 20 816 549 | 20 816 549 |
| Bank overdraft | 20 | 891 249 | – | 891 249 | 891 249 |
| | | **217 275 963** | **20 816 549** | **238 092 512** | **238 092 512** |

| Group – 2019 | Note(s) | Financial liabilities at amortised cost | Leases | Total | Fair value |
|---|---|---|---|---|---|
| Trade and other payables | 26 | 32 814 148 | 21 159 | 32 835 307 | 32 835 307 |
| Interest-bearing liabilities | 24 | 170 524 470 | – | 170 524 470 | 170 524 470 |
| Finance lease liabilities | 5 | – | 7 630 387 | 7 630 387 | 7 630 387 |
| Bank overdraft | 20 | 2 750 927 | – | 2 750 927 | 2 750 927 |
| | | **206 089 545** | **7 651 546** | **213 741 091** | **213 741 091** |

| Company – 2020 | Note(s) | Financial liabilities at amortised cost | Leases | Total | Fair value |
|---|---|---|---|---|---|
| Trade and other payables | 26 | 396 632 | – | 396 632 | 396 632 |
| Lease liabilities | 5 | – | 4 523 418 | 4 523 418 | 4 523 418 |
| Interest-bearing liabilities | 24 | 142 519 872 | – | 142 519 872 | 142 519 872 |
| | | **142 916 504** | **4 523 418** | **147 439 922** | **147 439 922** |

| Company – 2019 | Note(s) | Financial liabilities at amortised cost | Total | Fair value |
|---|---|---|---|---|
| Trade and other payables | 26 | 5 433 660 | 5 433 660 | 5 433 660 |
| Loans from Group companies | 11 | 13 693 203 | 13 693 203 | 13 693 203 |
| Interest-bearing liabilities | 24 | 137 821 648 | 137 821 648 | 137 821 648 |
| | | **156 948 511** | **156 948 511** | **156 948 511** |

## Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 24, loans as disclosed in notes 11, 12 and 26 as well as equity as disclosed in the statement of financial position in note 23.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure, and it adjusts the capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new Shares, or sell assets to reduce debt.

There are externally imposed capital requirements. Refer to bank covenants in notes 20 and 24.

## Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and having access to available funding in terms of an adequate amount of committed credit facilities. Prudent liquidity risk management also applies to the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The Group's exposure to liquidity risk is that there may be insufficient funds available to cover future commitments. The Group manages liquidity risk through an ongoing review of future commitments and credit facilities.

The Group manages its liquidity needs by carefully monitoring the scheduled debt servicing payments of long-term interest-bearing financial liabilities as well as forecasting cash inflows and outflows on a day-to-day basis. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis as well as a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day outlook period are identified monthly. Net cash requirements are compared to available borrowing facilities to determine headroom or shortfalls. This analysis indicates whether available borrowing facilities are expected to be sufficient over the outlook period.

To meet its liquidity requirement for the three-month periods referred to above, the Group maintains cash balances at appropriate levels.

Funding for long-term liquidity needs is secured by an adequate amount of committed credit facilities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

There are no amounts (2019: R4 020 004) in trade and other receivables subject to legal dispute.

| Group | Note(s) | Carrying value | Contractual cash flow | Between one and 12 months | Between one and five years |
|---|---|---|---|---|---|
| **At 29 February 2020** | | **226 631 581** | **260 974 980** | **98 207 235** | **162 767 745** |
| **Non-current liabilities** | | | | | |
| Interest-bearing liabilities | 24 | 120 936 298 | 147 335 065 | – | 147 335 065 |
| Lease liabilities | 5 | 14 509 005 | 15 432 680 | – | 15 432 680 |
| **Current liabilities** | | | | | |
| Trade and other payables | 26 | 32 403 911 | 32 403 911 | 32 403 911 | – |
| Lease liabilities | 5 | 6 307 544 | 8 790 676 | 8 790 676 | – |
| Interest-bearing liabilities | 24 | 51 583 574 | 56 121 399 | 56 121 399 | – |
| Bank overdraft | 20 | 891 249 | 891 249 | 891 249 | – |
| **At 28 February 2019** | | **198 386 074** | **200 447 995** | **98 219 556** | **102 228 439** |
| **Non-current liabilities** | | | | | |
| Interest-bearing liabilities | 24 | 96 535 713 | 96 535 713 | – | 96 535 713 |
| Finance lease liabilities | 5 | 4 455 210 | 5 692 726 | – | 5 692 726 |
| **Current liabilities** | | | | | |
| Trade and other payables | 26 | 17 480 289 | 17 480 289 | 17 480 289 | – |
| Finance lease liabilities | 5 | 3 175 177 | 3 999 582 | 3 999 582 | – |
| Interest-bearing liabilities | 24 | 73 988 757 | 73 988 757 | 73 988 757 | – |
| Bank overdraft | 20 | 2 750 928 | 2 750 928 | 2 750 928 | – |

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

## 41. Financial instruments and risk management (continued)

### Interest rate risk (continued)

| Company | Note(s) | Carrying value | Contractual cash flow | Between one and 12 months | Between one and five years |
|---|---|---|---|---|---|
| **At 29 February 2020** | | **142 916 504** | **142 916 504** | **51 980 206** | **90 936 298** |
| **Non-current liabilities** | | | | | |
| Interest-bearing liabilities | 24 | 90 936 298 | 90 936 298 | – | 90 936 298 |
| **Current liabilities** | | | | | |
| Trade and other payables | 26 | 396 632 | 396 632 | 396 632 | – |
| Loans from group companies | 11 | – | – | – | – |
| Interest-bearing liabilities | 24 | 51 583 574 | 51 583 574 | 51 583 574 | – |
| Bank overdraft | 20 | – | – | – | – |
| **At 28 February 2019** | | **156 128 138** | **156 128 138** | **48 000 449** | **108 127 689** |
| **Non-current liabilities** | | | | | |
| Interest-bearing liabilities | 24 | 94 434 486 | 94 434 486 | – | 94 434 486 |
| **Current liabilities** | | | | | |
| Trade and other payables | 26 | 4 610 203 | 4 610 203 | 4 610 203 | – |
| Loans from group companies | 11 | 13 693 203 | 13 693 203 | – | 13 693 203 |
| Interest-bearing liabilities | 24 | 43 387 162 | 43 387 162 | 43 387 162 | – |
| Bank overdraft | 20 | 3 084 | 3 084 | 3 084 | – |

### Interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates of interest expose the Group's cash flow to changes in the level of those interest rates. The Group's borrowings are variable rate borrowings which are denominated in Rand. The sensitivity analysis is based on year-end exposures.

At 29 February 2020, if interest rates on Rand-denominated borrowings had been 0.1% higher/lower with all other variables held constant, pre-tax profit for the year of the Group would have been R155 066 (2019: R117 984) lower/higher.

| Variable interest rate instruments | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Cash and cash equivalents | 39 261 356 | 21 207 565 | 19 550 522 | 2 293 581 |
| Interest-bearing liabilities | (172 519 872) | (170 524 470) | (142 519 872) | (137 821 648) |
| Lease liabilities | (20 816 549) | (7 630 387) | – | – |
| | **(154 075 065)** | **(156 947 292)** | **(122 969 350)** | **(135 528 067)** |

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and cash and cash equivalents.

#### Exposure to credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investments in debt securities.

The carrying amounts of financial assets represents the Group's maximum credit exposure.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Trade receivables inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if customers fail to make payments as they fall due.

Management, of the relevant entities within the Group, have established a credit policy which is aligned to the Group's policy, under which each new customer is analysed individually for creditworthiness before the Group's standard payment and deliver terms and conditions are offered. The Group's review includes external ratings including credit scoring (TBD47) and Compuscan, financial statements, credit agency information, industry information and bank references. Credit limits

are established for each customer and are reviewed quarterly. Any sales exceeding these credit limits require approval from management of the relevant entities within the Group in accordance with Group policy. The Group continuously monitors the potential default by its customers and other counterparties, identified either individually or as a Group and incorporates this information into its credit risk controls.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one month for customers. External credit ratings and/or reports on customers and counterparties are obtained and used. The Group's policy is to deal only with suitably creditworthy counterparties. Average debtors' terms are 30 days. Interest is charged on overdue customer accounts.

The Group establishes an allowance for impairment of debtors' balances that represents its estimate of potential credit losses in respect of trade and other receivables. The main components of this credit loss allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that may be incurred but may not yet be identified. The collective loss allowance is determined based on the historical data of payment statistics for similar financial assets.

The Group does not require collateral in respect of trade and other receivables. The Group does not have trade receivables for which no credit loss allowance is recognised because it is in possession of collateral.

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of credit loss (including but not limited to external ratings, annual financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies.

The Group uses an credit loss allowance matrix to measure the expected credit losses of trade receivables from customers, which comprise a very large number of small balances. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off utilising historical data over the past six years.

Risk levels are assigned to the customer status: Level 1 relates to trade and other receivables balances outstanding where the risk of default did not increase during the current year – therefore a lower risk factor has been applied, Level 2 relates to trade and other receivables balances where the risk of default did increase in the current year and therefore a mid to low risk factor has been applied, Level 3 relates to trade and other receivables balances which are considered to be credit impaired and a high risk factor has been applied.

The Group's historical credit loss experience identifies the requirement to disaggregate the trade and other receivables into further risk profiles relating to a customer's credit status. These risk profiles include active, suspended, payment plan, disconnected and handed-over, pending. In monitoring customer credit risk, customers are grouped according to these profiles and the credit risk levels and expected credit loss rate is assigned to these profiles. The provision for credit losses is therefore based on past due status of these profiles. The exposure to credit risk and expected credit loss allowances for trade and other receivables is determined as follows:

### Exposure to credit risk

| | **2020** | | | **2019** | | |
|---|---|---|---|---|---|---|
| **Trade receivables – Group**[1] | **Estimated gross carrying amount at default** | **Loss allowance rate** | **Loss allowance**[1] | Estimated gross carrying amount at default | Loss allowance rate | Loss allowance |
| Active | **36 438 977** | **5.4%** | **1 950 602** | 50 832 112 | 1.0% | 498 155 |
| Disconnected | **367 161** | **71.3%** | **261 628** | 442 275 | 2.9% | 12 952 |
| Payment plan | **1 005 151** | **15.8%** | **158 832** | 85 593 | 20.5% | 17 559 |
| Handover pending | **12 319 763** | **35.6%** | **4 390 658** | 1 256 518 | 91.5% | 1 149 393 |
| Suspended | **16 968 198** | **94.4%** | **16 016 923** | 1 478 450 | 100.0% | 1 478 450 |
| **Total** | **67 099 250** | | **22 778 643** | **54 094 948** | | **3 156 509** |

1 *As trade receivables are being managed on a collective basis, the details relating to each profile is as follows:*
*a) Active - Customers where no risks of non-payment have been identified and fall within the current to 30-day ageing brackets;*
*b) Disconnected - Customers who are in the 90-120 day ageing brackets who have defaulted on payment;*
*c) Payment Plan - Customers who have defaulted but have subsequently entered into formal or informal payment plans;*
*d) Handover Pending - Disconnected customers who have defaulted further and where a greater loss allowance has been applied;*
*e) Suspended - Relates to a customers who have been handed over to legal.*

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS (continued)

## 41. Financial instruments and risk management (continued)

### Reconciliation of loss allowances

The following table shows the movement in the credit loss allowance (lifetime expected credit losses) for trade and other receivables:

| | 2020 | 2019 |
|---|---|---|
| **Opening balance in accordance with IFRS 9** | **(3 157 159)** | **(2 121 786)** |
| Amounts written off against provision | **1 356 911** | 1 969 786 |
| Amounts recovered | **(819 405)** | (808 527) |
| Business combination additions | **(3 037 621)** | – |
| Net movement of loss allowance | **(17 121 368)** | (2 196 632) |
| **Closing balance** | **(22 778 642)** | **(3 157 159)** |

The Group is not exposed to any significant credit risk for any single counterparty or any Group of counterparties having similar characteristics. Trade receivables comprise a large number of customers in various industries and geographical areas.

Financial assets exposed to credit risk at year-end were as follows:

| | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|
| **Group** | Note(s) | **Gross carrying amount** | **Credit loss allowance** | **Amortised cost/fair value** | Gross carrying amount | Credit loss allowance | Amortised cost/fair value |
| Loans to associate companies | 11 | 70 703 558 | – | 70 703 558 | 62 400 648 | – | 62 400 648 |
| Loans to shareholders | 18 | – | – | – | 13 034 | – | 13 034 |
| Loans receivable | 12 | 540 331 | – | 540 331 | 8 464 009 | – | 8 464 009 |
| Finance lease receivables | 16 | – | – | – | 2 385 068 | – | 2 385 068 |
| Trade and other receivables | 19 | 92 035 924 | (22 778 643) | 69 257 281 | 68 039 612 | (2 946 160) | 65 093 452 |
| Contract assets | 13 | 7 069 614 | – | 7 069 614 | 14 912 254 | – | 14 912 254 |
| Cash and cash equivalents | 20 | 40 152 606 | – | 40 152 606 | 23 958 493 | – | 23 958 493 |
| | | **210 502 033** | **(22 778 643)** | **187 723 390** | **180 173 118** | **(2 946 160)** | **177 226 958** |

| | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|
| **Company** | Note(s) | **Gross carrying amount** | **Impairment** | **Amortised cost/fair value** | Gross carrying amount | Credit loss allowance | Amortised cost/fair value |
| Loans to group companies | 11 | 191 236 074 | (21 238 535) | 169 997 539 | 145 700 460 | (21 238 535) | 124 461 925 |
| Loans to associate companies | 11 | 1 206 542 | – | 1 206 542 | 1 207 507 | – | 1 207 507 |
| Loans to shareholders | 18 | – | – | – | 13 034 | – | 13 034 |
| Loans receivable | 12 | – | – | – | 5 100 | – | 5 100 |
| Trade and other receivables | 19 | 4 413 799 | – | 4 413 799 | 22 447 625 | – | 22 447 625 |
| Cash and cash equivalents | 20 | 19 550 522 | – | 19 550 522 | 2 296 665 | – | 2 296 665 |
| | | **216 406 937** | **(21 238 535)** | **195 168 402** | **171 670 391** | **(21 238 535)** | **150 431 856** |

The Group continuously monitors the potential default by its customers and other counterparties, identified either individually or as a group and incorporates this information into its credit risk controls.

The Group's management considers that all of the above financial assets, which are not impaired or past their due date, for each of the reporting dates under review, are of good credit quality.

Loans to Group companies and shareholders are assessed in accordance with IFRS 9. The expected credit losses are calculated using historical and forward-looking potential default risks. Each entity within the Group has the necessary means to settle its obligations and no risk of default or concern has been identified through the IFRS 9 credit loss allowance process. No credit loss allowance has therefore been raised on these related party balances.

### Reconciliation of provision for impairment of trade and other receivables

The Group is not exposed to any significant credit risk for any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas.

### Cash and cash equivalents

The Group held cash and cash equivalents of R39 261 357 at 29 February 2020 (2019: R21 207 565). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+, based on Standard & Poor's ratings.

Impairment of cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

On initial application of IFRS 9, the Group did not recognise an impairment allowance for cash and cash equivalents. At 29 February 2020 the Group's assessment of expected credit losses of cash and cash equivalents was not material and therefore no impairment allowance was raised.

## 42. Events after the reporting period

### Share Repurchase Programme

Following the announcement on 15 January 2020, the Company repurchased 12 500 Huge Shares amounting to R62 500 at an average price of 500 cents per share. These Shares were delisted on 30 April 2020.

After 29 February 2020 and up until 30 August 2020 , the Company repurchased 1 614 043 Huge Shares amounting to R5 918 625 at an average price of 367 cents per share, of which 7 500 were delisted on 20 April 2020 and the remaining will be delisted in due course.

### Dealings in securities by Directors

Following the announcement on 1 July 2020, 560 089 Huge Shares were allocated to, and vested in, share beneficiaries of The CI Trust and are held by the directors of Huge Connect and Huge Networks. The market value per share is R4.38, the market value of the transaction amounted to R2 458 175 and clearance to deal was obtained.

### Performance Incentive

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

### COVID-19

The directors have assessed the impact of the COVID-19 lockdown on the individual subsidiary companies as well as the Group as a whole and although the Group has been impacted, the assessment performed has reassured the directors that the impact is not material and of a concern to the Group. Refer to the Directors Report, which includes full detail relating to the assessments performed in this regard.

### Other matters

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

## 43. Going concern

The Board has undertaken a detailed review of the going concern capability of the Company (and all of the subsidiary companies of the Company) with reference to certain assumptions and plans underlying various cash flow forecasts.

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

Based on these facts, the Board believes that the Group is a going concern and will remain a going concern for the 12-month period that follows the date of approval of these AFS. Accordingly, the Company and the Group continue to adopt the going concern basis of preparing these AFS.